建發新勝

C&D Newin Paper & Pulp Corporation Limited

(Incorporated in Bermuda with limited liability)

(Stock Code : 0731)

2023 ANNUAL REPORT

CONTENTS

Corporate Information

Board of Directors

Executive Directors
Mr. Shi Yaofeng *(resigned on 27 September 2023)*
Ms. Shi Chenye *(resigned on 8 August 2023)*
Mr. Huang Tiansheng *(Chief Executive Officer)*
Mr. Lin Ruqing

Non-executive Directors
Mr. Cheng Dongfang *(resigned on 27 September 2023)*
Mr. Li Shengfeng *(resigned on 8 August 2023)*
Mr. Zhang Xiaohui *(Chairman of the Board)*
Mr. Choi Wai Hong, Clifford

Independent non-executive Directors
Mr. Wong Yiu Kit, Ernest
Mr. Lam John Cheung-wah
Mr. Zhao Lin

Audit Committee

Mr. Wong Yiu Kit, Ernest *(Chairman)*
Mr. Choi Wai Hong, Clifford
Mr. Lam John Cheung-wah

Remuneration Committee

Mr. Zhao Lin *(Chairman)*
Mr. Zhang Xiaohui
Mr. Lam John Cheung-wah

Nomination Committee

Mr. Zhao Lin *(Chairman)*
Mr. Zhang Xiaohui
Mr. Lam John Cheung-wah

Joint Company Secretaries

Dr. Wong Chi Ho, Raymond
Ms. Li Jing

Authorised Representatives

Mr. Zhang Xiaohui
Dr. Wong Chi Ho, Raymond

Registered Office

5th Floor, Victoria Place,
31 Victoria Street, Hamilton HM10,
Bermuda

Head Office and Principal Place of Business in Hong Kong

Rooms 2306B & 2307,
23rd Floor, West Tower, Shun Tak Centre,
No. 168–200, Connaught Road Central,
Hong Kong

Principal Share Registrar and Transfer Office

MUFG Fund Services (Bermuda) Limited
4th Floor North, Cedar House,
41 Cedar Avenue, Hamilton HM12,
Bermuda

Hong Kong Branch Share Registrar and Transfer Office

Boardroom Share Registrars (HK) Limited
Room 2103B, 21/F, 148 Electric Road,
North Point, Hong Kong

Principal Bankers

Standard Chartered Bank (Hong Kong) Limited
Industrial and Commercial Bank of China, Xuecheng District Sub-branch
China Everbright Bank, Xiamen branch

Company Website

www.cndnewin.com

Legal Advisers

As to Hong Kong law
Seyfarth Shaw
Suites 3701, 3708–3710, 37/F,
Edinburgh Tower, The Landmark,
15 Queen's Road Central, Hong Kong

Independent Auditor

RSM Hong Kong
Certified Public Accountants
29th Floor, Lee Garden Two
28 Yun Ping Road
Causeway Bay
Hong Kong

Stock Code

731

Financial Highlights

Consolidated Statement of Profit or Loss

	For the year ended 31 December 2023 HK$'000	For the nine months ended 31 December 2022 HK$'000
Revenue	1,372,077	1,044,390
Operating loss	(108,106)	(138,469)
Finance costs	21,416	12,422
Loss before tax	(129,522)	(150,891)
Loss attributable to owners of the Company	(128,798)	(150,875)

Consolidated Statement of Financial Position

	As at 31 December 2023 HK$'000	As at 31 December 2022 HK$'000
Non-current assets	916,470	993,083
Current assets	256,470	323,926
Current liabilities	367,998	459,332
Shareholders' funds	179,443	315,789
Non-current liabilities	625,499	541,888

Share Statistics

	For the year ended 31 December 2023	For the nine months ended 31 December 2022
Loss per share — basic	HK(9.1) cents	HK(10.7) cents
Loss per share — diluted	HK(9.1) cents	HK(10.7) cents
Dividends per share	HK Nil cents	HK Nil cents
Net asset value per ordinary share	HK12.7 cents	HK22.3 cents

Chairman's Statement

Dear Shareholders and Investors,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of C&D Newin Paper & Pulp Corporation Limited (the "**Company**"), I present the annual report of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2023 (the "**Year**").

In 2023, it was a year of economic recovery and development. However, the economic rebound still faced some difficulties and challenges which were mainly insufficient effective demand, excess production capacity in certain industries, weak market expectations, and numerous hidden risks. There were blockages in the domestic circulation, and the external environment became more complex, tough, and uncertain. The demand rebound was relatively weak, compounded by the impact on prices of packaging paper as the results of the release of additional production capacity and the elimination of import tariffs, which put substantial pressure on the Company's operations. The management team of the Company actively responded to these challenges by adjusting their business strategies. They internally fostered a new corporate culture characterised by unity, dedication, integrity, progress, and win-win cooperation. Efforts were made to promote energy conservation, reduce consumption, and increase productivity. Externally, the Company actively explored the market to enhance its market recognition. During the Year, the Company achieved sales revenue of approximately HK$1,372.1 million.

In 2024, the paper manufacturing industry's recovery is slow. Amid such market environment, the key measures for the Company to break through are actively exploring new markets and customers externally and implementing cost-saving measures internally. In this regard, the Company will adjust its business strategies and actively respond to the situation. Externally, the Company will conduct market research and develop new markets. Internally, the Company will tap into its potential, improve cost structure, and closely align with the national energy strategy and the "Dual Carbon" goals. The Company shall promote energy conservation and consumption reduction in the paper manufacturing industry, adapt to policy development requirements, and bring development confidence and returns to shareholders of the Company (the "**Shareholders**").

Finally, on behalf of the Board, I would like to thank the staff of the Group for their efforts and dedication, and express my sincere gratitude to the Shareholders, customers, suppliers and other business partners for their longstanding support in the development of the Company and their support to the development of the Company in the past year!

Mr. Zhang Xiaohui
(Chairman of the Board)

Hong Kong, 28 March 2024

Management Discussion and Analysis

Business Review

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Financial Review

Revenue

During the Year, the revenue was generated from the manufacturing and selling of paper products of approximately HK$1,372.1 million (for the nine months ended 31 December 2022: HK$1,044.4 million).

Costs of sales and gross loss

During the Year, the cost of sales was approximately HK$1,392.2 million (for the nine months ended 31 December 2022: HK$1,099.2 million).

The gross loss for the Year was approximately HK$20.1 million which is mainly attributable to the decrease in the average unit selling price of the major paper products of the Group as the result of the overall domestic macroeconomic downtown and the sluggish recovery of the consumer market (for the nine months ended 31 December 2022: gross loss of approximately HK$54.8 million). The decrease in gross loss is mainly attributable to (i) the efforts of the Group to refine the control and management of the production costs, enhance the development of suppliers of raw materials and strengthen the management of purchase price comparison; and (ii) the increase in the Group's average monthly sales volume and average monthly production volume of the major paper products of the Group which led to the decrease in unit fixed cost.

Selling expenses

During the Year, the selling expenses was approximately HK$2.3 million (for the nine months ended 31 December 2022: HK$1.6 million), which was mainly attributable to staff costs expenses of approximately HK$1.8 million (for the nine months ended 31 December 2022: HK$1.3 million).

Administrative expenses

During the Year, the administrative expenses was approximately HK$109.8 million (for the nine months ended 31 December 2022: HK$89.6 million), which was mainly attributable to staff costs expenses of approximately HK$27.7 million, depreciation and amortisation of approximately HK$23.4 million and research and development expenses of approximately HK$42.3 million (for the nine months ended 31 December 2022: HK$21.3 million, HK$18.6 million and HK$31.2 million respectively).

Financial Review (continued)

Loss for the year/period
The Group recorded loss for the Year, which amounted to approximately HK$128.8 million for the Year as compared to loss amounted to approximately HK$150.9 million for the nine months ended 31 December 2022.

Such change was mainly due to the decrease in gross loss as mentioned above.

Liquidity, Financial Resources and Capital Structure

Bank loans and other borrowings
As at 31 December 2023, the Group's bank loans and other borrowings were approximately HK$565.9 million, representing an increase of approximately 20.6% as compared with approximately HK$469.3 million as at 31 December 2022.

Pledge of assets
At 31 December 2023, no asset was pledged as security for the Group's other borrowings (31 December 2022: Nil).

At 31 December 2023, the carrying amount of property, plant and equipment and right-of-use in aggregate of approximately HK$80.4 million (31 December 2022: HK$89.5 million) was pledged as security for the Group's bank borrowings of approximately HK$55.1 million (31 December 2022: HK$79.0 million).

Gearing ratio
As at 31 December 2023, our gearing ratio was 75.0% as compared with that of 59.1% as at 31 December 2022. The gearing ratio is calculated by net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings) less bank and cash balances. Total capital is calculated as total equity plus net debt.

Current ratio
As at 31 December 2023, our current ratio was 0.70 times as compared with that of 0.71 times as at 31 December 2022. The current ratio is calculated by current assets divided by current liabilities.

Contingent liabilities
As at 31 December 2023, the Group did not have any material contingent liabilities or guarantees (31 December 2022: Nil).

Employees, Staff Costs and Training

As at 31 December 2023, we had a total of 769 (31 December 2022: 830) employees excluding directors. For the year ended 31 December 2023, the Group incurred staff costs (excluding directors' remuneration) of approximately HK$79.1 million (for the nine months ended 31 December 2022: HK$66.3 million).

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures and Significant Investments held

The Group had no material acquisitions and disposals of subsidiaries, associates and joint ventures during the Year and there is no plan for material investments or capital assets as at the date of this report.

Future plan for material investments or capital assets

There is no plan for material investments or capital assets as at the date of this annual report.

Principal Risks and Uncertainties

Economic climate

In 2023, the paper manufacturing industry faced challenges such as weak market demand, release of new production capacity, zero tariffs on imported paper products, increase in raw material costs, and other difficulties. As a result, the Company's operations faced greater pressure. However, considering the national macroeconomic policies that stimulate economic development and the overall trend of the domestic economy, China's development is characterized by favorable conditions with few unfavorable factors. The basic trend of economic recovery and long-term goals remain unchanged. In this regard, the management of the Company will continue to strive for industry policy support, accurately grasp strategic positioning and market positioning, expand product coverage, achieve economies of scale, internally monitor production costs, expand sources of revenue, and reduce costs. By doing so, we aim to maintain our competitiveness in the paper manufacturing industry.

Customers' credit risk

The Group is exposed to credit risk in its business operations. The Group's business, financial condition and results of operations may be adversely affected by substantial delays or default in payments by its customers. In order to minimise the credit risk, the management of the Group has delegated a team responsible for setting credit limits, credit approvals and other monitoring procedures. We extend credit to our customers based on a prudent assessment of their financial condition and credit history. The Group will take follow-up actions to recover the overdue debts. The Group also reviews the recoverable amounts of debts at the end of the reporting period to ensure that adequate impairment losses are recognised for irrecoverable amounts.

Details of the credit risk of customers are set out in the note 6(b) to the consolidated financial statements.

Liquidity risk

To manage liquidity risk, the Group monitors and maintains a level of cash and cash equivalents which is considered by management to be adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

Details of liquidity risk are set out in the note 6(c) to the consolidated financial statements.

Foreign exchange risk

The Group's transaction currencies are mainly denominated in Renminbi and Hong Kong dollars. The Group currently does not have a foreign exchange hedging policy. However, the management closely monitors the foreign exchange exposure and the Group will hedge the foreign exchange exposure when it is considered necessary.

Prospects

Looking ahead to 2024, although there are still many uncertainties in the external environment, there are signs of gradual improvement in the global economic data. The World Trade Organisation predicts that the global trade in goods will grow by 3.3% in 2024. As a major manufacturing country and a significant player in the global trade in goods, the growth of global trade in goods has a certain boosting effect on China's economy. In this situation, the paper manufacturing industry, as it supports various industries, will also experience growth for production and consumption. Taking advantage of this opportunity, the Company will promote capacity upgrades and energy-saving development strategies. Through measures such as increasing productivity and production efficiency, updating equipment, and optimizing processes, we aim to enhance our production capacity to 500,000 tonnes per year and create a production base for premium coated whiteboard paper.

Subsequent Events after the Year

In January 2024, the Group has drawn down bank borrowings of approximately HK$54,503,000 (equivalent to RMB49,720,000) which is repayable within 18 months from the date of the relevant drawdown with a repayment on demand clause and the bank facility of RMB100,000,000 has been fully utilised.

On 12 March 2024, UPPSD entered into extension agreements with 山東佰潤紙業有限公司 (Shandong Bairun Paper Co. Ltd*) ("**Shandong Bairun**") to extend the borrowings in aggregate amount of approximately HK$434,095,000 (equivalent to RMB396,000,000) to 31 January 2026.

Save as disclosed above, the Group has no significant events occurred from 1 January 2024 to the date of this annual report which require additional disclosures.

Biographies of Directors, Senior Management and Company Secretaries

The biographical details of the Directors, senior management and company secretaries are set out below:

Executive Directors

Mr. Lin Ruqing (林儒卿), aged 38, is an executive Director. He joined the Group on 27 September 2023.

Mr. Lin has 16 years of experience in business and management experience. Mr. Lin joined Xiamen C&D Paper & Pulp Group Co., Ltd.* (廈門建發漿紙集團有限公司) ("**Xiamen C&D Paper & Pulp**") (formerly known as Xiamen C&D Paper & Pulp Co., Limited* (廈門建發紙業有限公司)) in July 2008 and has worked in various business and marketing positions within the group. Since 2021, Mr. Lin is the assistant to the general manager of Xiamen C&D Paper & Pulp and is responsible for the group's paper business management and operations in the Northwestern China division. Mr. Lin obtained a Bachelor's degree in light chemical engineering from Nanjing Forestry University (南京林業大學) in June 2008.

Mr. Huang Tiansheng (黃田勝), aged 43, is an executive Director, the chief executive officer of the Company and an executive director and legal representative of each of Universal Pulp & Paper (Shandong) Co. Ltd.* (遠通紙業（山東）有限公司) and Shandong Yuantong Renewable Resources Recycling Company Limited* (山東遠通再生資源回收有限公司) ("**SDYTRRR**"), being wholly-owned subsidiaries of the Company. Mr. Huang is also an executive director of each of Greater Paper Development Limited and Greater Paper (Shenzhen) Paper Limited* (偉紙（深圳）紙業發展有限公司). He joined the Group on 26 January 2022.

Mr. Huang has over 20 years of experience in managing the supply chain of paper industry. Mr. Huang joined Xiamen C&D Paper & Pulp in August 2002, where he has been responsible for the management of the supply of paper products in Guangdong Province and Zhejiang Province. Mr. Huang was promoted to assistant to the general manager of Xiamen C&D Paper & Pulp in January 2016, deputy general manager of Xiamen C&D Paper & Pulp paper business in January 2021, and latterly general manager of Xiamen C&D Paper & Pulp's paper business in March 2024. He is currently responsible for the operation of Xiamen C&D Paper & Pulp's paper business.

Mr. Huang obtained his bachelor's degree in economics, majoring in international trade, from Hangzhou Business College (杭州商學院) (currently known as Zhejiang Gongshang University (浙江工商大學)) in July 2002.

Non-executive Directors

Mr. Zhang Xiaohui (張曉暉), aged 48, is a non-executive Director, the chairman of the Board, a member of each of the nomination committee of the Board and the remuneration committee of the Board, and an authorised representative of the Company. He joined the Group on 27 September 2023.

Mr. Zhang has over 25 years of management and operations experience. Mr. Zhang joined Xiamen C&D Inc. (廈門建發股份有限公司) ("**C&D Inc.**") in 1998 as a salesperson and was subsequently promoted to vice general manager of Xiamen C&D Paper & Pulp and was responsible for the management and operations of the pulp business segment of the company. Mr. Zhang was promoted as general manager of Xiamen C&D Paper & Pulp in 2023 and is responsible for the overall management and operations of the company. Currently, Mr. Zhang is also the vice president of Chinese Paper Association* (中國造紙協會) and the vice president of the National Federation of Industry and Commerce Paper Chamber of Commerce* (全國工商聯紙業商會).

Mr. Zhang is currently a non-executive director of China Sunshine Paper Holdings Company Limited, a company listed on the Main Board of the Stock Exchange (stock code: 2002) from 22 November 2023.

Non-executive Directors (continued)

Mr. Choi Wai Hong, Clifford (蔡偉康), aged 66, is a non-executive Director and a member of the audit committee of the Board.

Mr. Choi was appointed as an independent non-executive Director on 16 July 2020. On 21 May 2021, Mr. Choi was re-designated as an executive Director. He was subsequently re-designated from an executive Director to a non-executive Director with effect from 26 January 2022.

Mr. Choi obtained a Bachelor of Arts degree in Economic and Social Studies from The University of Manchester (formerly known as: The Victoria University of Manchester), United Kingdom, in 1982. Mr. Choi is a member of each of (i) The Hong Kong Institute of Certified Public Accountants; (ii) The Institute of Chartered Accountants in England and Wales; (iii) The Association of Chartered Certified Accountants; and (iv) The Taxation Institute of Hong Kong; and a Certified ESG Planner of the International Chamber of Sustainable Development. Mr. Choi currently holds the HKICPA Practising Certificate.

Mr. Choi joined Pricewaterhouse (currently known as PricewaterhouseCoopers) in Hong Kong since January 1983 and departed in July 1992 with his last position as manager. He was subsequently a general manager in DCH MSC (China) Limited, NHK Distribution Company Limited and Porsche Centre Hangzhou from July 1992 to June 1999, July 1999 to December 2003 and January 2004 to August 2012, respectively. He then joined Princess Yacht Southern China Limited as a chief executive officer from September 2012 to November 2012 and later on as a director in the NHK Yacht Services division of NHK Distribution Company Limited from December 2012 to August 2017. Mr. Choi then joined Beijing Glory Star Centre Automotive Sales and Service Company Limited (北京極光星徽汽車銷售服務有限公司) as its general manager from September 2017 to January 2018. He re-joined NHK Distribution Company Limited since 2018 and currently serves as its director.

Mr. Choi served as an executive director and an authorised representative of Arta TechFin Corporation Limited (formerly known as Freeman FinTech Corporation Limited), a company listed on the Main Board of the Stock Exchange (stock code: 279) from 19 November 2020 to 29 October 2021, and also served as a non-executive director of Silk Road Logistics Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 988) from 4 June 2021 to 14 December 2021. Mr. Choi served as an independent non-executive director of Bolina Holding Co., Ltd (former stock code: 1190), which was incorporated in the Cayman Islands with limited liability and was delisted from the Main Board of the Stock Exchange on 10 March 2021, from 29 January 2021 to 10 March 2021. Mr. Choi also served as an independent non-executive director of South Shore Holdings Limited (former stock code: 577), which was incorporated in Bermuda with limited liability and was delisted from the Main Board of the Stock Exchange on 9 February 2023, from 18 May 2021 to 30 June 2023; an independent non-executive director of DreamEast Group Limited, a company listed on the Main Board of the Stock Exchange (stock code: 593) from 10 December 2021 to 15 January 2024, and an independent non-executive director of EcoGreen International Group Limited, a company listed on the Main Board of the Stock Exchange (stock code: 2341), from 8 November 2022 to 17 January 2024.

Mr. Choi is currently a non-executive director and an authorised representative of Xinming China Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 2699) from 16 April 2021 and 25 November 2021, respectively.

Independent Non-executive Directors

Mr. Wong Yiu Kit, Ernest (黃耀傑), aged 56, is an independent non-executive Director and the chairman of the audit committee of the Board. He joined the Group on 26 January 2022 and is responsible for overseeing the Group's management independently and providing independent advice to the Board.

Mr. Wong has accumulated over 21 years of experience in venture capital, corporate finance and management. He was the vice president of Vertex Management (HK), an international venture capital firm in Singapore, from July 2000 to October 2002. He worked at Hong Kong Applied Science and Technology Research Institute Company Limited from November 2002 to April 2008, where he last served as the chief financial officer. He was an executive director of Adamas Finance Asia Limited (formerly known as China Private Equity Investment Holdings Limited) ("**Adamas Finance**"), a company whose shares are listed on the London Stock Exchange (stock code: ADAM) and the Frankfurt Stock Exchange (stock code: 1CP1), from May 2008 to February 2014 and a non-executive director of Adamas Finance from February 2014 to June 2019. From October 2014 to August 2019, he worked for KVB Kunlun Financial Group Limited (now known as CLSA Premium Limited) ("**Kunlun Financial**"), a company whose shares are listed on the Main Board of the Stock Exchange (stock code: 6877), as the chief financial officer and the company secretary. During the period from May 2018 to August 2019, he was concurrently an executive director of Kunlun Financial. He is currently the president and the group chief financial officer of KVB Holdings Limited.

From October 2011 to June 2022, he was an independent non-executive director of RENHENG Enterprise Holdings Limited, a company whose shares are listed on the Main Board of the Stock Exchange (stock code: 3628).

He is currently an independent non-executive director of each of Progressive Path Group Holdings Limited, a company whose shares are listed on the Main Board of the Stock Exchange (stock code: 1581), Aidigong Maternal & Child Health Limited, a company whose shares are listed on the Main Board of the Stock Exchange (stock code: 286), Goldstone Investment Group Limited, a company whose shares are listed on the Main Board of the Stock Exchange (stock code: 901 (in liquidation)) and Kwong Luen Engineering Holdings Limited, a company whose shares are listed on the Main Board of the Stock Exchange (stock code: 1413).

Mr. Wong obtained a bachelor's degree in business administration from The University of Hong Kong in 1991, a master's degree of science in investment management from The Hong Kong University of Science and Technology in 1998, a master's degree of science in electronic engineering from The Chinese University of Hong Kong in 2008, and a master's degree in management from Saïd Business School of Oxford in 2020.

Mr. Wong was admitted as a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants in November 1999 and October 2002, respectively. He was admitted as a chartered financial analyst of the Institute of Chartered Financial Analysts in September 1998 and an associate member of the Institute of Chartered Accountants in England and Wales in January 2008. He is also acting as the court member of The University of Hong Kong, the global court member of the Association of Chartered Certified Accountants, the immediate past chairman of the Hong Kong Committee of Association of Chartered Certified Accountants, the former president of the Hong Kong University Graduates Association, the former deputy chairman of the HKU Convocation, and a former executive director of the CFA Hong Kong.

Independent Non-executive Directors (continued)

Mr. Lam John Cheung-wah (藍章華), aged 69, is an independent non-executive Director and a member of each of the audit committee, remuneration committee and nomination committee of the Board. He joined the Group in May 2022 and is responsible for overseeing the Group's management independently and providing independent advice to the Board.

Mr. Lam has substantial experience in the banking industry. From 1991 to 2005, he held various senior positions at Hongkong Bank of Canada (currently known as HSBC Bank Canada), HSBC California and Hang Seng Bank Limited. He subsequently worked at Dah Sing Bank, Limited from September 2005 to February 2012 with his last position as an Executive Director, Head of Retail Banking. After that, Mr. Lam acted as the Vice Chairman and an Executive Director of Nan Fung Property Holdings Limited in China Property Division between February 2013 and December 2021, and he has served as their consultant since January 2022.

Mr. Lam was a non-executive director of Hong Kong Aerospace Technology Group Limited, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1725), from October 2021 to July 2022. He is currently (i) an independent non-executive director of Wing Lee Property Investments Limited, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 864), since February 2013, (ii) an independent non-executive director of Blue River Holdings Limited, the shares of are listed on the Main Board of the Stock Exchange (stock code: 498), since August 2022, (iii) an independent non-executive director of Oshidori International Holdings Limited, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 622), since August 2022; and (iv) an independent non-executive director of Envision Greenwise Holdings Limited, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1783), since June 2023. Since September 2023, Mr. Lam was appointed as a non-executive director of Lincoln Minerals Limited, a Australian company listed on the Australian Securities Exchange (LML:ASX).

He graduated from Ryerson Polytechnical Institute (currently known as Ryerson University) in Toronto, Canada in June 1988 where he received his bachelor of business management degree. He is a Fellow of the Institute of Canadian Bankers and a Fellow of Royal Institution of Chartered Surveyors. He was a member of the Chinese People's Political Consultative Conference Guangzhou Committee.

Mr. Zhao Lin (趙琳), aged 60, is an independent non-executive Director and the chairman of each of the nomination committee and the remuneration committee of the Board. He joined the Group on 26 January 2022 and is responsible for overseeing the Group's management independently and providing independent advice to the Board.

Mr. Zhao has over 37 years of experience in the paper and pulp manufacturing industry. In 1985, he joined Yibin Paper Industry Co., Ltd. (宜賓紙業股份有限公司), a company whose shares are listed on the Shanghai Stock Exchange (stock code: 600793) as an assistant engineer, where he last served as the general manager and vice-chairman. From 2004 to 2021, Mr. Zhao worked for Sichuan Youfun Paper Group (四川永豐紙業集團), where he successively served as the general manager of Sichuan Yongfeng Plasm Paper Co., Ltd. (四川永豐漿紙股份有限公司), and the general manager and chairman of the board of Luzhou Yongfeng County Pulp & Paper Co., Ltd. (瀘州永豐漿紙有限責任公司). Currently, Mr. Zhao is the consultant of Taison Technology (Group) Co., Ltd. (泰盛科技(集團)股份有限公司).

Mr. Zhao obtained a bachelor degree of engineering from the Shanxi University of Science & Technology (陝西科技大學) (formerly known as North West Light Industry College (西北輕工業學院)) in 1985, where he majored in pulp and paper manufacturing. Mr. Zhao obtained the professorate senior engineer qualification in 2013. He became a member of China Technical Association of Paper Industry (中國造紙學會) and China Paper Association (中國造紙協會) in 1987 and 1988, respectively. He was also a member of the Chinese People's Political Consultative Conference Sichuan Committee (中國人民政治協商會議四川省委員會). Currently, he is an expert committee member and council member in China Paper Association (中國造紙協會).

Senior Management

Mr. Lin Henghui (林恆輝), aged 41, has over 18 years of experience in finance. Mr. Lin joined C&D Inc. in July 2005 and has served various finance related positions within the group. Since July 2023, Mr. Lin has been the chief financial officer of Xiamen C&D Paper & Pulp. Mr. Lin obtained a Bachelor's degree in accounting from the Xiamen University (廈門大學) in July 2005.

Joint Company Secretaries

Dr. Wong Chi Ho, Raymond (黃志豪), aged 52, is a joint company secretary and an authorised representative of the Company. Dr. Wong has over 20 years of experience of advising corporate and commercial law with particular focus on capital markets, public takeovers, mergers and acquisitions, corporate restructuring and regulatory compliance. Dr. Wong is the managing partner of the Hong Kong office of Seyfarth Shaw, an international law firm. Before joining Seyfarth Shaw in 2017, Dr. Wong had been a partner in several international law firms. He acted as the joint company secretary of China Golden Classic Group Limited, a company whose shares are listed on the GEM of the Stock Exchange (stock code: 8281) from August 2018 to August 2021.

Dr. Wong graduated from Imperial College London with a Bachelor of Engineering degree in Electrical and Electronic Engineering in August 1994. He also obtained a Master of Arts degree in Law from City, University of London in March 2000, a Master of Laws degree in Chinese Law from The University of Hong Kong in December 2003 and a Doctor of Laws degree in Economic Law from East China University of Political Science and Law in December 2019.

Ms. Li Jing (李晶), aged 37, is a joint company secretary of the Company. Ms. Li joined Xiamen C&D Paper & Pulp in July 2011 and she is currently working in the corporate development department (formerly known as the investment management department) of Xiamen C&D Paper & Pulp. Ms. Li obtained a bachelor of engineering degree in machine design, manufacturing and automation from Jimei University (集美大學) in July 2009. She then obtained a master of science degree in industrial engineering from the Oregon State University in June 2011. In June 2021, Ms. Li finished all the courses for a master of business administration degree provided by Xiamen University (廈門大學). Ms. Li obtained the intermediate qualification in business administration in December 2013.

The Company is committed to maintaining and promoting high corporate governance standards. The Board believes that high corporate governance standards are important for the long-term success and sustainability of the Group's business, enhancing corporate value, transparency and accountability as well as protecting the interests of the Shareholders.

The Company has adopted the principles and code provisions as set out in the Corporate Governance Code (the "**CG Code**") in Appendix C1 to the Listing Rules. None of the Directors is aware of any information which would reasonably indicate that the Company is not, or was not, throughout the year ended 31 December 2023, in compliance with the Listing Rules and the code provisions (the "**Code Provision(s)**") under the CG Code. The major corporate governance principles and practices of the Company are summarised as below.

The Board will continue to enhance its corporate governance practices appropriate to the conduct and growth of its business and to review such practices from time to time to ensure they comply with statutory and professional standards and align with the latest development.

Board of Directors

Responsibilities, accountabilities and contributions

The Board oversees the Group's businesses, strategic decisions and financial performance. It leads and provides direction to management by laying down strategies and overseeing the implementation by management.

The executive Directors, chief executive and senior management are delegated the authority and responsibilities by the Board for the day-to-day management and operation of the Group. The delegated functions and responsibilities are periodically reviewed by the Board to ensure that they remain appropriate. Approval has to be obtained from the Board prior to any significant transactions entered into by the aforesaid officers on behalf of the Group.

The Board has also established three Board committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee, to oversee particular aspects of the Company's affairs. The Board has delegated to the Board committees responsibilities as set out in their respective terms of reference. All Board committees are provided with sufficient resources to perform their duties.

All Directors have brought extensive experience, knowledge and professionalism to the Board for its efficient and effective functioning. They have full and timely access to all information of the Company, and may upon request seek independent professional advice where appropriate at the Group's expenses for discharging their duties to the Company. The Board regularly reviews the contribution required from a Director to perform his/her responsibilities to the Company, and whether the Director is devoting sufficient time and attention performing them. The Company has also arranged insurance coverage on Directors' and officers' liabilities in respect of any legal action taken against them arising out of corporate activities. The directors and officers liability insurance coverage would be reviewed on an annual basis.

The Board reserves for its discretion on matters affecting the Group's overall strategic policies and finances including financial statements, dividend policy, significant changes in accounting policy, material contracts and major investments.

Board of Directors (continued)

Board composition

The Board currently comprises seven Directors, of which two are executive Directors, two are non-executive Directors and three are independent non-executive Directors. The members of the Board are listed as follows:

Executive Directors

Mr. Shi Yaofeng (resigned on 27 September 2023)
Ms. Shi Chenye (resigned on 8 August 2023)
Mr. Huang Tiansheng *(chief executive officer)*
Mr. Lin Ruqing (appointed on 27 September 2023)

Non-executive Directors

Mr. Cheng Dongfang (resigned on 27 September 2023)
Mr. Zhang Xiaohui *(chairman of the Board)* (appointed on 27 September 2023)
Mr. Li Shengfeng (resigned on 8 August 2023)
Mr. Choi Wai Hong, Clifford

Independent non-executive Directors

Mr. Wong Yiu Kit, Ernest
Mr. Lam John Cheung-wah
Mr. Zhao Lin

The list of Directors and their roles and functions is disclosed on the websites of the Company and the Stock Exchange by the Company from time to time pursuant to the Listing Rules. The independent non-executive Directors are also identified in all corporate communications that disclose the names of Directors pursuant to Code Provision B.1.1. The biographies of the Directors are set out in the section headed "Biographies of Directors, senior management and company secretaries" in this annual report.

To the best of the Directors' knowledge, information and belief, save as disclosed in this annual report, there is no relationship (including financial, business, family or other material/relevant relationship(s)), if any, between Board members and in particular, between the chairman and the chief executive.

Chairman and chief executive officer

Code Provision C.2.1 provides that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

The position of chairman has been held by Mr. Zhang Xiaohui and chief executive officer has been held by Mr. Huang Tiansheng, which is in compliance with the Code Provision.

Independent non-executive Directors

The Board has met the requirements of the Listing Rules regarding the appointment of at least three independent non-executive Directors representing at least one-third of the Board, with at least one of whom possessing appropriate professional qualifications or accounting or related financial management expertise during the Period.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company considers that all independent non-executive Directors are independent.

Board of Directors (continued)

Independent views and input
In order to ensure independent views and input are available to the Board, the following mechanisms, among other things, have been established.

The Board ensures the appointment of at least three independent non-executive Directors and at least one-third of its members being independent non-executive Directors (or such higher threshold as may be required by the Listing Rules from time to time). Independent non-executive Directors are also appointed to Board committees as required under the Listing Rules and as far as practicable to ensure independent views and input are available.

The Nomination Committee strictly adheres to the independence assessment criteria as set out in the Listing Rules with regard to the nomination and appointment of independent non-executive Directors. The Board also requires each independent non-executive Director to provide written confirmation as to the factors affecting their independence provided under the Listing Rules every year.

The chairman of the Board meets with the independent non-executive Directors regularly without the presence of the other Directors.

In addition, the Directors may seek advice from external independent professional advisors at the Company's expense to perform their duties.

The Board reviewed the aforementioned mechanisms and considered that the same was implemented and effective for the year ended 31 December 2023.

Appointment and re-election of Directors
Other than (i) Mr. Choi Wai Hong, Clifford, Mr. Wong Yiu Kit, Ernest, Mr. Zhao Lin and Mr. Lam John Cheung-wah who entered into new service contracts with the Company for a period from 1 January 2024 to 31 December 2026; and (ii) Mr. Lin Ruqing and Mr. Zhang Xiaohui who each entered into a service contract with the Company on 27 September 2023 for an initial period from 27 September 2023 to 25 January 2025, Mr. Huang Tiansheng has entered into a service contract with the Company dated 28 December 2021 for an initial term of three years commencing on the date of resumption of trading of the Company's shares (i.e. 26 January 2022) subject to termination by either party giving three months' written notice and the terms set out therein.

All Directors hold office subject to provision of retirement and rotation of directors under the bye-laws of the Company ("**Bye-Laws**").

Pursuant to Bye-Law 99, subject to the manner of retirement by rotation of Directors as from time to time prescribed under the Listing Rules, at each annual general meeting ("**AGM**"), one-third of the Directors for the time being (of if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. Any Director appointed pursuant to Bye-Law 91 shall not be taken into account in determining which particular Directors or the number of Directors who are to retire by rotation. Bye-Law 91 provides that the Directors may appoint any person to be a Director as an additional Director or to fill a casual vacancy but so that the maximum number of Directors so appointed shall not exceed the number determined from time to time by the members in general meeting. Any Directors so appointed shall hold office only until the first AGM of the Company after his appointment, and shall then be eligible for re-election.

Board of Directors (continued)

Appointment and re-election of Directors (continued)
Pursuant to the Bye-Laws, Mr. Lin Ruqing, Mr. Zhang Xiaohui, Mr. Huang Tiansheng, Mr. Choi Wai Hong, Clifford and Mr. Lam John Cheung-wah shall retire at the upcoming AGM of the Company. All the said Directors are eligible for re-election and have indicated that they will offer themselves for re-election at the upcoming AGM of the Company. The Board and the Nomination Committee recommended the re-appointment of said Directors standing for re-election at the upcoming AGM. For further details, please refer to the circular of the Company, which shall be despatched together with this annual report.

Board meetings
For the year ended 31 December 2023, the Board performed, by means of meetings and/or written resolutions, the following major duties, among other things:

i. discussed and approved the overall strategies and policies of the Company;

ii. reviewed and approved the unaudited interim results of the Group for the six months ended 30 June 2023;

iii. reviewed and approved the audited annual results of the Group for the nine months ended 31 December 2022; and

iv. reviewed the risk management and internal control systems of the Group.

Continuous professional development of Directors
Directors shall keep abreast of the latest developments in areas, including laws and regulations, the Listing Rules, as well as industry-specific and innovative changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Every newly appointed Director has received a formal and comprehensive induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant regulatory requirements. Such induction is supplemented by visit(s) to the key place(s) of business of the Group and meetings with senior management of the Company, where appropriate.

Pursuant to Code Provision C.1.4, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. The existing Directors are continually updated with legal and regulatory developments as well as the business and market changes to refresh their knowledge and skills and to facilitate the discharge of their responsibilities. The Company arranges continuous professional development trainings and provides reading materials on relevant topics for Directors whenever necessary at the Company's expenses.

Board of Directors (continued)

Continuous professional development of Directors (continued)

The existing and former Directors' continuous professional records of training relevant to (i) the Company's industry, strategies and business, (ii) director's duties and/or corporate governance, (iii) financial reporting and risk management, and/or (iv) legislative and regulatory compliance for the year ended 31 December 2023 are summarised as follows:

Name of Directors	Attended training, briefings, seminars, conferences and workshops	Read news alerts, newspapers, journals, magazines and publications
Executive Directors		
Mr. Lin Ruqing(Note 3)	√	√
Mr. Shi Yaofeng(Note 1)	√	√
Ms. Shi Chenye(Note 1)	√	√
Mr. Huang Tiansheng	√	√
Non-executive Directors		
Mr. Cheng Dongfang(Note 2)	√	√
Mr. Li Shengfeng(Note 2)	√	√
Mr. Zhang Xiaohui(Note 3)	√	√
Mr. Choi Wai Hong, Clifford	√	√
Independent non-executive Directors		
Mr. Wong Yiu Kit, Ernest	√	√
Mr. Lam John Cheung-wah	√	√
Mr. Zhao Lin	√	√

Notes:

1. Mr. Shi Yaofeng and Ms. Shi Chenye resigned their position as executive Directors with effect from 27 September 2023 and 8 August 2023, respectively.

2. Mr. Cheng Dongfang and Mr. Li Shengfeng resigned their position as non-executive Directors with effect from 27 September 2023 and 8 August 2023, respectively.

3. Mr. Lin Ruqing and Mr. Zhang Xiaohui were appointed as executive Director and non-executive Director, respectively, with effect from 27 September 2023.

Board Committees

The Board has established three committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee, for overseeing particular aspects of the Company's affairs. Each committee has been delegated responsibilities and reports back to the Board. The roles and functions of these committees are set out in their respective terms of reference, which are available at the websites of the Company and the Stock Exchange. The terms of reference of each of these committees will be revised from time to time to ensure that they continue to meet the needs of the Company and to ensure compliance with the CG Code where applicable.

Audit Committee

The Audit Committee has been established with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the CG Code.

The Audit Committee currently comprised three members, including one non-executive Director and two independent non-executive Directors, namely Mr. Choi Wai Hong, Clifford, Mr. Wong Yiu Kit, Ernest and Mr. Lam John Cheung-wah. Mr. Wong Yiu Kit, Ernest, who possessed the appropriate professional qualification or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules, is the chairman of the Audit Committee.

The terms of reference of the Audit Committee are of no less exacting terms than those set out in the CG Code. The main duties of the Audit Committee include (i) monitoring the integrity of the financial statements, (ii) reviewing the effectiveness of internal controls, risk management systems, scope of audit and arrangements for employees of the Company to raise concerns about possible wrongdoing in financial reporting or other matters, (iii) considering and making recommendations to the Board in relation to the appointment of external auditor, and approving the remuneration and terms of engagement of external auditor, and (iv) making recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

During the year ended 31 December 2023, the Audit Committee held two (2) meetings and performed the following major duties, among other things:

i. reviewed and approved the audited annual results of the Group for the nine months ended 31 December 2022;

ii. reviewed the interim report for the six months ended 30 June 2023, the unaudited interim results of the Group for the six months ended 30 June 2023 and relevant accounting principles and practices adopted by the Group;

iii. discussed matters with respect to effectiveness of the Company's financial reporting system, the system of internal control in operation, risk management system and associated procedures within the Group with senior management members and external auditor;

iv. reviewed the risk management and internal control systems of the Group;

v. reviewed the status of compliance with the CG Code, the Listing Rules and relevant laws by the Group.

The Audit Committee considers that the final financial results for the year ended 31 December 2023 are in compliance with the relevant accounting standards, rules and regulations, and appropriate disclosures have been duly made.

Board Committees (continued)

Audit Committee (continued)
The Audit Committee also met the external auditors twice without the presence of the executive Directors to discuss audit and financial reporting matters. The Audit Committee is satisfied with the independence and engagement of the external auditor, RSM Hong Kong, and has recommended its re-appointment.

Remuneration Committee
The Remuneration Committee has been established with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the CG Code.

The Remuneration Committee currently comprises three members, including one non-executive Director and two independent non-executive Directors, namely Mr. Zhang Xiaohui, Mr. Zhao Lin and Mr. Lam John Cheung-wah. Mr. Zhao Lin remains as the chairman of the Remuneration Committee.

The terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the CG Code. The primary functions of the Remuneration Committee include (i) making recommendations to the Board on the remuneration packages of individual executive Directors and senior management as well as the remuneration of non-executive Directors, and (ii) reviewing the ongoing appropriateness of the remuneration policy.

During the year ended 31 December 2023, the Remuneration Committee held one (1) meeting and performed the following major duties, among other things, (i) reviewing and determining the policy for the remuneration of executive Directors, (ii) assessing performance of executive Directors, (iii) reviewing and/or approving the terms of executive Directors' service contracts, (iv) reviewing the remuneration packages of the Directors and senior management, and (v) reviewing the share option scheme of the Company.

The emoluments paid or payable to the Directors during the year ended 31 December 2023 are set out in Note 15(a) to the consolidated financial statements in this annual report.

Pursuant to Code Provision E.1.5, the remuneration payable to members of senior management (including Directors) by band for the year ended 31 December 2023 is set out as follows:

Remuneration bands	**Number of individuals**
HK$0 to HK$250,000	8
HK$250,001 to HK$500,000	4

For further details of the remuneration for the year ended 31 December 2023, please refer to Note 14 to the consolidated financial statements contained in this annual report.

Nomination Committee
The Nomination Committee has been established with written terms of reference in compliance with the CG Code.

The Nomination Committee currently comprises three members, including one non-executive Director and two independent non- executive Directors, namely Mr. Zhang Xiaohui, Mr. Zhao Lin and Mr. Lam John Cheung-wah. Mr. Zhao Lin remains as the chairman of the Nomination Committee.

Board Committees (continued)

Nomination Committee (continued)

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code. The principal duties of the Nomination Committee include (i) reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board and making recommendations to the Board regarding any proposed changes to complement the Company's corporate strategy, (ii) identifying individuals suitably qualified to become Board members and selecting or making recommendations to the Board on the selection of individuals nominated for directorships, (iii) making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors (in particular the chairman and the chief executive officer), and (iv) assessing the independence of independent non-executive Directors.

During the year ended 31 December 2023, the Nomination Committee held one (1) meeting, and performed the following major duties, among other things, (i) reviewing the structure, size and composition of the Board, (ii) making recommendations to the Board on the re-appointment of Directors, (iii) assessing the independence of the independent non-executive Directors, and (iv) reviewing and/or determining the nomination policy and board diversity policy. The Nomination Committee considered an appropriate balance of diversity perspectives of the Board is maintained.

The procedures for the appointment, re-election and removal of directors are set out in the Bye-Laws.

Directors' Remuneration Policy

The Company's remuneration policy is primarily based on (i) the responsibilities of the role, (ii) the skills, knowledge and experience of the individual, (iii) the time commitment required of the role, (iv) the prevailing market rate of companies of comparable size and/or business, and (v) the performance of the Group and individuals concerned. It is subject to periodic review to ensure that the Company offers rewards that secure and retain high calibre individuals.

Board Diversity Policy and Nomination Policy

The Company has adopted the board diversity policy as the Board believes that increasing diversity at the Board level is an important part of achieving its strategic objectives, improving its decision-making and will ultimately benefit the Shareholders and the Company's other stakeholders. The board diversity policy sets out the basic principles to be followed to ensure that the Board has the appropriate balance of skills, experience, knowledge and diversity of perspectives necessary to enhance the effectiveness of the Board and to maintain high standards of corporate governance.

On gender diversity, the Board aspires to achieve and maintain at least one female Director on the Board no later than 31 December 2024 with the goal to have not less than 20% female representation on the Board and, over time, will expect female representation to increase further. It is recognised that periods of change in Board composition may result in temporary periods when such objective is not achieved.

The Board currently consists of seven male Directors with a balanced mix of knowledge and skills. It aims to achieve the objective as set out in the board diversity policy of having at least one female Director on the Board during the year ending 31 December 2024.

The Board also recognises the importance of diversity at the workforce level. As at 31 December 2023, the gender ratio in the workforce (including senior management) was approximately 23.1 males to 10 females. The Company aims to achieve a more balanced gender ratio in the workforce next year.

Board Diversity Policy and Nomination Policy (continued)

The Company has also adopted the nomination policy, which sets out the nomination procedures for selecting candidates for election as Directors and is administered by the Nomination Committee.

Evaluation and selection of Board candidates shall be based on factors, including but not limited to skills, experience and expertise, integrity as well as board diversity.

Selection and recommendation of candidates will be based on the nomination procedures and the process and criteria adopted by the Nomination Committee and a number of perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision is based on merit and contribution that the selected candidates will bring to the Board.

The Nomination Committee shall review the board diversity policy and the nomination policy and the measurable objectives from time to time as appropriate to ensure the effectiveness of such policies. The Nomination Committee will discuss any revisions to the board diversity policy and/or the nomination policy that may be required and make recommendations to the Board for approval, when appropriate.

Corporate Governance Functions

The Board is responsible for performing the functions set out in the Code Provision A.2.1.

During the year ended 31 December 2023, the Board reviewed the Company's policies and practices on compliance with legal and regulatory requirements, training and continuous professional development of Directors and senior management, the corporate governance policies and practices, the compliance of the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Listing Rules, the Company's compliance with the CG Code and the disclosure in this Corporate Governance Report.

Directors' Attendance Records

During the year ended 31 December 2023, the Company held four (4) Board meetings, two (2) Audit Committee meetings, one (1) Remuneration Committee meeting, one (1) Nomination Committee meeting and one (1) general meeting.

Code Provision C.5.1 provides that Board meetings are to be convened regularly with at least four times a year, and at approximately quarterly intervals with active participation of majority of the Directors, either in person or through electronic means of communication.

Directors' Attendance Records (continued)

The attendance records of each Director at the aforesaid meetings of the Company held during the year ended 31 December 2023 are set out below:

	Attendance/number of meeting(s) held				
Name of Directors	Board meeting(s)	Audit Committee meeting(s)	Remuneration Committee meeting(s)	Nomination Committee meeting(s)	General meeting(s)
Executive Directors					
Mr. Shi Yaofeng(Note 1)	3/4	N/A	N/A	N/A	1/1
Ms. Shi Chenye(Note 1)	1/4	N/A	N/A	N/A	1/1
Mr. Huang Tiansheng	4/4	N/A	N/A	N/A	1/1
Mr. Lin Ruqing(Note 3)	1/4	N/A	N/A	N/A	N/A
Non-executive Directors					
Mr. Cheng Dongfang(Note 2)	3/4	N/A	1/1	1/1	1/1
Mr. Li Shengfeng(Note 2)	1/4	N/A	N/A	N/A	1/1
Mr. Zhang Xiaohui(Note 3)	1/4	N/A	N/A	N/A	N/A
Mr. Choi Wai Hong, Clifford	4/4	2/2	N/A	N/A	1/1
Independent non-executive Directors					
Mr. Wong Yiu Kit, Ernest	4/4	2/2	N/A	N/A	1/1
Mr. Lam John Cheung-wah	4/4	2/2	1/1	1/1	1/1
Mr. Zhao Lin	4/4	N/A	1/1	1/1	1/1

Notes:

1. Mr. Shi Yaofeng and Ms. Shi Chenye resigned their position as executive Directors with effect from 27 September 2023 and 8 August 2023, respectively.

2. Mr. Cheng Dongfang and Mr. Li Shengfeng resigned their position as non-executive Directors with effect from 27 September 2023 and 8 August 2023, respectively.

3. Mr. Lin Ruqing and Mr. Zhang Xiaohui were appointed as executive Director and non-executive Director, respectively, with effect from 27 September 2023.

Apart from the above meetings, the chairman of the Board has held at least one meeting with independent non-executive Directors during the year ended 31 December 2023 without the presence of other Directors.

Directors' Attendance Records (continued)

The Company has adopted the Code Provisions of the CG Code that notices of at least 14 days will be given for all regular Board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for a regular meeting. For other Board and Board committee meetings, reasonable notice will be given.

An agenda, accompanying Board papers and all appropriate, complete and reliable information are sent to all Directors, in a timely manner, at least three days before intended date of each Board meeting or committee meeting to keep the Directors apprised of the latest developments and financial position of the Company, to facilitate the discharge of their duties and to enable them to make informed assessment and decisions. The Board and each Director also have separate and independent access to the senior management whenever necessary.

The senior management attends all regular Board meetings and where necessary, other Board and committee meetings to advise on business developments, financial and accounting matters, statutory and regulatory compliance, corporate governance and other major aspects of the Company.

The joint company secretaries are responsible for taking and keeping minutes of all Board meetings and committee meetings. Draft and final versions of minutes of the meetings are sent to all Directors for their comment and records within a reasonable time after the meeting.

The Bye-Laws contain provisions requiring Directors not to vote or be counted in the quorum on any resolution of the Directors approving any contract, arrangement or other proposal in which he/she or any of his/her associates has a material interest.

Risk Management and Internal Control

The Board is responsible for the risk management and internal control systems and reviewing their effectiveness at least once a year, in order to protect the Shareholders' investments and the Company's assets. The systems are designed to manage rather than eliminate the risk of failure to achieve the Company's business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems. The Audit Committee assists the Board in leading the management and overseeing the design, implementation and monitoring of the risk management and internal control systems. The Company recognises the importance of establishing and continually improving its risk management and internal control systems.

Having regard to the size and scale of operations, the Group currently has no internal audit function. The Company has engaged an external independent consultant to facilitate the discharge of establishing and maintaining an internal audit function for the Group. The external independent consultant has assisted the Audit Committee and the Board in carrying out an independent review on the adequacy and effectiveness of the risk management and internal control systems of the Group for the year ended 31 December 2023.

Having reviewed the risk management and internal control systems, including the financial, operational and compliance controls, the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting functions as well as those relating to the Company's ESG performance and reporting for the year ended 31 December 2023, the Audit Committee and the Board were not aware of any significant incidence of failure in connection with financial, operational and compliance control or material non-compliance for the year ended 31 December 2023. Based on the above, the Company considered its risk management and internal control systems effective and adequate.

Whistleblowing Policy

The Company has adopted arrangement to facilitate employees and external parties who deal with the Company to raise concerns, in confidence and anonymity, about actual or suspected misconduct or malpractice in the Company.

The Audit Committee shall review the whistleblowing mechanism regularly to improve its effectiveness and employee confidence in the process and to encourage a culture of openness.

Inside Information

The Company is aware of and strictly complies with the requirements of the currently applicable laws, regulations and guidelines, including the obligations to disclose inside information under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "**SFO**") and the Listing Rules, and the Guidelines on Disclosure of Inside Information issued by the Securities and Futures Commission, at the time when the relevant businesses are transacted. The Group has established the authority and accountability, as well as the handling and dissemination procedures in relation to inside information, and has communicated to all relevant personnel and provided them with specific trainings in respect of the implementation of the continuous disclosure policy.

The Board considers that the Company's handling and dissemination procedures and measures in relation to inside information are effective.

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix C3 to the Listing Rules as its own code of conduct regarding the Directors' dealings in the Company's securities. Specific enquiries have been made to all Directors and all Directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2023.

The Company's employees, who are likely to be in possession of unpublished inside information of the Company, are also subject to the Model Code.

Directors' Responsibilities in Respect of Financial Statements

The Directors acknowledge their responsibilities for preparing the financial statements of the Company for the year ended 31 December 2023.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, inside information announcements and other disclosures required under the Listing Rules and other regulatory requirements.

The senior management has provided to the Board necessary explanation and information to enable the Board to carry out an informed assessment of the Company's financial information and position, which are put forward to the Board for approval.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditor of the Company about their reporting responsibilities on the Company's consolidated financial statements for the year ended 31 December 2023 is set out in the section headed "Independent Auditor's Report" in this annual report.

External Auditor and Auditor's Remuneration

PricewaterhouseCoopers resigned as the auditor of the Company with effect from 26 March 2021. For further details, please refer to the announcement of the Company dated 28 March 2021.

Special general meeting of the Company was held on 25 August 2021, during which the ordinary resolution to appoint RSM Hong Kong as the auditor of the Company was duly passed by the Shareholders by way of poll. RSM Hong Kong has been re-appointed as the auditor of the Company with effect from 22 May 2023.

The total fee paid/payable to the external auditor of the Company, RSM Hong Kong, for the year ended 31 December 2023 is set out below:

Categories of services	Fee paid/payable HK$'000
Audit services	
— audit fee for the year ended 31 December 2023	1,200
Non-audit services for the year ended 31 December 2023	Nil

Authorised Representatives

Rule 3.05 of the Listing Rules stipulated that every listed issuer shall appoint two authorised representatives who shall act at all times as the listed issuer's principal channel of communication with the Stock Exchange.

Mr. Zhang Xiaohui and Dr. Wong Chi Ho, Raymond have been appointed as the authorised representatives of the Company with effect from 27 September 2023 and 26 January 2022, respectively. For further details, please see the announcement of the Company dated 27 September 2023 and 26 January 2022, respectively.

Joint Company Secretaries

Pursuant to Rule 3.28 of the Listing Rules, the Company must appoint as its company secretary an individual who, by virtue of his academic or professional qualifications or relevant experience is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary. As at the date of Ms. Li Jing's appointment, Ms. Li Jing did not possess the qualifications of company secretary as required. As such, the Company has applied for, and the Stock Exchange has granted, a waiver from the strict compliance with Rule 3.28 of the Listing Rules on the conditions that (i) Ms. Li Jing must be assisted by Dr. Wong Chi Ho, Raymond during the period of three years commencing on the date of the resumption of trading of the Company's shares (i.e. 26 January 2022); and (ii) the waiver could be revoked if there are material breaches of the Listing Rules by the Company. The Stock Exchange may withdraw or change the waiver in the event of changes in the situation of the Company.

Dr. Wong Chi Ho, Raymond and Ms. Li Jing have been appointed as the joint company secretaries of the Company with effect from 26 January 2022. For the biographies of Dr. Wong Chi Ho, Raymond and Ms. Li Jing, please refer to the section headed "Biographies of Directors, senior management and company secretaries" in this annual report.

Dr. Wong Chi Ho, Raymond is responsible for advising the Board on corporate governance matters and ensuring that the Company's policies and procedures, as well as the applicable laws, rules and regulations are complied with. He has assisted on the company secretarial matters of the Company and has closely communicated with Mr. Lu Zhiwen, who was the chief financial officer and Mr. Lin Henghui, the current chief financial officer and primary corporate contact person of the Company.

Joint Company Secretaries (continued)

During the year ended 31 December 2023, each of Dr. Wong Chi Ho, Raymond and Ms. Li Jing has taken no less than 15 hours of relevant professional training.

Communications with Shareholders and Investors

The Company recognises the importance of effective communication with the Shareholders and has adopted a shareholders' communication policy for enhancing investor relations and investors' understanding of the Group's business, performance and strategies. The Board also considers that transparency and timely disclosure of its corporate information are crucial to enable the Shareholders and investors to make informed investment decisions.

General meetings of the Company provide a platform for communication between the Directors, senior management and the Shareholders. Directors and senior management of the Company are available to answer enquiries raised by the Shareholders at such meetings. The external auditor of the Company is also invited to attend the AGMs of the Company to answer questions about the conduct of audit, the preparation and content of the auditor's report, the accounting policies and auditor's independence.

During the year ended 31 December 2023, the Company held an AGM on 22 May 2023. Notice of the meeting was sent to the Shareholders on 27 April 2023.

On 22 May 2023, the executive Directors, namely Mr. Shi Yaofeng, Ms. Shi Chenye and Mr. Huang Tiansheng; the non-executive Directors, namely Mr. Cheng Dongfang (being the chairman of the Board), Mr. Li Shengfeng and Mr. Choi Wai Hong, Clifford; and the independent non-executive Directors, namely Mr. Wong Yiu Kit, Ernest (being the chairman of the Audit Committee), Mr. Lam John Cheung-wah and Mr. Zhao Lin (being the chairman of the Remuneration Committee and the Nomination Committee); and a representative of the external auditor attended the AGM and were available to respond to questions raised by the Shareholders.

The Company maintains a website at www.cndnewin.com where information on the Company's announcements, financial information and other information are available for public access.

Any Shareholders' enquiries regarding their shareholding, including transfer of shares, change of address, report of lost share certificates, can be directed to the Company's branch share registrar and transfer office in Hong Kong, Boardroom Share Registrars (HK) Limited, as follows:

Address: Room 2103B, 21/F, 148 Electric Road, North Point, Hong Kong

Contact: (852) 2153 1688

Fax: (852) 3020 5058

Website: https://www.boardroomlimited.com/hk

The Board conducted a review of the implementation and effectiveness of the shareholders' communication policy. Having considered the multiple channels of communication in place as disclosed above, the Board is satisfied that the shareholders' communication policy has been properly implemented and effective for the year ended 31 December 2023.

Shareholders' Rights

In order to protect the Shareholders' interests and rights, separate resolutions are proposed for each substantially separate issue, including the election of individual Directors, at general meetings for the Shareholders' consideration and approval. All resolutions put forward at general meetings will be voted by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange after each general meeting.

Procedures for Shareholders to convene special general meeting
Bye-Law 57 provides that a special general meeting shall also be convened on the written requisition of any two or more members holding at the date of the deposit of the requisition in aggregate not less than one-tenth of the voting rights, on a one vote per share basis, in the paid-up share capital of the Company as at the date of the deposit. Such requisitionists must state the objects of the meeting and must be signed by the requisitionists and deposited at the office.

If the Directors do not within 21 days from the date of the deposit of such requisition proceed duly to convene a special general meeting, the requisitionists themselves or any of them representing more than one half of the total voting rights of all of them may convene the special general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Directors, and all reasonable expenses incurred by the requisitionists as a result of the failure of the Directors to convene such a meeting shall be reimbursed to them by the Company.

Procedures for Shareholders to propose a person for election as a director
Pursuant to Bye-Law 89, no person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing by a member (not being the person to be proposed) of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been given to the Company provided that the minimum length of the period, during which such notices are given, shall be at least seven days. The period for lodgment of such notices will commence no earlier than the day after the dispatch of the notice of the meeting appointed for such election and end no later than seven days prior to the date of such meeting.

As such, if a Shareholder wishes to propose a person for election as a Director at a general meeting, he/she shall deposit a written notice at the Company's principal place of business in Hong Kong. The notice must (i) include the personal information of the candidate as required by Rule 13.51(2) of the Listing Rules; and (ii) be signed by the Shareholder concerned and signed by the candidate indicating his/her willingness to be elected and consent of publication of his/her personal information.

Shareholders' Rights (continued)

Putting forward proposals at general meetings
Shareholders who wish to put forward a resolution may request the Company to convene a general meeting in accordance with the procedures mentioned above.

Putting forward enquiries to the Board
For putting forward any enquiry to the Board, Shareholders and investors may send written enquiries or requests to the Company for the attention of the Board. The Company will not normally deal with verbal or anonymous enquiries.

Shareholders and investors may send their enquiries or requests as mentioned above to the following:

Address: Rooms 2306B & 2307, 23rd Floor, West Tower, Shun Tak Centre, No. 168–200, Connaught Road Central, Hong Kong

Email: info@cndnewin.com

For the avoidance of doubt, the Shareholders must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

Change in constitutional documents
During the year ended 31 December 2022, the proposed resolution to approve amendments to the then existing Bye-Laws and adoption of the new Bye-Laws for the purposes of, among others, conforming to the core shareholder protection standards as set out in the revised Appendix 3 to the Listing Rules which took effect on 1 January 2022 was duly passed as a special resolution by the Shareholders by way of poll at the special general meeting of the Company held on 2 September 2022. For further details, please refer to the announcements of the Company dated 25 July 2022 and 2 September 2022 and the circular of the Company dated 25 July 2022.

During the year ended 31 December 2023, no changes were made to the Bye-Laws. The Bye-Laws is available on the websites of the Company and the Stock Exchange.

Dividend Policy
Pursuant to Code Provision F.1.1, the Company has adopted a dividend policy on payment of dividends. The Company does not have any pre-determined dividend payout ratio.

For further details of the dividend policy, please refer to the section headed "Report of the Directors — Dividend" in this annual report.

The Board is pleased to present this Directors' report together with the audited consolidated financial statements of the Company for the year ended 31 December 2023.

Principal Business

The Company is an investment holding company. The Group is principally engaged in manufacturing and trading of paper products in the People's Republic of China (the "**PRC**").

Business Review

A fair review of the business of the Group and a discussion and analysis of the Group's performance during the year ended 31 December 2023 using financial key performance indicators and the material factors underlying its results and financial position, significant events after the financial year end date as well as an indication of likely future developments in the Group's business are provided in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" in this annual report. Description of the principal risks and uncertainties facing the Group is set out in the "Management Discussion and Analysis" on page 8 of this annual report. These discussions form part of this Directors' report.

Subsidiaries

Particulars of the Company's subsidiaries are set out in Note 35 to the consolidated financial statements of the Company.

Results

The results of the Group for the year ended 31 December 2023 are set out in the consolidated financial statements on pages 80 to 81 of this annual report.

Financial Summary

A summary of the Group's results, assets and liabilities for the last five financial years/period are set out on page 144 of this annual report. This summary does not form part of the audited consolidated financial statements.

Annual General Meeting and Closure of Register of Members

The AGM of the Company will be held on Monday, 20 May 2024. The notice of the AGM will be published and dispatched to the Shareholders in due course in the manner as required by the Listing Rules.

In order to determine the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 14 May 2024 to Monday, 20 May 2024, both days inclusive, during which period no transfer of Shares will be registered. In order to qualify for the entitlement to attend and vote at the AGM, all transfer documents, accompanied by the relevant share certificates, must be lodged for registration with the Company's branch share registrar and transfer office in Hong Kong, Boardroom Share Registrars (HK) Limited, at Room 2103B, 21/F, 148 Electric Road, North Point, Hong Kong no later than 4:30 p.m. on Monday, 13 May 2024.

Dividend

Any declaration and payment as well as the amount of dividends will be subject to the Bye-Laws and the Companies Act of Bermuda.

The Bye-Laws provide that the Company in general meeting may declare dividends, in any currency, to be paid to the Shareholders. No dividend shall be declared or paid and no distribution of contributed surplus shall be made otherwise than in accordance with the applicable statutes of Bermuda. No dividend shall exceed the amount recommended by the Directors, nor bear interest against the Company.

Pursuant to Code Provision F.1.1, the Company has adopted a dividend policy on payment of dividends. In determining whether dividends are to be declared and paid, the Board will take into account (i) the financial performance of the Company, (ii) the reasonable return in investment of the investors and the Shareholders in order to provide them with incentives in furtherance of their support in the Company's long-term development, (iii) the future development needs of the Company, (iv) the general market conditions, and (v) other factors deemed appropriate by the Board. The Board will review the dividend policy from time to time as appropriate.

The Board has resolved not to declare any final dividend for the year ended 31 December 2023 (for the nine months ended 31 December 2022: Nil).

Tax Relief and Exemption

The Directors are not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's securities.

Relationships with Stakeholders

Employees
As at 31 December 2023, we had a total of 769 employees, who are substantially based in the PRC.

Our employees are mainly recruited through recommendations from our internal staff and recruitment websites and networks. Regular trainings relevant to safety, management system and job skills are provided to our employees.

The Group enters into standard agreements in relation to confidentiality and non-competition with its employees. The confidentiality and non-competition provisions set out therein are generally effective during and after their term of employment.

None of our employees are currently represented by labour unions. The Company believes that a good working relationship has been maintained with our employees, and the Group has not experienced any significant labour disputes or any difficulty in recruiting staff for the Group's operations during the year ended 31 December 2023 and up to the date of this annual report.

Relationships with Stakeholders (continued)

Customers and suppliers
The customers of the Group, which primarily consist of forest product distributors, are mainly based in the PRC. The credit terms of account receivables generally range from 0 to 90 days.

The suppliers of the Group, which primarily consist of waste paper suppliers and energy suppliers, are mainly based in the PRC. The suppliers are selected by the Group with reference to factors including reputation, quality, supply capacity, price, experience and compliance with applicable laws and regulations.

Major Customers and Suppliers

For the year ended 31 December 2023, the Group's sales to its five largest customers, which include 浙江建發紙業有限公司 (Zhejiang C&D Paper Co., Ltd.*) ("**Zhejiang C&D Paper**"), 江蘇建發紙業有限公司 (Jiangxu C&D Paper Co., Ltd.*) ("**Jiangxu C&D Paper**") and 青島建發紙業有限公司 (Qingdao C&D Paper Co., Ltd.*) ("**Qingdao C&D Paper**"), accounted for approximately 42.3% of the Group's total revenue and the largest customer accounted for approximately 12.5% of the Group's total revenue.

For the year ended 31 December 2023, purchases from the Group's five largest suppliers accounted for approximately 43.6% of the Group's total purchases and the largest supplier accounted for approximately 12.1% of the Group's total purchases.

Zhejiang C&D Paper is a company established in the PRC with limited liability and is owned as to 90% and 10% by Xiamen C&D Paper & Pulp and 廈門紙源工貿有限公司 (Xiamen Paper Source Industry and Trade Co., Ltd.*) ("**Xiamen Paper Source**") (being a wholly-owned subsidiary of Xiamen C&D Paper & Pulp), respectively. Mr. Huang Tiansheng is the legal representative, executive director and manager of Zhejiang C&D Paper. Jiangxu C&D Paper is a company established in the PRC with limited liability and is owned as to 95% and 5% by Xiamen C&D Paper & Pulp and Xiamen Paper Source, respectively. Mr. Huang Tiansheng is the executive director of Jiangxu C&D Paper. Qingdao C&D Paper is a company established in the PRC with limited liability and is owned as to 95% and 5% by Xiamen C&D Paper & Pulp and Xiamen Paper Source, respectively. Mr. Yang Wenli is the legal representative, executive director and manager of Qingdao C&D Paper. For further details, please refer to the sections headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures", "Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares" and "Directors' Interests in Competing Businesses" in this Report of the Directors.

So far as the Directors are aware, save as disclosed above, none of the Directors, their close associates or any Shareholders holding more than 5% of the number of issued shares of the Company had any interests in any of our five largest customers during the year ended 31 December 2023 and up to the date of this annual report.

So far as the Directors are aware, save as disclosed above, none of the Directors, their close associates or any Shareholders holding more than 5% of the number of issued shares of the Company had any interests in any of our five largest suppliers during the year ended 31 December 2023 and up to the date of this annual report.

Bank Loans and Other Borrowings

Details of bank loans and other borrowings of the Group as at 31 December 2023 are set out in Note 27 to the consolidated financial statements of the Company.

Charitable Donations

The Group donated funds and supplies of approximately HK$nil during the year ended 31 December 2023.

Share Capital

As at 31 December 2023, the issued share capital of the Company was 1,414,600,832 Shares.

Details of any movements in the share capital of the Company for the year ended 31 December 2023 are set out in Note 29 to the consolidated financial statements of the Company.

Reserves

Details of movements in the reserves of the Company during the year ended 31 December 2023 are set out on page 84 in the consolidated statement of changes in equity in this annual report.

Distributable Reserves

Details of the Company's reserves available for distribution to Shareholders are set out in Note 30(b) to the consolidated financial statements of the Company.

Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Group during the year ended 31 December 2023 are set out in Note 18 to the consolidated financial statements of the Company.

Pre-emptive Rights

There is no provision for pre-emptive rights under the Bye-Laws or the laws of Bermuda that would oblige the Company to offer new Shares on a pro rata basis to existing Shareholders.

Purchase, Sale or Redemption of Company's Listed Securities

During the year ended 31 December 2023, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Directors and Senior Management

The Directors and senior management of the Company during the year ended 31 December 2023 and up to the date of this annual report are set out below:

Name	Position(s) in the Company
Directors	
Mr. Lin Ruqing	Executive Director (appointed on 27 September 2023)
Mr. Shi Yaofeng	Chief Executive Officer and Executive Director (resigned on 27 September 2023)
Ms. Shi Chenye	Vice Chief Executive Officer and Executive Director (resigned on 8 August 2023)
Mr. Huang Tiansheng	Executive Director and Chief Executive Officer
Mr. Cheng Dongfang	Chairman of the Board, Non-executive Director (resigned on 27 September 2023)
Mr. Zhang Xiaohui	Chairman of the Board, Non-executive Director and Authorised Representative (appointed on 27 September 2023)
Mr. Li Shengfeng	Non-executive Director (resigned on 8 August 2023)
Mr. Choi Wai Hong, Clifford	Non-executive Director
Mr. Zhao Lin	Independent non-executive Director
Mr. Wong Yiu Kit, Ernest	Independent non-executive Director
Mr. Lam John Cheung-wah	Independent non-executive Director
Senior management	
Mr. Lu Zhiwen	Chief Financial Officer (resigned on 27 September 2023)
Mr. Lin Henghui	Chief Financial Officer (appointed on 27 September 2023)
Dr. Wong Chi Ho, Raymond	Company Secretary and Authorised Representative
Ms. Li Jing	Company Secretary

To the best of the Directors' knowledge, information and belief, save as disclosed in this annual report, the Directors and senior management do not have any relationship, including financial, business, family or other material/relevant relationships, amongst them.

In accordance with Bye-Law 91, Mr. Lin Ruqing and Mr. Zhang Xiaohui will retire and, being eligible, have offered themselves for re-election as Directors at the upcoming AGM of the Company.

In accordance with Bye-Law 99, Mr. Huang Tiansheng, Mr. Choi Wai Hong, Clifford and Mr. Lam John Cheung-wah will retire by rotation and, being eligible, have offered themselves for re-election as Directors at the upcoming AGM of the Company.

None of the Directors proposed for re-election at the forthcoming AGM has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than under statutory compensation.

Biographies of the Directors and senior management are set out on pages 10 to 14 of this annual report.

Directors' Service Agreements

Save for (i) Mr. Choi Wai Hong, Clifford, Mr. Wong Yiu Kit, Ernest, Mr. Zhao Lin and Mr. Lam John Cheung-wah who entered into new service contracts with the Company for a period from 1 January 2024 to 31 December 2026; and (ii) Mr. Lin Ruqing and Mr. Zhang Xiaohui who each entered into a service contract with the Company on 27 September 2023 for an initial period from 27 September 2023 to 25 January 2025, each of the existing executive Directors has entered into a director's service contract with the Company dated 28 December 2021 for an initial term of three years commencing on the date of resumption of trading of the Company's shares (i.e. 26 January 2022) subject to termination by either party giving three months' written notice and the terms set out therein.

The appointment of Directors is subject to the provisions of retirement and rotation of Directors under the Bye-Laws.

Independence of Independent Non-executive Directors

The Company has received from each independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors to be independent and remain so as of the date of this annual report.

Remuneration of Directors and Five Highest Paid Individuals

For the year ended 31 December 2023, as determined by the Remuneration Committee with reference to the Directors' position, level of responsibilities and remuneration policy of the Company as well as the prevailing market conditions,

i. each of Mr. Shi Yaofeng, Mr. Huang Tiansheng, Ms. Shi Chenye, Mr. Cheng Dongfang, Mr. Li Shengfeng, Mr. Lin Ruqing and Mr. Zhang Xiaohui would not receive any emolument but would be entitled to discretionary bonus and/or other benefits, *inter alia*, Director's insurance, business travel insurance, as may be further decided by the Board upon the recommendation of the Remuneration Committee from time to time; and

ii. each of Mr. Choi Wai Hong, Clifford, Mr. Zhao Lin, Mr. Wong Yiu Kit, Ernest and Mr. Lam John Cheung-wah was entitled to an annual emolument of RMB360,000, RMB240,000, RMB240,000 and RMB240,000, respectively, in addition to any discretionary bonus and/or other benefits, *inter alia*, Director's insurance, business travel insurance, as may be decided further by the Board upon the recommendation of the Remuneration Committee from time to time.

Details of the emoluments of the Directors and five highest paid individuals for the year ended 31 December 2023 are set out in Notes 14 and 15 to the consolidated financial statements of the Company.

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 December 2023, so far as is known to any Director or chief executive of the Company, none of the Directors and the chief executives of the Company had or was deemed to have any interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were required to be recorded in the register to be kept by the Company under section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

As at 31 December 2023, so far as the Directors are aware, the following persons (other than a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Interests in Shares and underlying Shares of the Company

Name of Shareholder	Capacity/Nature of interest	Total number of Shares/underlying Shares held(Note 1)	Approximate percentage of shareholding interest in the Company (%)(Note 1)
NCD Investment Holding Limited ("**NCD**")(Note 2)	Beneficial owner	990,220,583 (L)	70.00
Glenfor Investment Holding Limited ("**Glenfor**")(Note 2)	Interest of controlled corporation	990,220,583 (L)	70.00
Hong Kong Paper Sources Co. Limited ("**HK Paper Sources**")(Note 2)	Interest of controlled corporation	990,220,583 (L)	70.00
廈門建發漿紙集團有限公司(Note 2)	Interest of controlled corporation	990,220,583 (L)	70.00
廈門建發股份有限公司(Note 2)	Interest of controlled corporation	990,220,583 (L)	70.00
廈門建發集團有限公司(Note 2)	Interest of controlled corporation	990,220,583 (L)	70.00
廈門市人民政府國有資產監督管理委員會(Note 2)	Interest of controlled corporation	990,220,583 (L)	70.00
Quinselle Holdings Limited(Note 3)	Beneficial owner	73,059,817 (L)	5.16
Lee Seng Jin(Note 3)	Beneficial owner	12,845,969 (L)	6.08
	Interest of controlled corporation	73,059,817 (L)	
	Interest of spouse	114,511 (L)	
Sham Yee Lan Peggy(Note 3)	Beneficial owner	114,511 (L)	6.08
	Interest of spouse	85,905,786 (L)	

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares (continued)

Interests in Shares and underlying Shares of the Company (continued)

Notes:

1. As at 31 December 2023, the Company had issued 1,414,600,832 Shares in total. The letter "L" denotes the person's long position in the Shares.

2. The Company issued 990,220,583 Shares to NCD on 26 January 2022. NCD is directly and indirectly wholly-owned by HK Paper Sources.

   Glenfor is direct wholly-owned by HK Paper Sources, which is in turn direct wholly-owned by Xiamen C&D Paper & Pulp. Xiamen C&D Paper & Pulp is direct wholly-owned by 廈門建發股份有限公司 (Xiamen C&D Inc.*), the shares of which are listed on Shanghai Stock Exchange (stock code: 600153.SH). 廈門建發集團有限公司 (Xiamen C&D Group Co., Ltd.*), being a controlling shareholder of Xiamen C&D Inc., is direct wholly-owned by 廈門市人民政府國有資產監督管理委員會 (Xiamen Municipal People's Government State-owned Assets Supervision and Administration Commission*).

   As at the Latest Practicable Date, (i) Mr. Huang Tiansheng, being the executive Director and chief executive officer of the Company, is the general manager of the paper business of Xiamen C&D Paper & Pulp, and (ii) Mr. Zhang Xiaohui, being a non-executive Director, is the general manager of Xiamen C&D Paper & Pulp and a director of HK Paper Sources.

3. As at 31 December 2023, 73,059,817 Shares were held by Quinselle Holdings Limited which was wholly-owned by Mr. Lee Seng Jin (being the former executive Director, chairman and chief executive officer of the Company). Mr. Lee Seng Jin was therefore deemed under the SFO to be interested in such Shares held by Quinselle Holdings Limited.

   Both Mr. Lee Seng Jin and Ms. Sham Yee Lan Peggy (being the former executive Director and deputy chief executive officer of the Company) are also deemed to be interested in the Shares held by each other due to their spousal relationship.

Save as disclosed above, as at 31 December 2023, the Company had not been notified by any other persons (other than a Director or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which were required to be entered in the register required to be kept by the Company pursuant to section 336 of the SFO.

Directors' Rights to Acquire Shares or Debentures

Save as otherwise disclosed in this annual report, at no time during the year ended 31 December 2023, was the Company or any of its subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of Shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

Directors' Interests in Transactions, Arrangements or Contracts of Significance

Save as disclosed in this annual report, no Director nor an entity connected with a Director was materially interested, either directly or indirectly, in any transaction, arrangement or contract of significance in relation to the business of the Group to which the Company or any of its subsidiaries or fellow subsidiaries was a party subsisting during or at the end of the year ended 31 December 2023.

Permitted Indemnity Provision

The Bye-Laws provide that every Director, auditor, secretary or other officer of the Company shall be entitled to be indemnified by the Company out of the assets of the Company against all costs, charges, losses, expenses and liabilities which he may sustain or incur in or about the execution and discharge of his duties or in relation thereto.

The Company has arranged appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions arising out of corporate activities against the Directors and officers of the Company and its associated companies during the year ended 31 December 2023.

Contract of Significance with Controlling Shareholder

Save as disclosed in this annual report, no contract of significance was entered into between the Company or any of its subsidiaries and a controlling Shareholder or any of its subsidiaries during the year ended 31 December 2023.

Directors' Interests in Competing Businesses

On 22 November 2023, HK Paper Sources completed the subscription of shares in China Sunshine Paper Holdings Company Limited ("**China Sunshine**") and Mr. Zhang Xiaohui, a non-executive Director and chairman of the Company, was appointed as non-executive director of China Sunshine on the same date. China Sunshine is principally engaged in the production/generation and sale of paper products, electricity and steam.

Save as disclosed in this annual report, to the best knowledge of the Board, none of the Directors, or their associates had any interests in any business which competes or is likely to compete, directly or indirectly, with the business of the Group for the year ended 31 December 2023.

Continuing Connected Transactions

Paperboard Sales Framework Agreement

On 28 December 2021, UPPSD, an indirect wholly-owned subsidiary of the Company, (as vendor) entered into a paperboard sales framework agreement (the "**Framework Agreement**") with Xiamen C&D Paper & Pulp (as purchaser) for the sale and purchase of coated duplex board and kraft linerboard produced by UPPSD (the "**Paperboard Products**") on a non-exclusive basis from time to time for a fixed term from 28 December 2021 to 31 March 2024.

The unit price of the Paperboard Products shall be determined with reference to the prevailing market price in the PRC for the same type of products and in accordance with the pricing policies of the Group made for independent third party customers. In case of an increase in the prevailing market price of the Paperboard Products or the raw materials needed to produce the Paperboard Products before the Paperboard Products are delivered to Xiamen C&D Paper & Pulp and/or its subsidiaries (collectively, "**Xiamen C&D Paper & Pulp Group**") pursuant to an order, UPPSD is entitled to adjust the unit price of the Paperboard Products.

For the year ending 31 March 2024, the proposed cap for the transaction amount under the Framework Agreement was RMB420,000,000. The actual transaction amount under the Framework Agreement for the nine months ended 31 December 2023 was approximately RMB335,006,000.

Reasons for and benefits of the transactions

Under the Framework Agreement, UPPSD could leverage on the industry leading position, the comprehensive value-added services and the sales network of Xiamen C&D Paper & Pulp Group in the forestry, pulp and paper products distribution industry to expand its income stream and enhance its sales penetration. The Directors considered that having resourceful and reliable sales channel was crucial to the success of the Group. The commercial partnership with Xiamen C&D Paper & Pulp Group could also enhance the Group's portfolio and reputation which would gradually increase the bargaining power of the Group when negotiating with independent third party customers.

Listing Rules implications

NCD, which is indirectly wholly-owned by Xiamen C&D Paper & Pulp is the controlling shareholder of the Company and interested in approximately 70% of the issued share capital of the Company, Xiamen C&D Paper & Pulp or any of its subsidiaries, each of which being an associate of NCD, is a connected person of the Company. As such, the transactions contemplated under the Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Independent non-executive Directors' confirmation

Independent non-executive Directors have confirmed that the above continuing connected transactions have been entered into: (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) in accordance with the Framework Agreement (including the pricing policies set out therein) on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Continuing Connected Transactions (continued)

Paperboard Sales Framework Agreement (continued)

Independent auditor's confirmation

RSM Hong Kong, the Company's independent auditor, were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants.

RSM Hong Kong has issued an unqualified letter containing findings and conclusions in respect of the continuing connected transactions disclosed above pursuant to Rule 14A.56 of the Listing Rules.

RSM Hong Kong has confirmed in a letter to the Board that, nothing has come to their attention that causes the auditor to believe that the transactions under the Framework Agreement: (i) have not been approved by the Board; (ii) were not, in all material respects, in accordance with the pricing policies of the Group; (iii) were not entered into, in all material respects, in accordance with the Framework Agreement; and (iv) have exceeded the cap.

A copy of the auditor's letter has been provided by the Company to the Stock Exchange in accordance with Rule 14A.57 of the Listing Rules.

Related Party Transactions

Details of the related party transactions carried out in the normal course of business are set out in Note 34 to the consolidated financial statements of the Company.

Save as disclosed above, none of these related party transactions constitutes a connected transaction or continuing connected transaction as defined under the Listing Rules, and the Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2023 between the Company and a person other than a Director or any person engaged in the full-time employment of the Company.

Share Option Scheme

At the special general meeting of the Company held on 18 September 2015, the Shareholders approved the adoption of a share option scheme (the "**Share Option Scheme**") which complies with the requirements under the then existing Chapter 17 of the Listing Rules.

No option has been granted, exercised, cancelled or lapsed since the date of adoption of the Share Option Scheme. There are therefore no outstanding options at the beginning and at the end of the year ended 31 December 2023.

Share Option Scheme (continued)

The principal terms and conditions of the Share Option Scheme are set out below.

i. Purpose

The purpose of the Share Option Scheme is to provide incentives to Participants (as defined below) to contribute to the Group and to enable the Group to recruit high-calibre employees and attract human resources that are valuable to the Group and any entity in which the Group holds any equity interest (the "**Invested Entity**").

ii. Participants

All directors and employees of the Group and suppliers, consultants, advisors, agents, customers, service providers, contractors, any member of or any holder of any securities issued by any member of the Group or any Invested Entity.

iii. Maximum number of shares

The number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme(s) of the Company must not exceed 10% in the nominal amount of the issued share capital of the Company as at the date of adoption of the Share Option Scheme. The total number of shares available for issue under the Share Option Scheme is nil as at the date of this annual report.

iv. Maximum entitlement of each Participant

The maximum number of shares issued and to be issued upon exercise of the options granted to any one Participant (including both exercised and unexercised options) in any 12-month period shall not exceed one percent of the Shares in issue as at the date of grant.

v. Time of exercise of option

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during the period to be notified by the Board to each grantee of the option at the date of grant provided that such period shall not exceed a period of ten years from the date of grant but subject to the provisions for early termination of the option as contained in the terms of the Share Option Scheme.

vi. The eligible person shall pay HK$1.0 to the Company in consideration of the grant of an option upon acceptance of the grant of option.

vii. Exercise price

The option price per share payable on the exercise of an option is determined by the Board and shall not be less than the highest of (i) the closing price of the shares as stated in the daily quotations sheet of the Stock Exchange on the date of grant; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share on the date of grant.

viii. Remaining life of the Share Option Scheme

The Share Option Scheme will remain in force until 17 September 2025.

Issue of Debentures

During the year ended 31 December 2023, no issuance of debentures was made by the Company.

Equity-Linked Agreements

Save as disclosed in the paragraph headed "Share Option Scheme" in this section and otherwise disclosed in this annual report, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during or subsisted at the end of the year ended 31 December 2023.

Corporate Governance

The Company is committed to maintaining high corporate governance standards. Information on the corporate governance practices adopted by the Company is set out in the section headed "Corporate Governance Report" in this annual report.

Environmental Policies and Performance

It is our corporate and social responsibility to promote environmental protection. In this respect, the Group strives to minimise environmental impact by reducing our carbon footprint and to build our corporation in a sustainable way.

During the year ended 31 December 2023, we are subject to various environmental protection laws and regulations. For further details, please refer to the section headed "Environmental, Social and Governance Report" in this annual report.

Sufficiency of Public Float

As at the latest practicable date prior to the issue of this annual report and based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the minimum public float of 25% as required under the Listing Rules.

Material Litigation

Save as otherwise disclosed in this annual report, the Group was not involved in any material litigation or arbitration during the year ended 31 December 2023 and up to the date of this annual report nor were the Directors aware of any material litigation or claims that were pending or threatened against the Group.

Compliance with Relevant Laws and Regulations

Save as disclosed in this annual report, as far as the Board is aware, the Group has complied with the relevant laws and regulations that have a significant impact on the Group in all material respects for the year ended 31 December 2023.

Audit Committee

The Audit Committee, together with the management and the external auditor, have discussed and reviewed the accounting policies and practices adopted by the Group as well as the internal control matters.

The Audit Committee has also reviewed the consolidated financial statements of the Company for the year ended 31 December 2023, and considers that the consolidated financial statements of the Company for the year ended 31 December 2023 are prepared in accordance with the applicable accounting standards, laws and regulations and appropriate disclosures have been made.

Auditor

The consolidated financial statements of the Company for the year ended 31 December 2023 have been audited by RSM Hong Kong.

RSM Hong Kong shall retire and being eligible, offer itself for re-appointment, and a resolution to this effect shall be proposed at the upcoming AGM.

PricewaterhouseCoopers resigned as the auditor of the Company with effect from 26 March 2021, and RSM Hong Kong has been appointed as the auditor of the Company with effect from 25 August 2021.

Save as disclosed above, the auditor of the Company has not been changed for the three years ended 31 December 2023.

By order of the Board
Mr. Zhang Xiaohui
Chairman of the Board

Hong Kong, 28 March 2024

About the ESG Report

C&D Newin Paper & Pulp Corporation Limited (the “Company”) and its subsidiaries (collectively, the “Group” or “we” or “us”) are pleased to present our Environmental, Social and Governance Report (the “ESG Report”) for the period from 1 January 2023 to 31 December 2023 (the “Reporting Period”) in accordance with Appendix C2 — Environmental, Social and Governance (ESG) Reporting Guide (the “ESG Reporting Guide”) to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). In this report, the Group has strictly complied with the mandatory disclosure requirements and the “comply or explain” provisions set out in the ESG Reporting Guide to disclose ESG issues during the Reporting Period.

Governance Structure

The board of directors (the “Board”) of the Company has full responsibility for the Group’s ESG strategy and reporting, including overseeing ESG-related issues that may affect the Group’s business or operations, the interests of Shareholders and other stakeholders. In the governance process, the Board is responsible for identifying and assessing possible risks to formulate the Group’s overall ESG-related goals and operational objectives. Meanwhile, the Board supervises the senior management to continuously optimize the governance structure, promote the implementation of ESG measures, and regularly review ESG reports to ensure the establishment of an appropriate and effective ESG risk management and internal control supervision system.

The Group is committed to pursuing a high standard of corporate governance and has developed a scientific management structure, established clear rules and regulations and an effective ESG internal control system. We seek professional and independent third-party institutions to conduct comprehensive risk assessment and internal audit every year, report risk management and internal audit reports to the audit committee on a regular basis, and take reasonable risk management measures. We provide comprehensive information on ESG risks to the Board, embed ESG concepts into our culture, cover environmental protection, human resource development, supply chain management and community investment, and actively communicate sustainable development concepts to employees.

The Group is deeply aware that good corporate governance is essential to the sustainability in business, which will not only bring the greatest benefits to all stakeholders, but also create long-term value. Adhering to the principle of responsible business operation and the purpose of balancing business development and corporate social responsibility, the Group’s paper manufacturing business (“paper manufacturing”), sales business and other businesses in Shandong Province, China, have been strictly complying with the relevant laws and regulations, employment ordinances and environmental protection policies of various local governments.

Reporting Principles

With reference to the ESG Reporting Guide, the Group has compiled, evaluated, and presented the relevant information in this report. The following four principles outlined in the ESG Reporting Guide are integrated into this report.

1. Materiality: When the Board determines that the ESG issues will have a material impact on investors and other stakeholders, the Group shall report on such issues.

2. Quantitative: The key performance indicators for historical data in this report should be measurable. The Group should set targets for reducing individual impacts so that the effectiveness of ESG policies and management systems can be assessed and verified. Quantitative information should be accompanied by a description of its purpose and impact, and comparative data should be provided where appropriate.

3. Balance: Information set out in this report shall provide an unbiased picture of the Group's ESG performance. The report should avoid selections, omissions or presentation formats that may inappropriately mislead a stakeholder's decision or judgment.

4. Consistency: The assumptions and calculations used for any key performance indicator should be consistent with those of previous years to ensure comparability of relevant data. If there is any change in the assumptions or calculations, it should be clearly disclosed to inform the stakeholders.

Reporting Boundary and Reporting Period

The information presented in this ESG report covers the Reporting Period. The information in this report was collected and compiled in a variety of ways, including but not limited to the Group's internal control policies, factual evidence of the implementation of ESG-related measures, key performance indicators ("KPIs") set out in the ESG Reporting Guide, and quantitative data on the Group's annual performance in its business operations and ESG management. This report covers the operations of the Group's business units at its headquarters in Hong Kong, the PRC and Universal Pulp and Paper (Shandong) Co., Ltd. in Shandong Province. In this year's ESG report, we have included additional KPIs and target metrics, providing a more detailed disclosure of our performance in the ESG aspects. This initiative aims to enhance the transparency and comparability of the data, in response to the demands of investors and stakeholders.

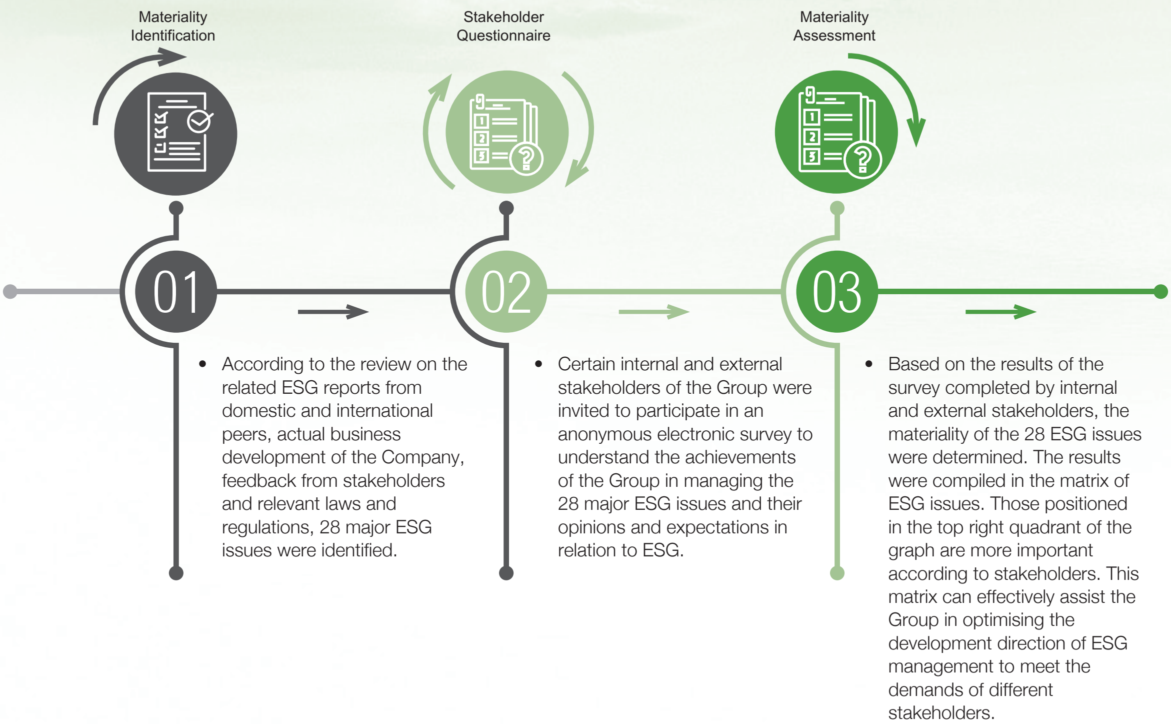
Stakeholder Engagement

The Group attaches great importance to the participation of all stakeholders. We believe that the expectations and demands of stakeholders are the driving force for sustainability in business. During the Reporting Period, we adhered to a transparent and open communication approach, establishing diverse and accessible communication channels including shareholder meetings, regular announcements, industry seminars, company websites, and surveys. We maintained close connections with stakeholders, conveying our business goals and sustainable development progress while understanding and responding to their expectations and demands. We are committed to creating enduring value for stakeholders, assisting our own sustainability on the basis of enhancing group operational efficiency.

Stakeholder Engagement		Key Concerns	Primary Communication Channels
Internal stakeholders	Shareholders and Investors	• Return on investments • Profitability and financial stability and continuity • Information disclosure and transparency	• Regular reports • General meetings • Corporate website and email
	Employees	• Employee remuneration and benefits • Satisfaction with a healthy and safe working environment • Career development and training opportunities	• Regular meetings and trainings • Performance appraisal • Team building activities
External Stakeholders	Customers	• Quality products and services • Protection of customers' privacy and rights • Business ethics	• Customer service hotline & email • Face-to-face meetings and onsite visits • Customers' satisfaction surveys
	Suppliers	• Fair, open and impartial procurement • Win-win cooperation • Environmental protection	• Open tender • Standard procurement procedures • Face-to-face meetings and onsite visits • Industry seminars
	Professional institutions	• Environmental protection and social responsibilities • Standardized staff conduct and business practices	• Questionnaires and online engagements • Telephone discussions
	Government and regulatory bodies	• Compliance with laws, regulations and national policies • Occupational health and safety • Social welfare • Employment	• Monitoring of the compliance with the related laws and regulations • Routine reports and tax payments

ESG Materiality Assessment

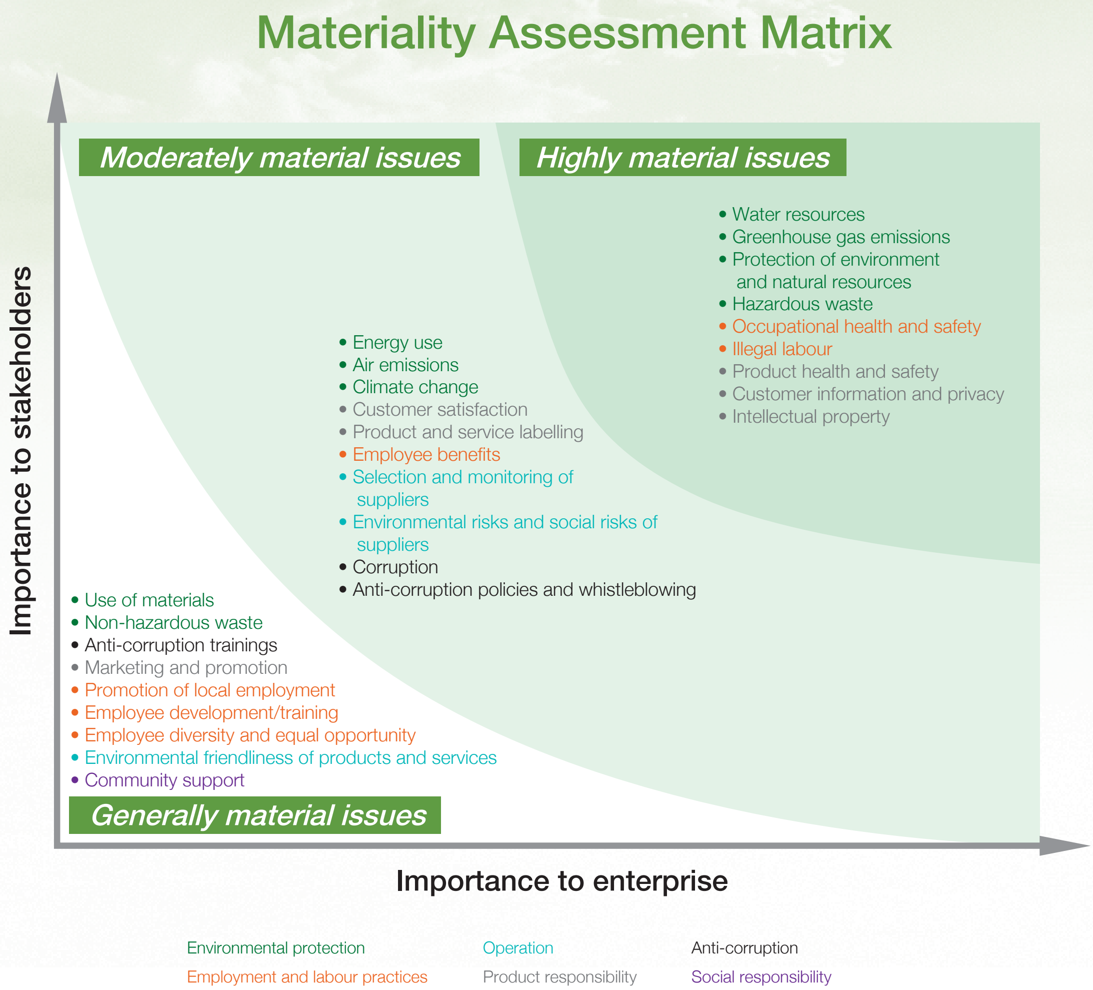
During the Reporting Period, the Group continued to conduct an annual review and materiality assessment to gain a better understanding of the changes in concerns of various stakeholders. Through the analysis of the latest macro policies and environmental policies, combined with industry development trends and industry practices, we identified a total of 28 material ESG issues of the Group, and assessed the importance of these issues through an electronic questionnaire survey with the participation of stakeholders, so as to help us identify and prioritize those issues that have a significant impact on the Group and its stakeholders.



The table below lists out the key issues of the assessment:

Item	ESG issues	Item	ESG issues
1	Customer information and privacy protection	15	Climate change
2	Occupational health and safety	16	Environmental risks (e.g. pollution) and social risks (e.g. monopoly) of suppliers
3	Product health and safety	17	Product and service labelling
4	Energy use (e.g. power, gas, fuel)	18	Anti-corruption trainings for directors and employees
5	Prevention of child labour and forced labour	19	Employee remuneration, benefits, and rights (e.g., working hours, rest periods, working conditions)
6	Number of concluded legal cases regarding corrupt practices (e.g. bribery, extortion, fraud and money laundering)	20	Non-hazardous waste production
7	Water use	21	Selection and monitoring of suppliers
8	Hazardous waste production	22	Anti-corruption policies and whistleblowing procedures
9	Customer satisfaction	23	Environmental friendliness of procured products and services
10	Measures to protect the environment and natural resources	24	Use of materials (e.g. paper, packaging, raw materials)
11	Greenhouse gas emissions	25	Promotion of local employment
12	Air emissions	26	Community support (e.g. donation, volunteering)
13	Employee diversity and equal opportunity	27	Observing and protecting intellectual property rights
14	Employee development and training promotion	28	Marketing and promotion (e.g. advertisement)

The results of this materiality assessment are illustrated in the graph below:



According to the materiality matrix, the ESG issues at the top right corner of the matrix are considered to be relatively important to the Group and external stakeholders. At present, protection of environment and natural resources, hazardous waste, occupational health and safety, illegal labour, product health and safety, customer information and privacy, water resources, greenhouse gas emissions, and intellectual property have been identified as issues of high importance to the Group. These issues are classified together as key elements driving the Group's sustainable business and are further elaborated on in the following sections.

Stakeholders' Feedback

Investors and the public can access the latest business information on the Group's website (https://www.cndnewin.com). The Group welcomes feedback from stakeholders, especially on issues identified as material ESG issues. You are welcomed to provide suggestions or share your insights with us through any of the following channels:

Email: info@cndnewin.com
Website: https://www.cndnewin.com
Phone: (852) 2969 8979

Environment

Adhering to the concept of sustainable development, the Group strictly compiles with relevant protection rules and regulations, including Environmental Protection Law of the People's Republic of China, Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution, Water Pollution Prevention and Control Law of the People's Republic of China, Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes, Law of the People's Republic of China on Noise Pollution Prevention and Control, Regulation on the Administration of Permitting of Pollutant Discharges and Management Measures for Environmental Emergencies, the Regulation on Groundwater Management, the Measures for the Administration of Emergency Environmental Accidents etc. We passed and obtained the ISO 14001 Environmental Management System certification, and actively implement environmental protection regulations in the production process, put in corresponding environmental protection facilities, and constantly improve the existing environmental management policies, mechanisms and measures to ensure that the Company's environmental protection commitments can be realized.

The Group's main business is paper manufacturing, focusing on the production of high-grade coated duplex board, kraft cardboard and kraft linerboard, with three paper production lines, and its own thermal power plant and sewage treatment plant. In order to actively respond to the national carbon neutrality goal, the Group vigorously implemented energy-saving transformation and improved energy-saving measures. In addition, the Group upgraded and transformed the paper production lines, improved the matching adjustment, production process and production capacity, continuously strengthened the treatment of environmental pollution, and prudently controlled pollution emissions and resource consumption. As of the end of the Reporting Period, the Group was not aware of any violation of environmental protection laws and regulations, and will continue to strictly comply with relevant environmental protection rules and regulations in its daily operations.

Emissions

Greenhouse Gas Emissions

The Group attaches great importance to the related work of climate change, to achieve the goal of year-on-year reduction in greenhouse gas emissions and actively promote the realization of carbon neutrality. In the process of achieving carbon neutrality, the Group has made continuous efforts to fulfil its commitment to reducing greenhouse gas emissions with practical actions.

In accordance with the requirements of the State Council's "Action Plan for Carbon Dioxide Peaking Before 2030" (Zhong Fa [2021] No. 23) and the "Central Committee and the State Council's Working Guidance for Carbon Dioxide Peaking and Carbon Neutrality in Full and Faithful Implementation of the New Development Philosophy" (Zhong Fa [2021] No. 36), and in accordance with the requirements of the "Notice by the General Office of the Ministry of Ecology and Environment on Strengthening the Reporting and Management of Greenhouse Gas Emissions from Enterprises" (Huan Ban Qihou [2021] No. 9), the Group has formulated a greenhouse gas emission accounting and reporting management system, established a dedicated greenhouse gas emission accounting and verification team, and equipped with full-time greenhouse gas emission accounting personnel. The team formulates an annual monitoring plan to record and manage greenhouse gas data to ensure accurate, timely and effective collection and sorting of monitoring data and information, helping to strengthen energy management and reduce greenhouse gas emissions.

Emission Category	**Key Performance Indicator (KPI)**	**Unit**	**2023.1.1–2023.12.31**	
			Amount	**Intensity[1] (Per 10,000 tonnes)**
Greenhouse Gas Emissions	Scope 1 (direct emissions)[2]	tCO_2e	332,005.81	7,321.79
	Scope 2 (energy indirect emissions)[3]	tCO_2e	68,252.39	1,505.18
	Total (Scope 1 & 2)	tCO_2e	**400,258.20**	**8,826.97**

1. The intensity is calculated by dividing the amount of greenhouse gas emissions during the Reporting Period by the Group's annual paper production of 453,400 tonnes;

2. Scope 1 mainly refers to the greenhouse gas emissions from the coal combustion in boilers for the Group's paper manufacturing business;

3. Scope 2 mainly refers to the greenhouse gas emissions (energy indirect emissions) caused by the electricity purchased externally by the Group.

Air Pollution Control

The Group has a comprehensive self-supply power system in the paper manufacturing business to ensure sufficient power supply in the production process. The power supply unit not only meets the requirements of ultra-low emissions of air pollutants, but also effectively reduces production costs. With the support of the self-supply power plant, the Group further optimized its emission targets and achieved more environmentally friendly production. In order to ensure the stability of power supply, the coal warehouses in the Group's power plants are fully enclosed and equipped with standard fire prevention and safety facilities, which effectively avoid dust pollution during coal loading, unloading, storage and transportation, as well as potential water pollution during rainy days.

While strictly preventing excessive emissions, the Group has actively implemented a number of emission reduction measures, especially the optimization of the boiler system of thermal power stations. The boiler system of the thermal power station can effectively incinerate all types of coal, reducing energy consumption at the source and reducing the environmental impact. The exhaust gases produced by the Group are mainly boiler exhaust gases, which contain air pollutants such as sulphur dioxide, nitrogen oxides and particulate matter. The exhaust gas is treated by low-NOx combustion, SNCR denitrification, bag filtering, limestone wet desulfurization and wet electrostatic precipitator, which greatly reduces the emissions of air pollutants. In terms of micro-dust in the exhaust gas, a combination of bag filtering and wet electrostatic precipitator is used for the disposal of the particulate matter.

The Group also plays an active role in green mobility and is keenly aware that private cars and goods vehicles are one of the major sources of air pollutant emissions. In order to reduce its environmental impact, the Group encourages employees to adopt green transportation that save energy and reduce pollution, and cooperates with local traffic company to arrange shuttles for the Group's employees to effectively reduce the frequency of self-driving and further reduce greenhouse gas emissions. In the future, the Group will further introduce electric vehicles to reduce greenhouse gas emissions more effectively and make greater contributions to the development of green transportation.

During the Reporting Period, the Group's annual emissions of air pollutants were lower than the target value, i.e. the annual maximum emissions permitted by the local government, and the emission concentrations were also lower than the emission concentration limits set by the local government.

During the Reporting Period, the Group's air pollutant emissions are as follows:

Emission Category	Key Performance Indicator (KPI)	Unit	Target Value Annual Permitted Emissions	2023.1.1–2023.12.31 Amount	Intensity[1] (Per 10,000 tonnes)
Air Pollutant Emissions[2]	SOx	Tonne	122.76	8.05	0.18
	NOx	Tonne	175.36	48.50	1.07
	PM	Tonne	17.54	2.25	0.05

1. The intensity is calculated by dividing the amount of air pollutant emissions during the Reporting Period by the Group's annual paper production of 453,400 tonnes;

2. Air pollutant emissions refer to the air pollutants emitted to the atmosphere through chimneys in thermal power stations and power generation boilers of the Group's paper manufacturing business (data from the online monitoring system of the ecological department).

Wastewater Management

The Group adheres to the principles of green development and strictly compiles with relevant national and regional laws and regulations related to wastewater treatment and water pollutant emissions. To achieve the goal of environment-friendly business, the Group continuously improves its environmental management system and actively introduces advanced pollution control technologies to effectively reduce emissions of water pollutants.

The Group is equipped with its own thermal power plants and sewage treatment plants, and has established a 24-hour automatic real-time environmental monitoring system to ensure that the main water pollutants discharged to the public meet or better than the national environmental protection emission standards, including the "Wastewater Quality Standards for Discharge to Municipal Sewers", "Discharge Standard of Wastewater from Limestone-Gypsum Flue Gas Desulfurization System in Fossil Fuel Power Plants" and "Comprehensive Discharge Standards for Water Pollutants in River Basins".

The main water pollutants in the Group's wastewater are chemical oxygen demand (COD), ammonia nitrogen, etc. Wastewater including paper and pulp manufacturing wastewater, boiler make-up water treatment wastewater, boiler fixed discharge, circulating cooling system drainage, domestic sewage, initial rainwater, etc. are all pretreated by the sewage treatment station of the production workshop. The sewage pretreatment process goes through the stages of inclined net filtration, primary sedimentation, anaerobic treatment, aerobic treatment, and secondary sedimentation. The treated sewage is discharged into the municipal wastewater treatment plant through the pipeline for further treatment and discharged up to the standard. In order to improve the odour, the Group upgraded the deodorization equipment to effectively curb the odour and further treated it through purification systems such as chemical washing and ion deodorization. Meanwhile, the small amount of sludge and biogas generated during the sewage treatment process is effectively treated. The sludge is disposed of in compliance through incineration in our self-supply power plant and by outsourcing to qualified companies. The generated by product biogas is fully utilized as fuel in our self-supply power plant, maximizing resource utilization.

During the Reporting Period, the Group's COD and ammonia nitrogen emissions in wastewater were both lower than the target values, i.e., the annual permitted emissions, and the discharge concentrations were also lower than the discharge concentration limits set by the local government, achieving the established targets.

Emission Category	Key Performance Indicator (KPI)	Unit	Target Value Annual Permitted Emissions	2023.1.1–2023.12.31 Amount	Intensity[1] (Per 10,000 tonnes)
Wastewater Discharge	Chemical Oxygen Demand	Tonne	3,700.00	376.52	8.30
	Ammonia Nitrogen	Tonne	333.00	1.64	0.04

1. The intensity is calculated by dividing the amount of water quality indicators during the Reporting Period by the Group's annual paper production of 453,400 tonnes.

Solid Waste Management

The Group fully complies with national laws and regulations on the management of hazardous and non-hazardous wastes, such as Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes, Law of the People's Republic of China on Promoting Clean Production, and conducts compliant treatment of non-hazardous wastes and hazardous wastes generated in the process of production and operation. Meanwhile, we actively implement waste reduction measures at the source to reduce the production of solid waste, including installing inclined screens in the paper manufacturing workshop and recycling waste pulp for use in the pulp manufacturing system. This has successfully reduced fibre loss and sludge volume. The Group has further improved the standard of waste paper recycling, improved the impurity content of waste paper and reduced the generation of waste plastics.

The non-hazardous wastes generated in the process of production and operation of the Group mainly include fly ash, slag, desulfurization gypsum, sludge, paper waste, waste residue pulp, etc. In order to improve the level of waste resource utilization, the Group collects waste according to the degree of waste availability and reuse, among which fly ash, slag and desulfurization gypsum are sold to qualified companies as construction materials or other raw materials for utilization, and paper waste slag is used as raw materials for the integrated utilization project of papermaking waste. Scrap metal is sold as raw materials for production, and the sediment slag and sludge that cannot be used are entrusted to qualified companies for incineration and proper disposal, and a small amount of sludge is mixed with coal as fuel for use in the boiler, so as to reduce the burden of waste management and improve resource recycling rate. Non-hazardous waste such as domestic wastes generated from daily office activities are properly sorted and directly disposed of by the property management and eventually collected and treated by the municipal waste treatment centre.

The hazardous wastes generated in the process of production and operation of the Group mainly include waste mineral oil and oil drums, waste catalysts, asbestos waste, waste ammonia, laboratory waste liquid, waste lead-acid batteries, etc. In order to properly dispose of hazardous waste, the Group has established a dedicated hazardous waste warehouse, implemented hazardous waste data recording, safely stored different types of waste at designated points and entrusted a third-party qualified company to standardize the disposal.

During the Reporting Period, the Group achieved the solid waste management target, namely classified disposal rate of solid waste 100%. The detailed data of hazardous wastes and non-hazardous wastes generated by the Group is as follows:

Waste Category	**Unit**	**2023.1.1–2023.12.31**
Hazardous Wastes	Tonne	63.29
Non-hazardous Wastes	Tonne	122,339.16

Use of Resources

Energy

The Group strictly abides by national and regional policies on dual-control of energy consumption, and has formulated a series of energy management policies and procedures, including the Energy Management System and the Energy Conservation Target Management System, to regulate energy use. To demonstrate the effectiveness of its energy management system, the Group has also obtained the "ISO50001 Energy Management System Certification".

In order to reduce energy consumption, the Group has established mid- and long-term energy conservation plans and annual work plans, as well as targets for saving electricity, steam and oil, and has built a sound energy management structure. The Group established an Energy Management Leadership Team to make decisions on energy management. Each department, workshop, and production team leader serves as the first responsible person for energy management in a hierarchical management mechanism, forming a comprehensive energy management network across the entire Group. The Energy Management Leadership Team is chaired by the deputy general manager in charge, with the manager of the safety and environmental protection department serving as the deputy team leader, and department managers and relevant department heads as members.

Each year, the Group sets new energy-saving targets based on national regulations and the energy consumption of the previous year. We drive the implementation across all departments and enhance energy efficiency through the adoption of energy-saving measures. To ensure execution, the Group conducts annual responsibility evaluations and periodic spot checks on the energy-saving targets of each department. Since August 2021, the Group has adjusted its power supply mode to align with national policy directions, reducing the operation of self-owned power plants with higher energy consumption and actively promoting the adoption of new energy-saving technologies and facilities.

During the Reporting Period, the Group conducted energy-saving renovations on steam condensing systems and turbine systems, significantly improving energy utilization efficiency. To enhance employee awareness of energy conservation, the Group regularly conducts energy-saving education, emphasizing the concepts of planned energy use and energy conservation. Additionally, tailored to the company's specific circumstances, the Group has established an Energy Management Rewards and Penalties System. This comprehensive series of measures aims to enhance energy use efficiency, fully demonstrating the Group's commitment to environmental sustainability.

ISO50001 Energy Management System Certification

Energy Conservation	Target Value	Target Progress	Energy Management Measures
Electricity Saving	Electricity consumption per tonne of paper ≤480 KWh	Achieved	• Adopt advanced energy-saving lamps and renovate the lighting system; • Strengthen the repair and maintenance of equipment operation to avoid energy losses caused by frequent start-up and shutdown; • Use advanced electrical appliances suggested by the National Energy Administration of the PRC that can reduce electricity consumption; • Speed up the overall pulp supply capacity of the paper machine and core pulp, and reduce the electricity consumption per tonne of paper; • The operation mode of thermal power stations has been changed from self-provided units to public units to reduce energy consumption and coal consumption; • Provide regular training and education to strengthen employees' awareness of daily electricity saving.
Steam Saving	Steam consumption per tonne of paper ≤2.1 tonnes	Achieved	• Improve the conveying pipeline and production process, and reasonably allocate the steam-to-electricity ratio with the cogeneration mechanism of self-supply power plant; • Strengthen the protection, maintenance and insulation of transmission pipelines, dryers and related facilities.

Energy Conservation	Target Value	Target Progress	Energy Management Measures
Oil Saving	Oil consumption per tonne of paper (raw material) ≤0.2716 litres; Oil consumption per tonne of paper (product) ≤0.1201 litres.	Achieved	• Strengthen the inspection and examination of the fuel system and equipment of the thermal power plant; • Strengthen the inspection to regulate and avoid the use of oil-fired coke due to coking in boilers; • Actively adopt small-calibre oil gun ignition technology to reduce boiler ignition oil; • Strengthen the management of motor vehicle oil and the repairment and maintenance of vehicles in the factory to eliminate motor vehicles with high fuel consumption; • Standardize the management of motor vehicles, optimize the operation route of vehicles, and avoid detours and repeated dumping; • Prohibit the use of vehicles for purposes other than dumping and transportation.

Water Resources

The Group is deeply aware of the importance of water resources and contributes to the protection and conservation of water resources through rational exploitation of water resources and improvement of water utilization efficiency. In order to effectively manage water resources, the Group has set up a Water Conservation Office to implement a comprehensive water conservation plan. During the Reporting Period, the Group formulated a detailed water-saving target plan, set water consumption limits per unit of product across all departments, and adopted measures such as using reclaimed water to manufacture pulp and paper to reduce the consumption of fresh water and increase the reuse rate to ensure the effective use of water resources. As at the end of the Reporting Period, the Group had used a total of 1.78 million tonnes of grey water and achieved the water conservation target.

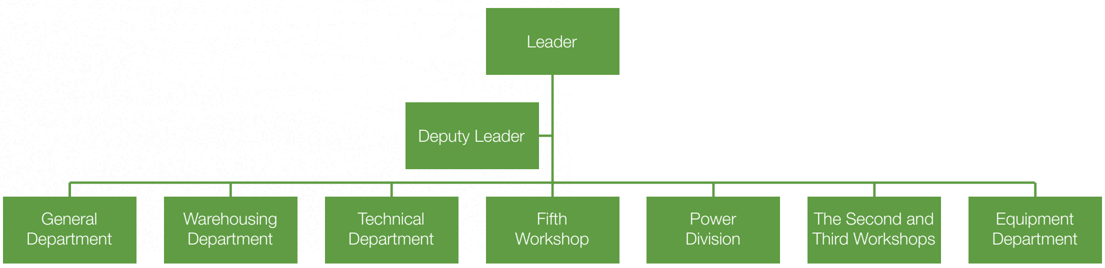
During the implementation of the water conservation plan, we have implemented water usage statistics management. We regularly collect and analyse water usage data from each department, and make relevant information public. This process helps us gain in-depth understanding of the water usage situation in each department, identify problems in a timely manner, and take corresponding improvement measures.

In addition, the Group also places emphasis on conducting water conservation publicity and education. Through proactive promotional activities, we convey scientific knowledge about water conservation to employees, raising awareness of water conservation among all staff members. During the Reporting Period, the Group did not encounter any issues related to securing applicable water sources.

Water Conservation	Target Value	Target Progress	Water Management Measures
Water Conservation	Water consumption per tonne of paper[1] ≤7.5 tonnes	Achieved	• Water-saving plan management, formulate water-saving indicator plans every year, formulate water consumption limits per unit of product by each department, and implement water-saving measures such as using reclaimed water and improving water reuse rate; • Statistics and management of water conservation, regular statistics, analysis and announcement of water consumption and water conservation status of each department; • Water conservation promotion and education, actively educate scientific knowledge of water conservation, and improve the awareness of water-saving among all employees.

1. Only the water consumption of the production line of the paper manufacturing business is covered.

Water Conservation Management Network



Packaging Materials

The packaging materials used by the Group in the production process mainly include stretch film, kraft liner cover, paper roll, tapes, PET steel band, multi-layer plywood, labelling paper, etc. In order to conserve packaging materials, we actively implement conservation measures, such as optimizing packaging design to reduce material consumption and ensuring that product packaging meets environmental standards. Additionally, we encourage the recycling and reuse of packaging materials to reduce wastes. Through these efforts, the Group is committed to reducing the demand for packaging materials in production, thus achieving sustainable resource utilization and environmental protection.

During the Reporting Period, the use of resources of the Group is shown below:

Energy, Water Resources	Unit	2023.1.1–2023.12.31
Total consumption		
Diesel fuel	Litre (L)	410,110.00
Unleaded petrol	Litre (L)	8,750.00
Coal	Tonne (t)	166,253.82
Electricity (Purchased)	Kilowatt hour (KWh)	117,474,000.00
Water[1]	Cubic metre (m^3)	3,494,768.00
Intensity (Per 10,000 tonnes)[2]		
Diesel fuel	Litre (L) per 10,000 tonnes	9,044.24
Unleaded petrol	Litre (L) per 10,000 tonnes	192.97
Coal	Tonne (t) per 10,000 tonnes	3,666.43
Electricity (Purchased)	Kilowatt hour (KWh) per 10,000 tonnes	2,590,677.23
Water	cubic metre (m^3) per 10,000 tonnes	77,070.81

1. Group-wide water consumption, including water consumption in production lines and ancillary equipment, etc.;

2. The intensity is calculated by dividing the energy or water consumption during the Reporting Period by the Group's annual paper production of 453,400 tonnes.

During the Reporting Period, the packaging materials used in manufacturing the finished products are as follows:

Packaging Materials	Unit	Total Consumption (2023.1.1–2023.12.31)	Intensity (Per 10,000 tonnes)[1]
Stretch film	Tonne	64.95	1.43
Kraft liner cover	Slice	450,680.00	9,938.93
PET steel band	Tonne	24.47	0.54
Multi-layer plywood	Piece	36,454.00	803.93
Labelling paper	Roll	296.00	6.53
Angle bead	Piece	5,680.00	125.26
Wax ribbon	Roll	56.00	1.23
Octagonal plate	Block	606.00	13.36
Cowhide tape	Tray	17,291.00	381.32
Fumigation tray	Cover	74.00	1.63
Up-and-down membrane	Tonne	6.02	0.13
Double-sided tape	Roll	2,282.00	50.33
Scotch tape	Tray	16,367.00	360.94
Copper plate label	Roll	411.00	9.06
Circle membrane	Tonne	18.89	0.42
Certificate	Sheet	426,500.00	9,405.69

1. The intensity is calculated by dividing the amount of packaging material consumed during the Reporting Period by the Group's annual paper production of 453,400 tonnes.

Environment and Natural Resources

The Group is committed to minimizing its impact on the environment and natural resources to achieve sustainable business goals in its operations. We have implemented a series of management actions to address the environmental and natural resource impacts of our business activities.

Water Resource Management

The Group's paper manufacturing business has a certain impact on water resources in the pulp and paper manufacturing process. To reduce water resource waste, we have established a wastewater reuse system to collect sewage, including pulp and paper manufacturing wastewater, boiler discharge, domestic sewage, and initial rainwater. The collected wastewater is then treated at the company's wastewater treatment plant and partially reused in pulp manufacturing and other production processes.

Material Management

The Group's business involves the use of a large number of packaging materials, such as stretch film, kraft liner cover, paper roll, tapes, PET steel band, multi-layer plywood, labelling paper, etc. The manufacture and use of these materials have an impact on the environment, especially in terms of resource consumption and waste generation. To this end, we have implemented a policy of saving the use of packaging materials, focusing on reducing resource waste and promoting sustainable use of packaging materials.

In addition, the Group advocates the use of environmentally friendly recycled paper and waste paper recycling, and gradually implements a national unified computer document processing system, which is expected to significantly reduce the amount of paper used in the office.

Environmental Management System

The Group also standardizes and certifies its environmental management and sustainability practices and ensures the effectiveness of its environmental management system through the implementation of the ISO14001 Environmental Management System.

ISO14001 Environmental Management System

Climate Change

Climate change has emerged as a significant challenge facing humanity in the field of sustainable development and has become a global concern. The Group closely monitors the potential impacts of climate change on our business and operations. To mitigate the effects of climate change, the Group's management has identified and comprehensively assessed climate-related financial risks (including physical risks and transition risks) and opportunities according to the recommended reporting framework of the Task Force on Climate-related Financial Disclosures (TCFD). Corresponding strategies have been developed to ensure the resilience and sustainability of the Group's business in the face of a constantly changing environment.

Physical Risks

Physical risks, such as extreme weather events, may pose acute and chronic risks to the Group's business operations. In the event of frequent extreme weather events, such as typhoons, heavy rainfalls, or storms, the Group's facilities and infrastructure may be damaged, leading to disruptions in logistics and production halts. To mitigate these risks, the Group has developed comprehensive emergency plans. These plans include establishing an emergency leadership team responsible for urgent decision-making and resource allocation, setting up emergency material reserves to ensure sufficient support in times of disaster, and adjusting production plans reasonably to adapt to changes in the external environment. Additionally, the Group conducts regular flood emergency drills to enhance employee sensitivity and response capabilities to disasters, thereby reducing the likelihood of facility damage.

Furthermore, the Group has its own power supply system, which helps alleviate the impact of physical risks. Through its self-owned power system, the Group can maintain production continuity in the event of regional power outages. This provides robust support for the stable operation of the business.

Transition Risks

In the process of achieving global carbon neutrality, the Group anticipates that regulatory, technological, and market dynamics may bring about transition risks. Changes in regulations, technology, and market preferences towards more environmentally friendly operations and renewable energy may result in a decrease in market share for businesses reliant on traditional energy sources. To address this risk, the Group actively monitors industry trends and market changes. Additionally, the Group enhances its technological research and development efforts, aiming to promote the application of green and low-carbon technologies to adapt to potential technological advancements in the future.

Moreover, stricter implementation of environmental regulations by governments and regulatory authorities may increase compliance costs for businesses. The Group's response measures mainly include closely monitoring changes in domestic and international environmental regulations, actively participating in communication with governments and industry associations to ensure timely understanding and compliance with new regulations.

Social

Employment
The Group has always complied with relevant employment laws and regulations such as the Labour Law of the People's Republic of China, the Employment Ordinance and the Mandatory Provident Fund Schemes Ordinance of Hong Kong to ensure equal employment opportunities, vehemently opposing the use of child labour, and strictly complying with anti-discrimination legislation, including the Sex Discrimination Ordinance, the Race Discrimination Ordinance, the Disability Discrimination Ordinance, and the Family Status Discrimination Ordinance, committing to non-discrimination against employees based on factors such as race, age, religion, or gender.

The Group considers employees as its most valuable assets and competitive advantage, firmly believing that talent is the driving force behind innovation. To achieve the strategic goal of building a talent-strong enterprise, the Group not only respects the diverse development of its employees but also actively safeguards their rights and interests. This includes improving the compensation and benefits system (such as a robust salary increment system, sales commission system, etc.), establishing incentive programs (such as long-term service rewards, etc.), and distributing bonuses based on employee performance and Group profitability. Additionally, the Group continues to enhance its human resources management system, establishing a sound supervision system and creating a diverse and closely connected work team through relevant policies like the "Employee Handbook." Furthermore, the Group is committed to providing every employee with diverse training and development opportunities, constructing a growth platform to facilitate the mutual development of the company and its employees.

Caring For Employees
The Group is committed to creating an open, truthful, and warm working environment while emphasizing the balance between employees' work and life. We strictly adhere to local regulations to establish reasonable working hours, ensuring that employees enjoy sufficient vacation rights during statutory holidays. In the production departments of the paper manufacturing business, we implement a three-shift rotation system to ensure that employees have ample rest time, thereby enhancing work efficiency and employees' physical and mental health.

To enrich employees' leisure lives and promote comprehensive physical and mental health development, the Group has built multifunctional areas for basketball courts and table tennis within the factory premises, providing employees with various relaxing activities. Additionally, we regularly organize group-wide or regional cultural and sports competitions, employee trips, and entertainment events during holidays. These series of activities aim to continuously enhance employees' work enthusiasm, sense of belonging, and team cohesion, while promoting emotional communication and cross-cultural integration among employees and between employees and the Group.

To improve employees' work comfort and living standards, the Group has also taken multiple measures. For employees residing in remote areas, we provide free accommodation, while offering free shuttle services for those living in nearby urban areas, ensuring that employees can easily commute to work. Furthermore, we provide free work meals to enhance employees' work efficiency, promote corporate culture construction, and increase employees' sense of belonging.

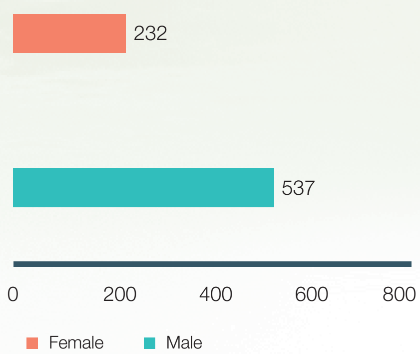
Employee benefits distribution

Employee sports meeting

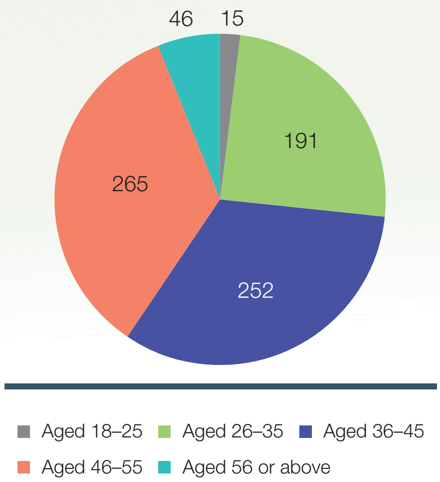
Data of Current and Resigned Employees

As of 31 December 2023, the number of full-time employees employed by the Group was 769. All of the Group's employees are located in Mainland China. The detailed classification is as follows:

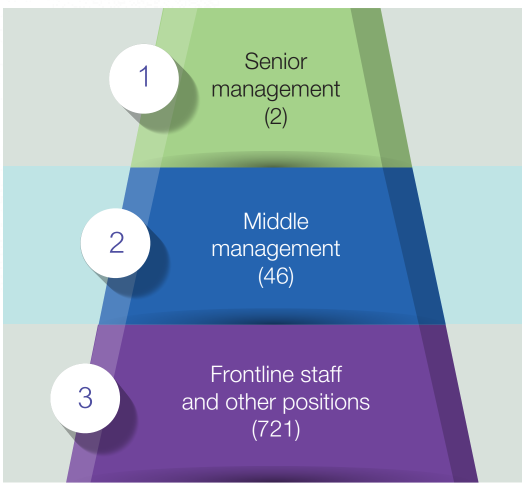
Employees by gender (number of employees)



Employees by age group (number of employees)

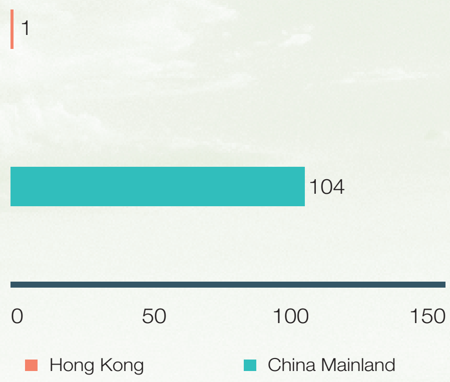


Employee hierarchical structure (number of employees)



The Group respects employees' personal choices. When an employee resigns, we process their resignation procedures in accordance with the law. During the Reporting Period, the data regarding resigned employees is as follows:

Turnover of employees (number of employees)



Health and Safety

The Group adheres to a people-oriented approach and places a high emphasis on the health and safety of its employees. In order to effectively prevent and reduce production safety accidents, we have established a comprehensive safety management system and set of regulations in accordance with national laws and regulations. We emphasize system improvement, training, learning, and transparent reporting mechanisms. Through continuous strengthening of safety culture construction and enhancing health and safety performance, we ensure that employees can fully unleash their potential in a safe working environment while promoting the long-term sustainable development of the enterprise.

Safety Production Responsibility System

To ensure the safety of functional departments, engineering and technical personnel, and operational staff during the production process, the Group has established a safety production responsibility system in accordance with national laws and regulations, which is comprehensively implemented. Various levels of responsible departments cooperate closely to implement the safety production policy and achieve safety management objectives.

The Group's paper manufacturing business has established a sound safety management system to ensure the safety of the production process. To further strengthen safety measures, we have established a Safety Production Committee for the paper manufacturing business, composed of management personnel from various departments, responsible for coordinating and supervising relevant safety production work. This committee will fully leverage synergies to enhance the effectiveness of safety management and ensure the safety of production activities.

Responsibilities of the Work Safety Committee

- Carry out policies, laws, standards and codes in respect of safe production of the State and local government and the Company's safety production system;

- Establish the safe production management system and safety standards;

- Review and determine production and safety standardization policy, safe production responsibility system and management system, and emergency rescue plan;

- Convene the regular meetings of the Work Safety Committee, study and resolve major issues of the enterprise's safe production work;

- Study the plans for hidden material accident hazards and environmental pollution problems;

- Establish a reward and punishment system for work safety, and review the assessment results of work safety of functional departments and units;

- Review and report the accident report and accident investigation report of safety production accidents.

Safety Education and Training

To strengthen and standardize safety training, enhance employees' safety awareness, prevent accidents, and mitigate occupational hazards, the Group actively organizes and develops comprehensive safety production education and training programs, following the requirements of the Law on Work Safety, the Provisions on Safety Training of Production and Operation Entities and the Implementation Plan of Opinions on Effectively Strengthening and Improving the Safety Production Training and Assessment Work of Enterprises.

All employees are required to participate in safety training to familiarize themselves with relevant safety production regulations, procedures, and operational standards. They are equipped with necessary safety production knowledge and master safety operation skills for their job positions to enhance their abilities in accident prevention, occupational hazard control, and emergency response. Meanwhile, the Group has established a sound safety training record system to meticulously document employees' training and assessment records.

Safety training for technical departments

Hazardous waste management training

Safety Management Measures

To ensure that employees work in a safe environment, the Group strictly implements a labour protection system. Employees must wear labour protection equipment provided by the Group and meeting the requirements of their positions, including earplugs, safety shoes, insulated gloves, etc. The safety situation in the production workshop, including noise levels, dust concentrations, production temperatures, and other relevant indicators, is publicly displayed in visible locations. Additionally, ventilation outlets are installed in some areas of the production workshop, along with air conditioning, to maintain proper ventilation. During the summer, the Group also provides heat subsidies and heatstroke prevention medicine to employees in need.

To strengthen fire safety management, the Group conducts regular fire safety inspections and enhances the maintenance of fire facilities to ensure that they are in good condition. Any potential hazards are promptly eliminated upon discovery. Furthermore, the Group organizes regular occupational health examinations for employees and implements occupational disease risk assessments to ensure effective health management for employees.

Organize employees to conduct occupational health examinations

Construction of Corporate Safety Culture

The Group attaches great importance to the construction of corporate safety culture and actively promotes safety culture exchanges. The paper manufacturing business was honoured as “A Production Safety Advanced Work Unit in Xuecheng District for 2017” by the Xuecheng District Government and awarded the title of “Worker Pioneer” by the Xuecheng District General Labour Union. Additionally, the paper manufacturing business successfully passed the “OHSAS18001 Occupational Health and Safety Management System” certification, further ensuring safety and reliability during the production process.

The Group strictly adheres to the principle of "safety must be managed alongside production". Continuous efforts are made to advance and improve the construction of a dual-prevention system for risk classification control and hidden danger investigation and governance. These measures, combined with the refinement of safety management systems, have resulted in no work-related fatalities within the Group in the past three years, including the Reporting Period. During the Reporting Period, the Group incurred a total of 375 lost work days due to work-related injuries.

OHSAS18001 Occupational Health and Safety Management System

Development and Training

The Group is committed to cultivating an outstanding talent pool and actively promoting the professional development of employees. We provide extensive and targeted learning and training opportunities for employees to continuously improve their skills and achieve significant career development. In this process, the Group is not only committed to optimizing existing human resource management systems but also continuously trains and educates employees through diverse methods to cultivate and deliver excellent talent for various positions, thereby achieving mutual growth for employees and the Company.

In accordance with legal and regulatory requirements, the Group has established and implemented a training management system. Based on annual employee performance evaluations, departmental training needs, and business strategies, we design and implement comprehensive annual training plans. These plans ensure that training content is synchronized with regulations, market trends, and product changes, ensuring that employees continuously understand the company and industry developments.

To ensure that new employees adapt to the company's culture and job requirements as quickly as possible, the Group provides pre-job training to familiarize them with the company's management objectives, policies, and regulations. Additionally, employees receive on-the-job training 1 to 2 times per month, covering various areas such as fire protection training, to improve their professional skills and qualities, thereby enhancing their work quality and efficiency.

To enhance the effectiveness of training, the Group conducts training assessments, evaluates effectiveness, and conducts feedback surveys after training completion. This helps the Group scientifically formulate training plans and further improve employees' professional capabilities. The Group not only invites external professionals to train employees but also encourages internal employees to become trainers. Through cross-training and external learning exchanges, employees broaden their horizons, introduce new cultures to the company, and provide richer learning resources.

To support employee development, the Group has established an employee continuing education assistance program to help employees in need. Additionally, to incentivize employee development, the Group prioritizes internal promotions when there are internal job vacancies. The Group firmly believes that the comprehensive development of employees not only enhances their personal abilities but also improves their job satisfaction.

The Group's paper manufacturing business has achieved 100% training for all employees. During the Reporting Period, the Group accumulated a total of 10,766 hours of training. The statistics of average training hours of employees are as follows:

Training and Development Data (hours)	**2023.1.1–2023.12.31**
Total duration	10,766.00
Average training hours per employee	14.00
By gender	
Male	7,518.00
Average training hours per male employee	14.00
Female	3,248.00
Average training hours per female employee	14.00
By type	
Senior management	28.00
Average training hours per senior management	14.00
Middle management	644.00
Average training hours per middle management	14.00
Frontline and other employees	10,094.00
Average training hours per frontline and other employee	14.00

Labour Standards

The Group adheres to reasonable and lawful recruitment principles, strictly complying with the Labour Contract Law of the People's Republic of China, the Labour Law of the People's Republic of China, the Employment Ordinance (Chapter 57 of the Laws of Hong Kong) and other applicable employment laws and regulations, and resolutely prohibits and resists any form of child labour and forced labour. During the review of applicants' resumes, recruitment of applicants under the legal working age is terminated.

Through established and comprehensive recruitment processes and employment procedures, the Group effectively prevents the employment of child labour and forced labour from the source. In the recruitment process, the Group clearly defines recruitment requirements and job position requirements and conducts screening and selection of applicants through a combination of tests and interviews based on the principles of fairness, impartiality, and openness, ensuring the employment of all employees is voluntary. The Group conducts rigorous qualification checks and background checks on applicants' personal information to ensure they meet the statutory employment age and qualifications and have not violated relevant laws and regulations. Additionally, the Group will enter into labour contracts with all official employees, and the labour contracts must be signed by both the employee and the Group as a safeguard against child labour or forced labour.

As of the end of the Reporting Period, the Group has not identified any significant non-compliance with laws and regulations in respect of the prevention of child labour or forced labour that would have a significant impact on the Group.

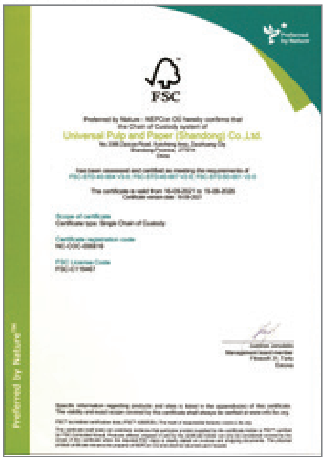
Supply Chain Management

The Group is committed to ensuring the legality and compliance with environmental and social standards of its suppliers. To achieve this, we have established a comprehensive supplier assessment system. During the procurement process, we specify procurement requirements and establish a "Qualified Supplier List." We maintain detailed records for qualified suppliers, conduct annual assessments, and regularly review their delivery times, quality, service, production safety, and environmental performance. For new suppliers, we conduct rigorous background checks, collect relevant legal qualifications, and ensure their eligibility before including them in the "Qualified Supplier List." As of the end of the Reporting Period, the Group has a total of 43 qualified suppliers, all located in Mainland China. The Group has established strong cooperative relationships with major suppliers, maintaining the stability and reliability of the supply chain.

To reduce environmental and social risks at each stage of the supply chain, the Group has established procurement control procedures to make supply chain management more standardized and orderly. The procurement control procedures clarify the responsibilities of the procurement department and other departments, ensuring the normalization and standardization of procurement work. When procuring raw materials, the procurement team fully understands various aspects of suppliers' production capabilities, quality systems, environmental certifications, and environmental protection, selects suppliers for on-site assessments and inspections, and requests sufficient samples for technical testing to ensure the purchased raw materials have stable and reliable quality and comply with relevant national production safety and environmental standards.

During supplier evaluations, the Group prioritizes suppliers with quality control systems, environmental management systems, occupational health and safety management systems, or those that have obtained ISO9001/ISO14001/ISO45001 certifications. Meanwhile, the Group actively promotes suppliers to fulfil environmental and social responsibilities, including reducing pollutant emissions, protecting the environment, fulfilling social responsibilities, using clean energy, and implementing energy conservation and emission reduction measures.

Furthermore, the Group actively practices "sustainable forest management" and has obtained "FSC Chain of Custody Certification," ensuring the traceability of timber and timber products. From timber harvesting to the final product, all stages comply with sustainability principles.


FSC
Universal Pulp and Paper (Shandong) Co.,Ltd.
Preferred by Nature™

FSC Chain of Custody Certification

Product Responsibility

The Group is principally engaged in the production of high-grade coated duplex board, kraft cardboard and kraft linerboard, with an annual output of more than 400,000 tonnes, as well as a thermal power station and a wastewater treatment station. In order to promote the upgrading of quality management, the Group implements fine management in the whole process, actively introduces scientific management model, vigorously promotes the construction of enterprise standardization, and has passed and obtained the "ISO9001 Quality Management System" certification.

ISO9001 Quality Management System

Quality Control
To enhance product quality and ensure compliance with safety standards, the Group has formulated the Product Monitoring and Measurement Control Procedures in accordance with relevant laws and regulations such as the Product Quality Law of the People's Republic of China. Each production line is equipped with professional quality inspectors responsible for inspecting raw materials, semi-finished products, and finished products, as well as conducting testing for harmful substances. Inspection data is compared and analysed against relevant standards. Products that do not meet standards are strictly prohibited from being marketed and sold to maintain the stability and reliability of product quality.

Customer Service
The Group attaches great importance to the quality of its services and has formulated the Customer Complaint Handling Process Regulations. The professional after-sales service team is responsible for dealing with all kinds of customer problems on the product in a timely manner. In case of any customer's concern about product quality, the Group will arrange professionals to conduct a detailed quality appraisal at the customer's site, and take measures to recall or compensate if necessary. The responsible department regularly reviews and formulates corrective and preventive actions to improve customer satisfaction in all aspects. During the Reporting Period, there were no recalls of products due to health and safety issues, the number of complaints received regarding products or services was 83, and the complaint resolution rate was 100%.

Data Privacy and Intellectual Property Protection
The Group highly values stakeholders' concerns about data privacy and strives to establish and maintain a reliable customer privacy information protection system. Through rigorous security measures and compliance practices, we ensure the maximum protection of customer privacy data. The Company outlines data privacy provisions and confidentiality obligations in corporate governance, internal control policies, employee handbooks, and employee contracts. Employees must strictly comply with and carefully manage corporate confidential information. The Company has implemented multiple measures for privacy protection, such as setting up restricted access areas and securely locking customer files.

Furthermore, the Group fully respects intellectual property and has established comprehensive design and development control procedures to ensure that the developed products, new processes, new raw materials, new technologies, etc., meet customer requirements and comply with relevant intellectual property laws, trade secrets, confidentiality procedures, and contractual terms. During the Reporting Period, the Company's products and services were not involved in any intellectual property-related violations.

Anti-corruption

The Group adheres to the core values of integrity and honesty, staunchly opposing any form of bribery, corruption, or graft. Upholding integrity and fairness as its operating principles, the Group has consistently complied with local regulations since its establishment, continuously constructing a robust internal monitoring and management system. By strengthening internal management and enhancing employees' awareness of legal regulations, the Group aims to create a healthy and more transparent operating environment for sustainable development.

To effectively prevent and curb corruption and other fraudulent activities, the Group has standardized the duties and obligations of departments and responsible individuals in its daily operations. It has strengthened integrity constraints on management personnel and raised employees' self-discipline and integrity awareness. While providing guidance on business ethics and integrity, supervisory personnel oversee business operations and transactions to ensure compliance with established policies and procedures, effectively eliminating corrupt practices. Moreover, upon discovering any irregularities, the Group encourages prompt reporting for follow-up actions to safeguard the company's operations in a fair, transparent, and legal manner. To facilitate reporting, the Group strictly protects whistleblowers' personal information, ensuring that all employees can report any relevant suspicious behaviour securely, reliably, and confidentially.

To further enhance anti-corruption measures, the Group has implemented multiple strategies, including:

1. Establishing strict anti-corruption policies and regulations, regularly reviewing them to maintain a systematic and rigorous anti-corruption mechanism within the Company and uphold high standards of corporate governance, maintaining an ethical corporate culture.

2. Conducting regular audits of daily management operations and special audits to monitor potential risks and ensure that the Group's internal control system can effectively identify and prevent violations in a timely manner.

3. Providing regular anti-corruption education and training for directors and employees, continuously raising awareness of ethical conduct and corruption issues among management and employees, and forming a comprehensive prevention system involving all employees.

4. Strengthening clean cooperation with external parties by requiring external functional departments to sign integrity agreements with relevant units, ensuring the cleanliness and transparency of cooperative relationships.

During the Reporting Period, there were no concluded legal cases regarding corrupt practices brought against the Company or its employees.

Community Investment

This Group actively fulfils its social responsibilities, viewing public welfare and community service as key pathways to creating social value. In terms of community support, the Group cares for community residents by providing 140,000 square metres of heating area to the Yizhiyuan Community and Panlong Community, addressing heating issues in both communities. In terms of tax compliance, the Group timely cooperates with resource utilization, obtaining tax refunds and job stability subsidies during the Reporting Period, and fulfilling its responsibility to pay taxes to the country.

Additionally, the Group has received several social honours, including being selected by provincial, municipal, and district governments as Advanced Enterprise of Safe Production in Shandong Province, Advanced Enterprise of Energy Conservation in Shandong Province, Advanced Collective of Water Diversion from South to North in Shandong Province, Qualified Enterprise of Clean Production, Charity and Love Enterprise of Zaozhuang City, etc. These recognitions acknowledge the Company's outstanding contributions to social responsibility and philanthropy.

Principal Honours
The Group actively engages in social responsibility and public welfare undertakings, and has been successively elected as:

- Advanced Enterprise of Safe Production in Shandong Province
- Advanced Enterprise of Energy Conservation in Shandong Province
- Advanced Collective of Water Diversion from South to North in Shandong Province
- Qualified Enterprise of Clean Production
- Charity and Love Enterprise of Zaozhuang City
- Green Factory in Shandong Province
- Specialized and Innovative Small and Medium-sized Enterprise in Shandong Province
- National "High-tech Enterprise"

TO THE SHAREHOLDERS OF C&D NEWIN PAPER & PULP CORPORATION LIMITED
(Incorporated in Bermuda with limited liability)

Opinion

We have audited the consolidated financial statements of C&D Newin Paper & Pulp Corporation Limited (the "Company") and its subsidiaries (the "Group") set out on pages 80 to 143, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 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 (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of Companies Ordinance.

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

Material Uncertainty Related to Going Concern

As disclosed in note 2 to the consolidated financial statements, the Group incurred a loss of approximately HK$128,798,000 and had a net operating cash outflow of approximately HK$48,361,000 during the year ended 31 December 2023. As at 31 December 2023, the Group's current liabilities exceeded its current assets by approximately HK$111,528,000. The Group had cash and cash equivalents amounted to approximately HK$27,412,000 while the outstanding portion of bank borrowings of approximately HK$55,117,000 with a repayment on demand clause which are originally due after one year and the current portion of amounts due to fellow subsidiaries, an intermediate holding company and an immediate holding company in aggregate amounted to approximately HK$13,817,000. These conditions indicate that material uncertainties exist which may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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. The key audit matters we identified are:

Key Audit Matter	How our audit addressed the Key Audit Matter

1. *Impairment assessment of property, plant and equipment ("PPE") and right-of-use assets ("ROU assets") of the paper manufacturing and selling segment*

Refer to notes 18 and 19 to the consolidated financial statements.

At 31 December 2023, the Group has PPE of approximately HK$731,335,000 (2022: HK$794,996,000) and ROU assets of approximately HK$185,003,000 (2022: HK$197,916,000).

PPE and ROU assets with finite useful life are tested for impairment when indicators of potential impairment are identified.

The Group sustained a gross loss and net loss with net operating cash outflow during the year ended 31 December 2023, which management considered to be an indicator of potential impairment that the carrying amounts of PPE and ROU assets of the Group may not be fully recovered.

Our procedures included:

— we assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors including subjectivity;

— we understood and evaluated key internal controls over the Group's impairment assessment of PPE and ROU assets;

— we evaluated the outcome of the Group's prior period impairment assessment of PPE and ROU assets to assess the effectiveness of management's estimation process;

— assessing management's identification of cash-generating units ("CGUs"), the amounts of PPE and ROU assets allocated to each CGU and, with the assistance of our independent valuation specialists engaged, the impairment assessment methodology adopted by management with reference to the requirements of the prevailing accounting standards;

— evaluating the competence, capabilities and objectivity of the independent appraiser engaged by the Company to prepare discounted cash flow forecasts to help management assess the value-in-use of the relevant CGUs;

— obtaining the independent valuation report from the independent appraiser engaged by management and comparing key inputs in the calculations, which include revenue growth rates, gross profit ratios and working capital assumptions, with the financial budget approved by the directors, available relevant external data and our own views based on our experience and knowledge of the industry in which the Group operates;

Key Audit Matter	How our audit addressed the Key Audit Matter

1. Impairment assessment of property, plant and equipment ("PPE") and right-of-use assets ("ROU assets") of the paper manufacturing and selling segment (continued)

For PPE and ROU assets where indicators of impairment were identified, management assessed the recoverable amounts of the separately identifiable CGU to which the relevant assets were allocated based on value-in-use calculations using discounted cash flow forecasts. An independent appraiser was engaged by management to prepare the valuation report in order for management to assess the impairment.

No impairment loss has been provided during the period.

The inherent risk in relation to the impairment assessment of PPE and ROU assets is considered significant as the impairment assessment involves significant estimates and assumptions which were subjective. Therefore, we identified the impairment assessment of PPE and ROU assets as a key audit matter.

— engaging our independent valuation specialists to assist us in evaluating the assumptions and judgements adopted in the discounted cash flow forecasts relating to inflation, the growth rate beyond the forecast period and the discount rates applied to derive the recoverable amount of the CGUs. This evaluation included researching public information relating to inflation and independently recalculating the discount rates applied with reference to those of other comparable companies in the same industries; and

— considering the disclosure in the consolidated financial statements in respect of management's impairment assessments.

2. Valuation of inventories

Refer to note 21 to the consolidated financial statements.

At 31 December 2023, the Group has inventories of approximately HK$192,109,000 (net of allowance for HK$24,444,000) (31 December 2022: HK$238,689,000 (net of allowance for HK$46,259,000)).

The inventories are stated at the lower of cost or net realisable value. 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.

The inherent risk in relation to the assessment of the net realisable value of inventory involves significant estimates and assumptions which were subjective. Therefore, we identified the valuation of inventories as a key audit matter.

Our procedures included:

— We assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors including subjectivity;

— We understood and evaluated key internal controls over the Group's assessment of the net realisable value of inventories;

— We evaluated the outcome of prior period assessment of the net realisable value of inventories to assess the effectiveness of management's estimation process;

— comparing the carrying value of a sample of inventory items without sales after the reporting date with the estimated selling price, with reference to market prices at the reporting date and historical gross margins achieved; and

— recalculating the provisions for inventories at the reporting date based on management's estimated selling prices of the respective inventories at the reporting date.

Other Information

The directors 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 Audit Committee for the Consolidated Financial Statements

The directors 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 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.

The Audit Committee assists the directors in discharging their responsibilities 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, 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.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism 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.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- 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 the Audit Committee, 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 the Audit Committee 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.

From the matters communicated with the Audit Committee, 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 Yu Kwok Keung.

Certified Public Accountants

28 March 2024

Consolidated Statement of Profit or Loss

For the year ended 31 December 2023

	Note	Year ended 31 December 2023 HK$'000	For the nine months ended 31 December 2022 HK$'000
Revenue	8	1,372,077	1,044,390
Cost of sales		(1,392,188)	(1,099,214)
Gross loss		(20,111)	(54,824)
Other gains and income, net	9	24,111	7,420
Selling expenses		(2,270)	(1,631)
Administrative expenses		(109,846)	(89,564)
Reversal of impairment losses of financial assets, net		10	130
Loss from operations		(108,106)	(138,469)
Finance costs	11	(21,416)	(12,422)
Loss before tax		(129,522)	(150,891)
Income tax credit	12	724	16
Loss for the year/period attributable to owners of the Company	13	(128,798)	(150,875)
Loss per share	17		
Basic and diluted (HK cents)		(9.1)	(10.7)

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2023

	Year ended 31 December 2023 HK$'000	For the nine months ended 31 December 2022 HK$'000
Loss for the year/period attributable to owners of the Company	(128,798)	(150,875)
Items that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	(7,548)	(42,191)
Other comprehensive income for the year/period, net of tax	(7,548)	(42,191)
Total comprehensive income for the year/period attributable to owners of the Company	(136,346)	(193,066)

Consolidated Statement of Financial Position

As at 31 December 2023

	Note	2023 HK$'000	2022 HK$'000
Non-current assets			
Property, plant and equipment	18	731,335	794,996
Right-of-use assets	19	185,003	197,916
Other intangible assets	20	132	171
		916,470	993,083
Current assets			
Inventories	21	192,109	238,689
Accounts and other receivables and prepayments	22	36,949	59,172
Amounts due from related parties	26	—	13,167
Bank and cash balances	23	27,412	12,898
		256,470	323,926
Total assets		1,172,940	1,317,009
Current liabilities			
Accounts and other payables	24	296,913	326,336
Contract liabilities	25	2,129	1,595
Amounts due to related parties	26	—	52,255
Amounts due to fellow subsidiaries	26	13,542	—
Amount due to immediate holding company	26	179	—
Amount due to an intermediate holding company	26	96	—
Amount due to ultimate holding company	26	—	179
Borrowings	27	55,117	78,967
Tax payables		22	—
		367,998	459,332
Net current liabilities		(111,528)	(135,406)
Total assets less current liabilities		804,942	857,677

	Note	2023 HK$'000	2022 HK$'000
Non-current liabilities			
Accounts and other payables	24	57,025	129,398
Amounts due to related parties	26	—	2,589
Amount due to a fellow subsidiary	26	39,360	—
Borrowings	27	510,829	390,323
Deferred tax liabilities	28	18,285	19,578
		625,499	541,888
NET ASSETS		179,443	315,789
Equity			
Share capital	29	70,730	70,730
Reserves	31	108,713	245,059
TOTAL EQUITY		179,443	315,789

Approved by the Board of Directors on 28 March 2024 and are signed on its behalf by:

Mr. HUANG Tiansheng

Mr. LIN Ruqing

Consolidated Statement of Changes in Equity

For the year ended 31 December 2023

	Attributable to owners of the Company						
	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000 (note 31(b)(iii))	Capital reserve HK$'000 (note 31(b)(i))	Exchange reserve HK$'000 (note 31(b)(ii))	Retained earnings/ (Accumulated losses) HK$'000	Total equity HK$'000
At 1 April 2022	70,730	104,016	161,262	108,403	12,559	51,885	508,855
Total comprehensive income for period	–	–	–	–	(42,191)	(150,875)	(193,066)
Change in equity for the period	–	–	–	–	(42,191)	(150,875)	(193,066)
At 31 December 2022	70,730	104,016	161,262	108,403	(29,632)	(98,990)	315,789
At 1 January 2023	70,730	104,016	161,262	108,403	(29,632)	(98,990)	315,789
Total comprehensive income for year	–	–	–	–	(7,548)	(128,798)	(136,346)
Change in equity for the year	–	–	–	–	(7,548)	(128,798)	(136,346)
At 31 December 2023	70,730	104,016	161,262	108,403	(37,180)	(227,788)	179,443

Consolidated Statement of Cash Flows

For the year ended 31 December 2023

	Year ended 31 December 2023 HK$'000	For the nine months ended 31 December 2022 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	(129,522)	(150,891)
Adjustments for:		
Depreciation of property, plant and equipment	59,577	45,207
Depreciation of right-of-use assets	7,378	5,597
Amortisation of intangible assets	35	32
Loss on written-off of property, plant and equipment	31	15
Reversal of impairment losses of financial assets,net	(10)	(130)
(Reversal of)/provision for impairment losses on inventories	(20,090)	16,864
Finance costs	21,416	12,422
Interest income	(226)	(579)
Operating loss before working capital changes	(61,411)	(71,463)
Decrease in inventories	60,251	96,482
Decrease in accounts and other receivables	20,309	63,937
Decrease in accounts and other payables	(89,712)	(91,239)
Decrease in provision	—	(19,732)
Increase/(decrease) in contract liabilities	584	(35,440)
Increase in amounts due to related parties	23,027	—
Decrease in amounts due to fellow subsidiaries	(1,409)	—
Cash used in operations	(48,361)	(57,455)
Income taxes paid	—	(562)
Net cash used in operating activities	(48,361)	(58,017)

Consolidated Statement of Cash Flows

For the year ended 31 December 2023

	Year ended 31 December 2023 HK$'000	For the nine months ended 31 December 2022 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(18,088)	(41,120)
Purchase of intangible assets	—	(32)
Interest received	226	579
Net cash used in investing activities	(17,862)	(40,573)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase/(decrease) in amount due to a related party	389	(85,347)
Repayment to a fellow subsidiary	(9,504)	—
Other borrowings raised	165,795	109,719
Bank borrowings raised	55,574	80,004
Repayment of other borrowings	(33,159)	—
Repayment of bank borrowings	(77,371)	—
Interest paid	(21,320)	(18,598)
Net cash generated from financing activities	80,404	85,778
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	14,181	(12,812)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR/PERIOD	12,898	5,274
EFFECT OF CHANGES IN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS	333	20,436
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	27,412	12,898
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	27,412	12,898

1. General Information

The Company was incorporated in Bermuda with limited liability. The address of its registered office is 5th Floor, Victoria Place, 31 Victoria Street, Hamilton HM10, Bermuda. The address of its principal place of business is Room 2306B & 2307, 23rd Floor, West Tower, Shun Tak Centre, No. 168–200 Connaught Road Central, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 35 to the consolidated financial statements.

In the opinion of the directors of the Company (the "Directors"), 廈門建發股份有限公司 (Xiamen C&D Inc.*), a company incorporated in the People's Republic of China (the "PRC"), is the ultimate parent.

2. Basis of Preparation

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). HKFRSs comprises Hong Kong Financial Reporting Standards ("HKFRS"), Hong Kong Accounting Standards ("HKAS"); and Interpretations. These consolidated financial statements also comply with applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange and with the disclosure requirements of the Companies Ordinance (Cap. 622).

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 to the consolidated financial statements provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

Change of financial year end date

Pursuant to a resolution of the Board dated 30 June 2022, the Company's financial year end date has been changed from 31 March to 31 December commencing from the financial period from 1 April 2022 to 31 December 2022 in order to be in line with the financial year end date of its controlling shareholder of the Company. Accordingly, the comparative figures presented for the audited consolidated statement of profit or loss, the audited consolidated statement of comprehensive income, the audited consolidated statement of change in equity, the audited consolidated statement of cash flows and related notes cover the audited figures of the financial period from 1 April 2022 to 31 December 2022 which may not be comparable with the amounts shown for the current year.

Going Concern

The Group incurred a loss of approximately HK$128,798,000 and had a net operating cash outflow of approximately HK$48,361,000 during the year ended 31 December 2023. As at 31 December 2023, the Group's current liabilities exceeded its current assets by approximately HK$111,528,000. The Group had cash and cash equivalents amounted to approximately HK$27,412,000, while the outstanding bank borrowings of approximately HK$55,117,000 with a repayment on demand clause which are originally due after one year and the current portion of the amounts due to fellow subsidiaries, an intermediate holding company and immediate holding company in aggregate amounted to approximately HK$13,817,000.

These events and conditions indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern and to realise its assets and discharge its liabilities in the normal course of business.

2. Basis of Preparation (continued)

Going Concern (continued)

Nevertheless, the Directors had adopted the going concern basis in the preparation of these consolidated financial statements on the grounds that the Group will have sufficient working capital to meet its financial obligations as and when they fall due in the next twelve months from 31 December 2023, based on the measures including but not limited to the following:

(a) The Directors expect the Group will attain profitability and be able to generate operating cash inflows from its future business operations as the markets for its products continue to recover;

(b) As set out in note 27 to the consolidated financial statements, as at 31 December 2023, the Group has drawn down bank borrowings of approximately HK$55,117,000 (equivalent to RMB50,280,000) and has available unutilised banking facilities of approximately HK$54,503,000 (equivalent to RMB49,720,000). The Directors are of the opinion that the Group will be able to utilise the undrawn loan facilities in 2024 if needed;

(c) An undertaking has been provided by NCD Investment Holding Limited ("NCD"), the immediate holding company (2022: ultimate holding company) of the Company that NCD will first procure 山東佰潤紙業有限公司 (Shandong Bairun Paper Co. Ltd*) ("Shandong Bairun") to further extend the term of the loan of approximately HK$274,050,000 (equivalent to RMB250,000,000), if considered insufficient, NCD will provide further loans required for the operation of 遠通紙業(山東)有限公司 (Universal Pulp & Paper (Shandong) Co., Ltd*) ("UPPSD"), being an operating subsidiary of the Company, until other bank financing becomes available.

(d) As set out in note 27 to the consolidated financial statements, as at 31 December 2023, the Group has drawn down other borrowings of approximately HK$76,734,000 (equivalent to RMB70,000,000) from 廈門建發漿紙集團有限公司 (Xiamen C&D Paper & Pulp Group Co., Limited*, formerly known as 廈門建發紙業有限公司 (Xiamen C&D Paper & Pulp Co., Ltd.*)) ("Xiamen C&D Paper & Pulp"), the intermediate parent of the Company, and has available unutilised loan facilities of approximately HK$32,886,000 (equivalent to RMB30,000,000). The maturity date is 18-month after the drawn down date of the relevant borrowings. The Directors are of the opinion that the Group will be able to utilise the undrawn loan facilities and repay the due borrowings with the new borrowings drawn down in 2024 if needed;

(e) As set out in notes 27 and 37 to the consolidated financial statements, as at 31 December 2023, the Group has other borrowings of approximate HK$274,050,000, HK$105,235,000 and HK$54,810,000 (equivalent to RMB250,000,000, RMB96,000,000 and RMB50,000,000 respectively) from Shandong Bairun, a fellow subsidiary of the Company being wholly-owned by Xiamen C&D Paper & Pulp, which are due on 31 January 2025.

    On 12 March 2024, extension agreements entered between Shandong Bairun and UPPSD, the operating subsidiary of the Company, have extended the maturity date to 31 January 2026.

In view of the above, the Directors consider that there will be sufficient financial resources available to the Group to enable it to continue as a going concern and hence have prepared the consolidated financial statements on a going concern basis. Should the Group be unable to continue as going concern, adjustments would have to be made to write down the carrying value of the assets to their recoverable amounts, to provide for any further liabilities which might arise and to classify non-current assets and liabilities as current assets and liabilities respectively. The effects of these potential adjustments have not been reflected in these consolidated financial statements.

3. Adoption of New and Revised Hong Kong Financial Reporting Standards

(a) Application of new and revised HKFRSs

The Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2023 for the preparation of the consolidated financial statements:

HKFRS 17	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform — Pillar Two Model Rules — Amendments to HKAS 12
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

Except as described below, the application of the new and amendments to in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Impact on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 "Disclosure of Accounting Policies"

The Group has adopted Amendments to HKAS 1 and HKFRS Practice Statement 2 "Disclosure of Accounting Policies" for the first time in the current year. HKAS 1 "Presentation of Financial Statements" is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 "Making Materiality Judgements" (the "Practice Statement") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments has had no material impact on the Group's financial positions and performance but has affected the disclosure of the Group's accounting policies set out in note 4 to the consolidated financial statements.

3. Adoption of New and Revised Hong Kong Financial Reporting Standards (continued)

(a) Application of new and revised HKFRSs (continued)

Change in accounting policy as a result of application of the HKICPA guidance on the accounting implications of the abolition of the Mandatory Provident Fund ("MPF") — Long Service Payment ("LSP") offsetting mechanism in Hong Kong

The Group has a subsidiary operating in Hong Kong which are obliged to pay LSP to employees under certain circumstances. Meanwhile, the Group makes mandatory MPF contributions to the trustee who administers the assets held in a trust solely for the retirement benefits of each individual employee. Offsetting of LSP against an employee's accrued retirement benefits derived from employers' MPF contributions was allowed under the Employment Ordinance (Cap.57). In June 2022, the Government of the HKSAR gazetted the Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "Amendment Ordinance") which abolishes the use of the accrued benefits derived from employers' mandatory MPF contributions to offset severance payment and LSP (the "Abolition"). The Abolition will officially take effect on 1 May 2025 (the "Transition Date"). In addition, under the Amendment Ordinance, the last month's salary immediately preceding the Transition Date (instead of the date of termination of employment) is used to calculate the portion of LSP in respect of the employment period before the Transition Date.

In July 2023, the HKICPA published "Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong" which provides guidance for the accounting for the offsetting mechanism and the impact arising from abolition of the MPF-LSP offsetting mechanism in Hong Kong. In light of this, the Group has implemented the guidance published by the HKICPA in connection with the LSP obligation retrospectively so as to provide more reliable and more relevant information about the effects of the offsetting mechanism and the Abolition.

The application of the change in accounting policy has had no material impact on the Group's financial positions and performance.

(b) New and revised HKFRSs in issue but not yet effective

The Group has not early applied the following amendments to standards and interpretation that have been issued but are not yet effective:

	Effective for accounting periods beginning on or after
Amendments to HKAS 1 — Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to HKAS 1 — Non-current Liabilities with Covenants	1 January 2024
Amendments to HKFRS 16 — Lease Liability in a Sales and Leaseback	1 January 2024
Hong Kong Interpretation 5 (Revised) Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ("HK Int 5 (Revised)")	1 January 2024
Amendments to HKAS 7 and HKFRS 7 — Supplier Finance Arrangements	1 January 2024
Amendments to HKAS 21 — Lack of Exchangeability	1 January 2025
Amendments to HKFRS 10 and HKAS 28 — Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined by the HKICPA

The Directors anticipate that the application of all other amendments to HKFRSs will not have material impact on the consolidated financial statements in the foreseeable future.

4. Material Accounting Policy Information

These consolidated financial statements have been prepared under the historical cost convention, unless mentioned otherwise in the accounting policies below (e.g. property, plant and equipment and right-of-use assets that are measured at fair value).

The preparation of the financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5.

The material accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill and any accumulated foreign currency translation reserve relating to that subsidiary.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's statement of financial position, investment in a subsidiary is stated at cost less impairment loss, if any.

4. Material Accounting Policy Information (continued)

(b) Foreign currency translation

(i) Functional and presentation currency

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

The functional currency of subsidiaries established in the PRC is Renminbi ("RMB"). The directors consider that choosing HK$ as the presentation currency best suits the needs of the shareholders and investors.

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the company initially recognises such non-monetary assets or liabilities. Non-monetary items that are measured at fair value in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(iii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

- Income and expenses are translated at average exchange rates for the period (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 exchange rates on the transaction dates); and

- All resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of monetary items that form part of the net investment in foreign entities are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are reclassified to consolidated profit or loss as part of the gain or loss on disposal.

4. Material Accounting Policy Information (continued)

(c) Property, plant and equipment

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed on a regular basis with an interval of not more than 3 years, such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period.

Any revaluation increase arising on the revaluation of such land and buildings is recognised in other comprehensive income and accumulated in properties revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such land and buildings is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

Depreciation of revalued buildings is recognised in profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings.

All other property, plant and equipment, held for use in the production or supply of goods or services, or for administrative purposes (other than construction on progress as described below), are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

When the Group make-s payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Subsequent costs are included in the asset's 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. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Leasehold land	Shorter of remaining lease term of 50 years or useful life
Buildings	3.3%–5%
Furniture and fixtures	20%
Machinery and equipment	3.3%–20%
Office and computer equipment	20%–33.3%
Motor vehicles and vessels	12.5% or 20%

4. Material Accounting Policy Information (continued)

(c) Property, plant and equipment (continued)

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Construction in progress represents buildings under construction and plant and equipment pending installation, and is stated at cost less impairment losses. Depreciation begins when the relevant assets are available for use.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

(d) Leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) The Group as a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. Lease payments to be made under reasonably certain extension options are also included in the measurement of the lease liability. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method.

Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

4. Material Accounting Policy Information (continued)

(d) Leases (continued)

(i) The Group as a lessee (continued)

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.

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the group entities use that rate as a starting point to determine the incremental borrowing rate.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses except for the right-of-use assets that meet the definition of investment property are carried at fair value.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Right-of-use assets relate to land and buildings of property, plant and equipment to which the Group applies the revaluation model which is set out in note 4(c), the Group may elect to apply that revaluation model to all of the right-of-use assets that relate to land and buildings of property, plant and equipment.

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group’s estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

4. Material Accounting Policy Information (continued)

(d) Leases (continued)

(i) The Group as a lessee (continued)

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are any rent concessions which arose as a direct consequence of the COVID-19 pandemic and which satisfied the conditions set out in paragraph 46B of HKFRS 16. In such cases, the Group took advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognised the change in consideration as negative lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

(ii) The Group as a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

(e) Other intangible assets

Intangible assets acquired separately — software

Software is stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over their estimated useful lives of 10 years.

(f) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of finished goods comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. The costs of purchased inventory are determined after deducting rebates and discounts. 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.

(g) Contract liabilities

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue. A contract liability would also be recognised if the group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method.

4. Material Accounting Policy Information (continued)

(h) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(i) Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

(j) Accounts and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Accounts 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 accounts receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method less allowance for credit losses.

4. Material Accounting Policy Information (continued)

(k) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows. Cash and cash equivalents are assessed for expected credit loss ("ECL").

(l) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(m) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

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.

(n) Accounts and other payables

Accounts and other payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(o) Equity instruments

An equity instrument is any contract that evidence a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(p) Revenue and other income

Revenue is recognised when control over a product or service is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Revenue from the sale of goods is recognised when control of the products has transferred, being when the products are delivered to the customers. Delivery occurs when the products have been shipped to the specific location. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

4. Material Accounting Policy Information (continued)

(p) Revenue and other income (continued)

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost or FVTOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset.

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are earned.

(q) Employees benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

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

(ii) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

(iii) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits, and when the Group recognises restructuring costs and involves the payment of termination benefits.

(r) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings.

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

4. Material Accounting Policy Information (continued)

(s) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of transaction does not give rise to equal taxable and deductible temporary differences.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model of the Group whose business objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax for such investment properties are measured based on the expected manner as to how the properties will be recovered.

4. Material Accounting Policy Information (continued)

(s) Taxation (continued)

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to right-of-use assets and lease liabilities separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised and a deferred tax liability for all taxable temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(t) Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through the consolidated statement of profit or loss to its estimated recoverable amount unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the cash-generating unit.

Value in use is the present value of the estimated future cash flows of the asset/cash-generating unit. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the asset/cash-generating unit whose impairment is being measured.

Impairment losses for cash-generating units are allocated first against the goodwill of the unit and then pro rata amongst the other assets of the cash-generating unit. Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that they reverse the impairment unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(u) Impairment of financial assets

The Group recognises a loss allowance for ECL on accounts and other receivables and cash and cash equivalents. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for accounts receivables. The ECL on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

4. Material Accounting Policy Information (continued)

(u) Impairment of financial assets (continued)

For other receivables, the Group recognises lifetime ECL when there has been a significant increase in credit risk for balances categorised under "Stage 2" since initial recognition. However, if the credit risk on other receivables has not increased significantly since initial recognition, the Group categorises these balances under "Stage 1" and measures the allowance for impairment for other receivables at an amount equal to 12-month ECL.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk for a particular financial instrument;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- significant increases in credit risk on other financial instruments of the same debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

4. Material Accounting Policy Information (continued)

(u) Impairment of financial assets (continued)

Significant increase in credit risk (continued)

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

(i) the financial instrument has a low risk of default,

(ii) the debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and

(iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when the asset has external credit rating of "investment grade" in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of "performing". Performing means that the counterparty has a strong financial position and there is no past due amounts.

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

— when there is a breach of financial covenants by the counterparty; or

— information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

4. Material Accounting Policy Information (continued)

(u) Impairment of financial assets (continued)

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the counterparty;
- a breach of contract, such as a default or past due event;
- the lender(s) of the counterparty, for economic or contractual reasons relating to the counterparty's financial difficulty, having granted to the counterparty a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the counterparty will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, including when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of account receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

For a financial guarantee contract, as the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

4. Material Accounting Policy Information (continued)

(u) Impairment of financial assets (continued)

Measurement and recognition of ECL (continued)

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

(v) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

(w) Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period are adjusting events and reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

5. Critical Judgements and Key Estimates

In applying the Group's accounting policies, which are described in note 4, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

5. Critical Judgements and Key Estimates (continued)

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the Directors have made the following judgements that have the most significant effect on the amounts recognised in the consolidated financial statements (apart from those involving estimations, which are dealt with below).

(a) Going concern basis

These consolidated financial statements have been prepared on a going concern basis, the validity of which largely depends upon the sufficiency of financial resources available to the Group. Details are explained in note 2 to the consolidated financial statements.

(b) Significant increase in credit risk

As explained in note 4(u) to the consolidated financial statements, ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. HKFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward looking information.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that 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) Deferred tax asset

As at 31 December 2023, no deferred tax asset has been recognised on the tax losses of HK$330,891,000 due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future taxable profits generated are less or more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal or further recognition takes place.

(b) Impairment of property, plant and equipment and right-of-use assets

Property, plant and equipment and right-of-use assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgment and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the cash-generating unit to which the assets belongs. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the net present value used in the impairment test.

The carrying amount of property, plant and equipment and right-of-use assets as at 31 December 2023 were approximately HK$731,335,000 (2022: HK$794,996,000) and HK$185,003,000 (2022: HK$197,916,000) respectively.

5. Critical Judgements and Key Estimates (continued)

Key sources of estimation uncertainty (continued)

(c) Impairment of accounts and other receivables

As mentioned in note 4(u) to the consolidated financial statements, the Group uses practical expedient in estimating ECL on accounts and other receivables using a provision matrix. The provision rates are based on aging of debtors as groupings of various debtors taking into consideration the Group's historical default rates and forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

As at 31 December 2023, the carrying amount of accounts and bills receivable is HK$13,353,000 (net of allowance for impairment losses of approximately HK$3,109,000) (2022: HK$8,374,000 (net of allowance for impairment losses of approximately HK$3,622,000)).

(d) Impairment provision for inventories

Inventory impairment provision is made based on the estimated net realisable value of inventories. The assessment of the allowance amount involves judgement and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the period in which such estimate has been changed. Allowance for slow-moving inventories was approximately HK$23,697,000 as at 31 December 2023 (2022: HK$25,840,000).

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expense. These estimates are based on current market conditions and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in customer's taste and competitor's actions in response to severe industry cycles. The Group will reassess the estimates by the end of each reporting period. Allowance for net realisable value of inventories was approximately HK$747,000 as at 31 December 2023 (2022: HK$20,419,000).

(e) Fair value of property, plant and equipment and right-of-use assets

The Group appointed an independent professional valuer to assess the fair value of the land and building of property, plant and equipment and right-of-use assets that relate to the building of property, plant and equipment. In determining the fair value, the valuer has utilised a method of valuation which involves certain estimates. The directors have exercised their judgement and are satisfied that the method of valuation and inputs used are reflective of the current market conditions.

The carrying amount of land and building of property, plant and equipment and right-of-use assets as at 31 December 2023 was approximately HK$272,107,000 (2022: HK$284,196,000) and HK$185,003,000 (2022: HK$197,916,000) respectively.

6. Financial Risk Management

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate 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 currency risk

The Group has certain exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currency of the Group's entities. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

(b) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily account receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. The Group's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are banks and financial institutions with high credit-rating assigned by international credit-rating agencies, for which the Group considers to have low credit risk.

Accounts and bills receivables

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Account receivables are due within 30 to 90 days from the date of billing. Debtors with balances that are more than 3 months past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for account receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

6. Financial Risk Management (continued)

(b) Credit risk (continued)

Accounts and bills receivables (continued)

The following table provides information about the Group's exposure to credit risk and ECLs for accounts and bills receivables:

	As at 31 December 2023		
	Expected loss rate %	Gross carrying amount HK$'000	Loss allowance HK$'000
Current (not past due)	2.1%	5,908	127
Up to 60 days past due	4.8%	7,955	383
61–90 days past due	N/A	—	—
More than 90 days past due	100.0%	2,599	2,599
		16,462	3,109

	As at 31 December 2022		
	Expected loss rate (note 1) %	Gross carrying amount HK$'000	Loss allowance (note 2) HK$'000
Current (not past due)	*%	824	*
Up to 60 days past due	4.8%	7,928	378
61–90 days past due	N/A	—	—
More than 90 days past due	100.0%	3,244	3,244
		11,996	3,622

Note 1: * Less than 0.1%

Note 2: * Less than HK$1,000

6. Financial Risk Management (continued)

(b) Credit risk (continued)

Accounts and bills receivables (continued)

Expected loss rates are based on actual loss experience over the past 2 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Movement in the loss allowance for account receivables during the year/period is as follows:

	HK$'000	HK$'000
At 1 January 2023/1 April 2022	3,622	4,100
Write-off	(414)	—
Reversal of allowance for accounts receivables recognised for the year/period	(10)	(130)
Exchange differences	(89)	(348)
At 31 December 2023/2022	3,109	3,622

Financial assets at amortised cost

All of the Group's other financial assets at amortised cost are considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12-month expected losses. The Group's management considers these balances to be of low credit risk as they have a low risk of default and the counterparties have a strong capacity to meet its contractual cash flow obligations in the near term.

Financial assets at amortised cost include deposits and other receivables.

The carrying amount of deposits and other receivables approximated to their fair value as at the end of each reporting period. Their recoverability was assessed with reference to the credit status of the debtors, and the ECL is considered to be immaterial.

6. Financial Risk Management (continued)

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity analysis based on contractual undiscounted cash flows of the Group's non-derivative financial liabilities is as follows:

	On demand or less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
At 31 December 2023					
Borrowings (note)	55,117	533,521	–	–	588,638
Accounts and other payables	296,913	57,025	–	–	353,938
Amounts due to fellow subsidiaries	3,148	39,360	–	–	42,508
Amount due to an intermediate holding company	96	–	–	–	96
Amount due to immediate holding company	179	–	–	–	179
	355,453	629,906	–	–	985,359
At 31 December 2022					
Borrowings	78,967	405,545	–	–	484,512
Accounts and other payables	326,336	64,699	64,699	–	455,734
Amounts due to related parties	52,255	1,295	1,294	–	54,844
Amount due to ultimate holding company	179	–	–	–	179
	457,737	471,539	65,993	–	995,269

Note: Bank loans with a repayment on demand clause are included in the 'on demand or less than 1 month' time band in the above maturity analysis. As at 31 December 2023, the aggregate undiscounted principal amounts of these bank loans amounted to HK$55,117,000. Taking into account the Group's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank loans will be repaid one year after the end of the reporting period in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to HK$58,576,000.

6. Financial Risk Management (continued)

(d) Interest rate risk

The Group's bank and other borrowings bear interests at fixed interest rates and therefore are subject to fair value interest rate risks.

The Group's exposure to interest-rate risk arises from its bank deposits. These deposits bear interests at variable rates that vary with the then prevailing market condition.

(e) Categories of financial instruments as at 31 December:

	2023 HK$'000	2022 HK$'000
Financial assets:		
Financial assets at amortised cost	43,114	51,664
Financial liabilities:		
Financial liabilities at amortised cost	962,667	982,103

(f) Fair values

Except as disclosed in note 7 to the consolidated financial statements, the carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

7. Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

7. Fair Value Measurements (continued)

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

(a) Reconciliation of assets measured at fair value based on level 3:

Description	Property, plant and equipment: Land and buildings HK$'000	Right-of-use assets HK$'000	Total HK$'000
At 1 April 2022	317,729	222,550	540,279
Addition	2,653	—	2,653
Depreciation	(9,179)	(5,597)	(14,776)
Exchange differences	(27,007)	(19,037)	(46,044)
At 31 December 2022 and 1 January 2023	284,196	197,916	482,112
Addition	7,838	—	7,838
Depreciation	(11,925)	(7,378)	(19,303)
Exchange differences	(8,002)	(5,535)	(13,537)
At 31 December 2023	272,107	185,003	457,110

The total gains or losses recognised in other comprehensive income are presented in fair value change of assets measured under revaluation model in the consolidated statement of profit or loss and other comprehensive income.

7. Fair Value Measurements (continued)

(b) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements:

The Group's chief financial officer is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including level 3 fair value measurements. The chief financial officer reports directly to the Board of Directors for these fair value measurements. Discussions of valuation processes and results are held between the chief financial officer and the Board of Directors at least twice a year.

For level 3 fair value measurements, the Group will normally engage external valuation experts with the recognised professional qualifications and recent experience to perform the valuations.

Level 3 fair value measurements

					Fair value As at 31 December	
Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	2023 HK$'000	2022 HK$'000
					Assets	
Property, plant and equipment — land and buildings	Market comparable approach	Unit price	RMB1,300–RMB2,150 per sqm	Increase	272,107	284,196
Right-of-use assets — land use rights	Market comparable approach	Unit price	RMB391–RMB448 per sqm	Increase	185,003	197,916

8. Revenue

Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products or service line for the year/period is as follows:

	Year ended 31 December 2023 HK$'000	For the nine months ended 31 December 2022 HK$'000
Revenue from contracts with customers within the scope of HKFRS 15		
Sale of goods	1,372,077	1,044,390
Timing of revenue recognition		
Products transferred at a point in time	1,372,077	1,044,390

9. Other Gains and Income, Net

	Year ended 31 December 2023 HK$'000	For the nine months ended 31 December 2022 HK$'000
Interest income	226	579
Rental income	347	359
Losses on write-off of property, plant and equipment	(31)	(15)
Government subsidy (note a)	5,736	5,312
Release of restructure liabilities (note b)	17,161	—
Others	672	1,185
	24,111	7,420

Note:

(a) It mainly represents the VAT tax and related other tax refunded from the tax authority in the PRC of approximately HK$5,736,000 (equivalent to approximately RMB5,189,000) (for the nine months ended 31 December 2022: approximately HK$3,772,000 (equivalent to approximately RMB3,300,000)), as the Group manufactures the products by using recycled materials which entitled 50% reduction of VAT tax and related other tax.

(b) During the year, the creditor formally informed UPPSD that a court order has been issued to the former shareholder of UPPSD on the restructure liabilities of approximately HK$17,161,000 (equivalent to approximately RMB15,525,000) which were no longer liable to UPPSD and the related amount has been settled by the former shareholder.

10. Segment Information

The chief operating decision-makers have been identified as the executive directors of the Company. The executive directors review the Group's financial information mainly from business nature and geographical perspectives. From a perspective on business nature, the Group has a single reportable segment for the year ended 31 December 2023, namely paper manufacturing and selling segment. From a geographical perspective, management mainly assesses the performance of operations in the PRC. Accordingly, there is only one single reportable segment of the Group which is regularly reviewed by the Directors.

Geographical information:
No geographical information is presented as most the Group's business is carried out in the PRC and the Group's revenue from external customers is generated and non-current assets are located in the PRC during the year.

Revenue from major customers:
Revenue from customers contributing over 10% of the total revenue of the Group is as follows:

	Year ended 31 December 2023 HK$'000	For the nine months ended 31 December 2022 HK$'000
Customer A	170,845	176,879
Customer B	N/A[1]	160,638
Customer C	140,364	N/A[1]

[1] The corresponding revenue did not contribute over 10% of total revenue of the Group.

11. Finance Costs

	Year ended 31 December 2023 HK$'000	For the nine months ended 31 December 2022 HK$'000
Interest on bank borrowings	3,320	1,752
Interest on other borrowings	18,096	10,670
	21,416	12,422

12. Income Tax Credit

Income tax has been recognised in profit or loss as following:

	Year ended 31 December 2023 HK$'000	For the nine months ended 31 December 2022 HK$'000
Current tax		
Hong Kong profits tax	17	—
PRC Enterprise Income Tax	5	—
Under-provision in prior years	—	562
	22	562
Deferred tax (note 28)	(746)	(578)
	(724)	(16)

Under the two-tiered Profits Tax rate regime, the first HK$2 million of profits of the qualifying group entity established in Hong Kong will be taxed at 8.25%, and profits above that amount will be subject to the tax rate of 16.5%. The profits of the group entities not qualifying for the two-tiered Profit Tax rate regime will continue to be taxed at a rate of 16.5%.

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit for the nine months ended 31 December 2022.

The Company's PRC subsidiaries are subject to the PRC Enterprise Income Tax at rate of 25% except as follows. UPPSD was entitled to the preferential tax rate of 15% with an effective period of three years starting from 2023 to 2026, being accredited as a High and New Technology Enterprise ("HNTE") according to the PRC Corporate Income Tax Law and its relevant regulations on 29 November 2023. The Directors are in opinion that UPPSD continuously fulfilled the requirements of HNTE according to relevant rules and regulations, and therefore the tax rate used to recognise deferred tax assets and liabilities as at 31 December 2023 was 15% (2022: 15%).

Pursuant to the rules and regulations of Bermuda, the Group is not subject to any income tax in Bermuda.

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

12. Income Tax Credit (continued)

The reconciliation between the income tax credit and the product of loss before tax multiplied by the Hong Kong Profits Tax rate is as follows:

	Year ended 31 December 2023 HK$'000	For the nine months ended 31 December 2022 HK$'000
Loss before tax	(129,522)	(150,891)
Tax at the Hong Kong Profits Tax rate of 16.5% (for the nine months ended 31 December 2022: 16.5%)	(21,371)	(24,897)
Tax effect of income that is not taxable	(9,469)	(5,525)
Tax effect of expenses that are not deductible	473	759
Tax effect of tax losses not recognised	27,850	26,836
Effect of different tax rates of subsidiaries	1,962	2,249
Utilisation of tax losses previously not recognised	(152)	—
Tax concession	(17)	—
Under-provision in prior years	—	562
Income tax credit	(724)	(16)

13. Loss for the Year/Period

The Group's loss for the year/period is stated after charging/(crediting) the following:

	Year ended 31 December 2023 HK$'000	For the nine months ended 31 December 2022 HK$'000
Amortisation of intangible assets (included in administrative expenses)	35	32
Depreciation on property, plant and equipment	59,577	45,207
Depreciation on right-of-use assets	7,378	5,597
Loss on write-off of property, plant and equipment	31	15
Cost of inventories sold (note)	1,348,758	1,064,130
Auditor's remuneration	1,200	1,200
Reversal of impairment losses on financial assets, net	(10)	(130)
(Reversal of)/provision for impairment losses on inventories	(20,090)	18,568

Note: Cost of inventories sold includes depreciation of approximately HK$41,907,000 (For the nine months ended 31 December 2022: HK$29,149,000) which are included in the amounts disclosed separately.

14. Employee Benefit Expenses

	Year ended 31 December 2023 HK$'000	For the nine months ended 31 December 2022 HK$'000
Staff costs including directors' emoluments		
Salaries, bonuses and allowances	65,537	59,193
Retirement benefit scheme contributions	14,722	8,144
	80,259	67,337

(a) Five highest paid individuals

The five highest paid individuals in the Group during the year included Nil director (For the nine months ended 31 December 2022: Nil) whose emoluments are reflected in the analysis presented in note 15 to the consolidated financial statements.

	Year ended 31 December 2023 HK$'000	For the nine months ended 31 December 2022 HK$'000
Salaries and allowances	3,226	3,615
Retirement benefit scheme contributions	38	53
	3,264	3,668

The emoluments fell within the following band:

	Number of individuals	
	Year ended 31 December 2023	For the nine months ended 31 December 2022
Nil to HK$1,000,000	4	4
HK$1,000,001 to HK$1,500,000	1	1
	5	5

No incentive payment for joining the Group or compensation for loss of office was paid or payable to any of the five highest paid individuals during the year ended 31 December 2023 and the nine months ended 31 December 2022.

14. Employee Benefit Expenses (continued)

(b) Pensions — defined contribution plans

The Group contributes to defined contribution retirement plans which are available for eligible employees in the PRC.

Pursuant to the relevant laws and regulations in the PRC, the Group has joined defined contribution retirement schemes for the employees arranged by local government labour and security authorities (the "PRC Retirement Schemes"). The Group makes contributions to the PRC Retirement Schemes at the applicable rates based on the amounts stipulated by the local government organisations. Upon retirement, the local government labour and security authorities are responsible for the payment of the retirement benefits to the retired employees.

During the year ended 31 December 2023 and nine-month ended 31 December 2022, the Group had no forfeited contributions under the PRC Retirement Scheme and which may be used by the Group to reduce the existing level of contributions. There were also no forfeited contributions available at 31 December 2023 and 2022 under the PRC Retirement Scheme which may be used by the Group to reduce the contribution payable in future years.

15. Benefits and Interest of Directors

(a) Directors' emoluments

The remuneration of every director is set out below:

	Emoluments paid or receivable in respect of a person's services as a director whether of the Company or its subsidiary undertaking				
Name of director	Fees HK$'000	Salaries HK$'000	Estimated money value of other benefits HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
For the year ended 31 December 2023					
Executive Directors					
Shi Yaofeng (note (i))	—	—	—	—	—
Huang Tiansheng (note (i))	—	—	—	—	—
Shi Chenye (note (ii))	—	—	—	—	—
Lin Ruqing (note (i))	—	—	—	—	—
Non-executive Director					
Cheng Dongfang (note (i))	—	—	—	—	—
Li Shengfeng (note (ii))	—	—	—	—	—
Choi Wai Hong, Clifford	398	—	—	—	398
Zhang Xiaohui (note (i))	—	—	—	—	—
Independent Non-executive Directors					
Zhao Lin	272	—	—	—	272
Wong Yiu Kit, Ernest	265	—	—	—	265
LAM John Cheung-wah (note(iv))	265	—	—	—	265
	1,200	—	—	—	1,200

15. Benefits and Interest of Directors (continued)

(a) Directors' emoluments (continued)

	Emoluments paid or receivable in respect of a person's services as a director whether of the Company or its subsidiary undertaking				
Name of director	Fees HK$'000	Salaries HK$'000	Estimated money value of other benefits HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
For the nine months ended 31 December 2022					
Executive Directors					
Shi Yaofeng (note (i))	–	–	–	–	–
Huang Tiansheng (note (i))	–	–	–	–	–
Shi Chenye (note (ii))	–	–	–	–	–
Non-executive Director					
Cheng Dongfang (note (i))	–	–	–	–	–
Li Shengfeng (note (ii))	–	–	–	–	–
Choi Wai Hong, Clifford	327	–	–	–	327
Independent Non-executive Directors					
Zhao Lin	209	–	–	–	209
Wong Yiu Kit, Ernest	218	–	–	–	218
Cho Mei Ting (note (iii))	39	–	–	–	39
LAM John Cheung-wah (note (iv))	179	–	–	–	179
	972	–	–	–	972

Notes:

i) On 27 September 2023, Mr. Shi Yaofeng resigned as an Executive Director and the Chief Executive Officer and Mr. Lin Ruqing was appointed as an Executive Director. Mr. Cheng Dongfang resigned as the Chairman and a Non-Executive Director and Mr. Zhang Xiaohui was appointed as a Non-Executive Director. Mr. Huang Tiansheng was appointed as the Chief Executive Officer.

ii) On 8 August 2023, Ms. Shi Chenye resigned as an executive Director and the Vice Chief Executive Officer, and Mr. Li Shengfeng resigned as a Non-Executive Director.

iii) Ms. Cho Mei Ting was appointed as an Independent Non-Executive Director on 26 January 2022 and resigned on 20 May 2022.

iv) Mr. Lam John Cheung-wah was appointed as an Independent Non-Executive Director on 20 May 2022.

During the year ended 31 December 2023 and the nine months ended 31 December 2022, no emoluments were paid by the Group to the Directors as an inducement to join or upon joining the Group, or as compensation for loss of office, whether directly or indirectly, subsisting at the end of the year or any time during the year/period.

Neither the chief executive nor any of the directors waived any emoluments during the year ended 31 December 2023 (for the nine months ended 31 December 2022: HK$Nil).

15. Benefits and Interest of Directors (continued)

(b) Directors' retirement benefits

No retirement benefits was paid to the directors of the Company during the year ended 31 December 2023 (for the nine-month ended 31 December 2022: HK$Nil).

(c) Directors' termination benefits

On 8 August 2023, the Board made a resolution to approve the resignation of Ms. Shi Chenye and Mr. Li Shengfeng as the directors of the Company. On 27 September 2023, the Board made another resolution to approve the resignation of Mr. Shi Yaofeng and Mr. Cheng Dongfang as the directors of the Company and certain subsidiaries. No payment was made to them as termination of the appointment.

(d) Consideration provided to receivable by third parties for making available directors' services

During the year ended 31 December 2023, no consideration was made to Ms. Shi Chenye, Mr. Li Shengfeng, Mr. Shi Yaofeng and Mr. Cheng Dongfang for making available the services as a director of the Company (for the nine-months ended 31 December 2022: HK$Nil).

(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate and connected entities

No loans, quasi-loans and other dealings was entered into by the Company or subsidiary undertaking of the Company in favour of a controlled body corporate of any director of the Company.

(f) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company and the director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

16. Dividends

The directors of the Company did not recommend payment of any final dividend for the year ended 31 December 2023 (for the nine months ended 31 December 2022: HK$Nil).

17. Loss per Share

The calculation of the basic and diluted loss per share is based on the following:

	For the year ended 31 December 2023 HK$'000	For the nine months ended 31 December 2022 HK$'000
Loss		
Loss for the purpose of calculating basic and diluted loss per share	(128,798)	(150,875)

	For the year ended 31 December 2023 '000	For the nine months ended 31 December 2022 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic/diluted loss per share	1,414,601	1,414,601

The weighted average numbers of ordinary shares used as denominators in calculating the basic and diluted loss per share are the same for the year ended December 2023 and for the nine months ended 31 December 2022.

18. Property, Plant and Equipment

	Land and buildings HK$'000	Furniture and fixtures HK$'000	Machinery and equipment HK$'000	Motor vehicles and vessels HK$'000	Office and computer equipment HK$'000	Construction-in-progress HK$'000	Total HK$'000
Cost or valuation							
At 1 April 2022	326,337	39,398	525,673	9,109	957	12,630	914,104
Additions	–	70	1,299	758	372	38,621	41,120
Transfer	2,653	–	19,516	–	–	(22,169)	–
Write-off	–	(10)	(11)	–	(1)	–	(22)
Exchange differences	(27,859)	(3,360)	(45,090)	(785)	(86)	(1,289)	(78,469)
At 31 December 2022 and 1 January 2023	301,131	36,098	501,387	9,082	1,242	27,793	876,733
Additions	456	15	3,241	401	380	13,595	18,088
Transfer	7,382	–	16,704	–	–	(24,086)	–
Write-off	–	–	–	(35)	(13)	–	(48)
Exchange differences	(8,579)	(1,021)	(14,342)	(261)	(39)	(700)	(24,942)
At 31 December 2023	300,390	35,092	506,990	9,187	1,570	16,602	869,831
Accumulated depreciation							
At 1 April 2022	8,608	1,320	29,527	986	143	–	40,584
Charge for the period	9,179	1,356	33,190	1,278	204	–	45,207
Write-off	–	(2)	(5)	–	–	–	(7)
Exchange differences	(852)	(130)	(2,949)	(100)	(16)	–	(4,047)
At 31 December 2022 and 1 January 2023	16,935	2,544	59,763	2,164	331	–	81,737
Charge for the year	11,925	1,725	44,128	1,495	304	–	59,577
Write-off	–	–	–	(14)	(3)	–	(17)
Exchange differences	(577)	(87)	(2,052)	(74)	(11)	–	(2,801)
At 31 December 2023	28,283	4,182	101,839	3,571	621	–	138,496
Carrying amount							
At 31 December 2023	272,107	30,910	405,151	5,616	949	16,602	731,335
At 31 December 2022	284,196	33,554	441,624	6,918	911	27,793	794,996

At 31 December 2023, the carrying amount of property, plant and equipment pledged as security for the Group's bank loans amounted to approximately HK$27,644,000 (2022: HK$28,872,000).

18. Property, Plant and Equipment (continued)

The analysis of the cost or valuation at 31 December 2023 and 2022 of the above assets is as follows:

	Land and buildings HK$'000	Furniture and fixtures HK$'000	Machinery and equipment HK$'000	Motor vehicles and vessels HK$'000	Office and computer equipment HK$'000	Construction-in-progress HK$'000	Total HK$'000
At cost	–	35,092	506,990	9,187	1,570	16,602	569,441
At valuation	300,390	–	–	–	–	–	300,390
At 31 December 2023	300,390	35,092	506,990	9,187	1,570	16,602	869,831
At cost	–	36,098	501,387	9,082	1,242	27,793	575,602
At valuation	301,131	–	–	–	–	–	301,131
At 31 December 2022	301,131	36,098	501,387	9,082	1,242	27,793	876,733

The recoverable amounts of the CGUs have been determined on the basis of the higher of its fair value less costs of disposal and its value in use using discounted cash flow method. The key assumptions for the discounted cash flow method are those regarding the discount rates, growth rates and budgeted gross margin and turnover during the period. The Group estimates discount rate using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on long-term average economic growth rate of the geographical area in which the business of the CGUs operate. Budgeted gross margin and turnover are based on past practices and expectations on market development.

As at 31 December 2023, before impairment testing, all the property, machinery and equipment were allocated to UPPSD. In the post-epidemic era, the slowing economy and weak consumer spending have led to a decrease in domestic market demand, and the release of production capacity accelerated resulting in the price competition became increasingly intense. In order to maintain the competitiveness, the Group has been experiencing losses in a short period and recorded a net loss during the year. The management considered there was an impairment indicator of the non-current assets attributed to UPPSD.

The growth rate and pre-tax discount rate used by the Group to prepare the cashflow forecast of UPPSD is 2% (2022: 2%) and 10.03% (2022:14.48%) respectively. The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the directors for the next five years with residual period using the growth rate of 2%. This rate does not exceed the average long-term growth rate for the relevant markets. The recoverable amount of paper manufacturing and selling segment, is not less than their carrying amounts and no provision for the impairment loss has been made on the non-current assets. No impairment losses were recognised for property, plant and equipment during the year ended 31 December 2023 (for the nine months ended 31 December 2022: HK$Nil).

19. Right-Of-Use Assets

	Land use rights and leasehold land HK$'000
At 1 April 2022	222,550
Depreciation	(5,597)
Exchange differences	(19,037)
At 31 December 2022 and 1 January 2023	197,916
Depreciation	(7,378)
Exchange differences	(5,535)
At 31 December 2023	185,003

At 31 December 2023, the carrying amount of land use rights and leasehold land pledged as security for the Group's bank loans amounted to approximately HK$52,716,000 (2022: HK$60,606,000).

	Year ended 31 December 2023 HK$'000	For the nine months ended 31 December 2022 HK$'000
Depreciation expenses on right-of-use assets	7,378	5,597
Expenses relating to short-term lease (included in administrative expenses)	617	447

Details of total cash outflow for leases is set out in note 33(c) to the consolidated financial statements.

The Group owns several industrial buildings where its manufacturing facilities are primarily located and office buildings. The Group is the registered owner of these property interests, including the underlying leasehold lands. Lump sum payments were made upfront to acquire these property interests. The leasehold land components of these owned properties are presented separately only if the payments made can be allocated reliably.

20. Other Intangible Assets

	Computer software HK$'000
Cost	
At 1 April 2022	215
Addition	32
Exchange differences	(18)
At 31 December 2022 and 1 January 2023	229
Exchange differences	(7)
At 31 December 2023	222
Accumulated amortisation	
At 1 April 2022	28
Amortisation for the period	32
Exchange differences	(2)
At 31 December 2022 and 1 January 2023	58
Amortisation for the year	35
Exchange differences	(3)
At 31 December 2023	90
Carrying amount	
At 31 December 2023	132
At 31 December 2022	171

* Less than HK$1,000

As at 31 December 2023, the average remaining amortisation period of the computer software are 3.8 years (31 December 2022: 4.8 years).

21. Inventories

	2023 HK$'000	2022 HK$'000
Raw materials	79,461	91,135
Finished goods	112,648	147,554
	192,109	238,689

22. Accounts and Other Receivables

	2023 HK$'000	2022 HK$'000
Accounts receivable	13,227	11,172
Bills receivable	3,235	824
Allowance for impairment losses	(3,109)	(3,622)
	13,353	8,374
Other receivables	2,263	30,306
Deposits	86	86
Prepayments	21,247	20,406
	23,596	50,798
	36,949	59,172

The credit terms of account receivables generally range from 0 to 90 days. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the Directors.

The ageing analysis of accounts and bills receivables, based on the invoice date, and net of allowance, is as follows:

	2023 HK$'000	2022 HK$'000
Current to 60 days	13,353	8,374

The carrying amounts of the Group's accounts and bills receivables are denominated in RMB.

23. Bank and Cash Balances

The carrying amounts of the Group's bank and cash balances are denominated in the following currencies:

	2023 HK$'000	2022 HK$'000
HK$	3,228	1,579
US$	13	26
RMB	24,171	11,293
	27,412	12,898

As at 31 December 2023, the bank and cash balances of the Group's subsidiaries in the PRC denominated in RMB amounted to HK$24,171,000 (2022: HK$11,293,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

24. Accounts and Other Payables

	2023 HK$'000	2022 HK$'000
Accounts payable	83,980	103,087
Accruals and other payables	155,908	152,654
Debt restructuring (note)	114,050	199,993
	353,938	455,734
Analysed as:		
Current liabilities	296,913	326,336
Non-current liabilities	57,025	129,398
	353,938	455,734

Note: According to the UPPSD's bankruptcy reorganisation plan approved by the Shandong Court ("UPPSD Bankruptcy Reorganisation Plan"), for each creditor's unsecured claims with principal amount exceeding RMB200,000, settlement will be completed within four (4) years in five (5) instalments of 20% every year. The first instalment payment shall be made to repay creditor's unsecured claim of principal amount below RMB200,000 (inclusive) and 20% of the principal amount in excess of RMB200,000. The four subsequent instalments of 20% of the principal amount in excess of RMB200,000 shall be paid on or before the first, second, third and fourth anniversary date of the first instalment payment. Remaining debts shall not bear any interest for the period of settlement in instalments. As at 31 December 2023, the balance represents the remaining 2 instalments.

The ageing analysis of accounts payables, based on invoice date, is as follows:

	2023 HK$'000	2022 HK$'000
0 to 90 days	83,153	102,930
Over 90 days	827	157
	83,980	103,087

The carrying amounts of the Group's accounts payables are denominated in RMB.

25. Contract Liabilities

Contract liabilities are advance from customers.

	HK$'000	HK$'000
Balance at 1 January 2023/1 April 2022	1,595	37,035
Decrease in contract liabilities as a result of recognising revenue during the year/period was included in the contract liabilities at the beginning of the year/period	(1,500)	(36,995)
Increase in contract liabilities as a result of receipt in advance	2,034	1,555
Balance at 31 December 2023/2022	2,129	1,595

All the advances from customers are expected to be recognised as income within 1 year (2022: 1 year).

26. Amounts Due From/(To) Fellow Subsidiaries/Related Parties/Immediate Holding Company/Intermediate Holding Company/Ultimate Holding Company

As at 31 December 2023, except accounts payables of approximately HK$36,512,000 (equivalent to approximately RMB33,308,000) which are unsecured, interest-free and repayable on or before 31 January 2026, and other payables of approximately HK$5,696,000 (equivalent to approximately RMB5,196,000) which are repayable in 2 installments in 2024 and 2025, and other payables of HK$300,000 which is unsecured, interest-free and have no fixed repayment term, the remaining amounts due to fellow subsidiaries represents the contract liabilities which are expected to be recognised as income within 1 year. The amounts due to immediate holding company/intermediate holding company are unsecured, interest-free and have no fixed repayment terms.

As at 31 December 2022, the accounts payables in the aggregate amount of approximately HK$48,856,000 (equivalent to RMB43,308,000) are unsecured and due on 1 April 2023, in which approximately HK$11,281,000 (equivalent to RMB10,000,000) carries an interest rate of 3.85% per annum and approximately HK$37,575,000 (equivalent to RMB33,308,000) is interest-free. The remaining amounts due to related parties/ultimate holding company are unsecured, interest-free and have no fixed repayment terms. The amounts due from related parties are unsecured, interest-free and repayable on demand.

	Account receivables HK$'000	Contract liabilities HK$'000	Accounts payables HK$'000	Other payables HK$'000	Total HK$'000
As at 31 December 2023					
Amounts due to fellow subsidiaries (note (i) & (ii))					
Current liabilities	—	(10,394)	—	(3,148)	(13,542)
Non-current liabilities	—	—	(36,512)	(2,848)	(39,360)
	—	(10,394)	(36,512)	(5,996)	(52,902)
Amount due to the intermediate holding company (note (i))					
Current liabilities	—	—	—	(96)	(96)
Amount due to immediate holding company (note (i))					
Current liabilities	—	—	—	(179)	(179)
	—	(10,394)	(36,512)	(6,271)	(53,177)
As at 31 December 2022					
Amounts due from/(to) related parties (note (i) & (ii))					
Current assets/(liabilities)	13,167	(2,104)	(48,856)	(1,295)	(39,088)
Non-current liabilities	—	—	—	(2,589)	(2,589)
	13,167	(2,104)	(48,856)	(3,884)	(41,677)
Amount due to ultimate holding company (note (i))					
Current liabilities	—	—	—	(179)	(179)
	13,167	(2,104)	(48,856)	(4,063)	(41,856)

26. Amounts Due From/(To) Fellow Subsidiaries/Related Parties/Immediate Holding Company/Intermediate Holding Company/Ultimate Holding Company (continued)

Notes:

(i) NCD is the immediate holding company of the Company, which was held as to 55% by Glenfor Investment Holding Limited which is in turn wholly owned by Hong Kong Paper Sources Co., Limited ("HK Paper Sources") and as to 45% by XSD Investment Holding Limited ("XSD"). On 21 July 2023, XSD has entered a share purchase agreement with HK Paper Sources pursuant to which HK Paper Sources has conditionally agreed to acquire, and XSD has conditionally agreed to sell the 45% equity interest in NCD. On 8 August 2023, the transaction has been completed and HK Paper Sources holds in aggregate, directly and indirectly, 100% equity interest of NCD.

HK Paper Sources is direct wholly owned by Xiamen C&D Paper & Pulp and indirectly owned by Xiamen C&D Inc. Accordingly, Xiamen C&D Paper & Pulp and Xiamen C&D Inc. become the intermediate holding company and the ultimate holding company of the Group respectively. Those entities under control of Xiamen C&D Inc. which were formerly identified as related parties became the fellow subsidiaries of the Group.

(ii) Shandong Bairun was held as to 55% of Xiamen C&D Paper & Pulp and as to 45% by 山東和潤控股集團有限公司 ("Shandong Herun") which is wholly owned by Mr. Li Shengfeng ("Mr. Li"), the former non-executive director of the Company. On 21 August 2023, Xiamen C&D Paper & Pulp has acquired the 45% equity interest in Shandong Bairun from Shandong Herun and Xiamen C&D Paper & Pulp holds the 100% equity interest in Shandong Barun.

Accordingly, Shandong Bairun which was formerly identified as a related party became a fellow subsidiary of the Group.

27. Borrowings

	2023 HK$'000	2022 HK$'000
Bank loans	55,117	78,967
Other borrowings	510,829	390,323
	565,946	469,290

The borrowings are repayable as follows:

	2023 HK$'000	2022 HK$'000
Within one year	—	78,967
More than one year, but not exceeding two years	510,829	390,323
	510,829	469,290
Portion of bank loans that are due for repayment after one year but contain a repayment on demand clause (shown under current liabilities)	55,117	—
	565,946	469,290
Less: Amount due for settlement within 12 months (shown under current liabilities)	(55,117)	(78,967)
Amount due for settlement after 12 months	510,829	390,323

The carrying amounts of the Group's borrowings are denominated in RMB.

27. Borrowings (continued)

The interest rates per annum were as follows:

	2023	2022
Bank loans	4.25%	4.3%
Other borrowings	3.85%–4.05%	3.85%–4.05%

Bank loans of approximately HK$55,117,000 (equivalent to RMB50,280,000) are arranged at fixed interest rates of 4.25% which are repayable within 18 months with a repayment on demand clause and expose the Group to fair value interest rate risk.

Other borrowings of approximately HK$274,050,000 (equivalent to RMB250,000,000), and approximately HK$160,045,000 (equivalent to RMB146,000,000) and approximately HK$76,734,000 (equivalent to RMB70,000,000) are arranged at fixed interest of 3.85%, 4.05% and 3.96% respectively per annum, which are repayable within 13 to 18 months, and expose the Group to fair value interest rate risk.

On 20 May 2022, UPPSD entered into a loan agreement with the bank for a loan facility of approximately HK$109,620,000 (equivalent to RMB100,000,000) which are secured by a charge over the Group's land and buildings (note 18 and 19) and guaranteed by Xiamen C&D Paper & Pulp (2022: a non-executive director of the Company and Xiamen C&D Paper & Pulp). The borrowing is repayable within 18 months with a repayment on demand clause, which is classified as current liabilities as at 31 December 2023.

Under the UPPSD Bankruptcy Reorganisation Plan, a loan of RMB80,000,000 was for UPPSD's daily operation and RMB170,000,000 was for the first instalment payment, were provided by Shandong Bairun. The loan agreement was entered between Shandong Bairun and Greater Paper (Shenzhen) Paper Limited* (偉紙(深圳)紙業發展有限公司) ("Greater Paper SZ"), the immediate holding company of UPPSD. On 23 March 2023, Shandong Bairun, Greater Paper SZ and UPPSD entered into a supplementary loan agreement pursuant to which the maturity date for the loan principal of approximately HK$274,050,000 (equivalent to RMB250,000,000) which arose from the Bankruptcy Reorganisation Plan was extended to 31 January 2025. The borrowing is classified as non-current liabilities as at 31 December 2023.

On 29 September 2022, UPPSD entered into a loan agreement with Shandong Bairun for a loan facility of approximately HK$109,620,000 (equivalent to RMB100,000,000) which shall be repayable within 18 months from drawdown date. UPPSD has drawn down approximately HK$105,235,000 (equivalent to RMB96,000,000) as at 31 December 2023. On 4 January 2023, UPPSD entered into another loan agreement with Shandong Bairun for a loan facility of approximately HK$54,810,000 (equivalent to RMB50,000,000) which shall be repayable within 18 months from drawdown date. UPPSD has drawn down approximately HK$54,810,000 (equivalent to RMB50,000,000) as at 31 December 2023. On 23 March 2023, Shandong Bairun and UPPSD entered into a supplementary loan agreement pursuant to which the maturity date for the loan principal drawn down under the loan facilities granted on 29 September 2022 and 4 January 2023, in aggregate of approximately HK$164,430,000 (equivalent to RMB150,000,000) was extended to 31 January 2025. The borrowings are classified as non-current liabilities as at 31 December 2023.

On 25 August 2023, UPPSD entered into a loan agreement with Xiamen C&D Paper & Pulp for a loan facility of approximately HK$109,620,000 (equivalent to RMB100,000,000) which shall be repayable within 18 months from drawdown date. UPPSD has drawn down approximately HK$76,734,000 (equivalent to RMB70,000,000) as at 31 December 2023. The borrowing is repayable within 18 months and classified as non-current liabilities.

28. Deferred Tax

The following are the deferred tax liabilities recognised by the Group.

Deferred tax liabilities

	Fair value gains HK$'000
At 1 April 2022	(22,027)
Credit to profit or loss for the period	578
Exchange difference	1,871
At 31 December 2022 and 1 January 2023	(19,578)
Credit to profit or loss for the year	746
Exchange difference	547
At 31 December 2023	(18,285)

Deferred tax assets are recognised for tax losses carrying forwards to the extent that realisation of the related tax benefits through the future taxable profits is probable. As at 31 December 2023, the Group did not recognise deferred tax assets (2022: HK$Nil) in respect of losses of approximately HK$330,891,000 (2022: HK$206,794,000). Tax losses amounting to approximately HK$200,947,000 and HK$129,944,000 will be expired up to year 2032 and 2033 respectively (2022: HK$206,794,000 will be expired up to year 2032), while the remaining balance can be carried forward indefinitely.

29. Share Capital

	Number of shares '000	Amount HK$'000
Authorised:		
Ordinary shares of HK$0.05 each		
At 1 April 2022, 31 December 2022, 1 January 2023 and 31 December 2023	2,000,000,000	100,000
Convertible non-voting preference shares of HK$0.10 each	143,086,013	14,309
At 1 April 2022, 31 December 2022, 1 January 2023 and 31 December 2023	2,143,086,013	114,309
Issued and fully paid:		
Ordinary shares of HK$0.05 each		
At 1 April 2022, 31 December 2022, 1 January 2023 and 31 December 2023	1,414,600,832	70,730

29. Share Capital (continued)

On 27 October 2008, 143,086,013 convertible non-voting preference shares ("CP shares") of HK$0.10 each were issued at HK$0.70 each and a total consideration of HK$100,160,000 was received. The rights, privileges and restrictions of the CP shares are set out below:

Dividend
The holders of CP shares shall have the same right to dividend payment as to the holders of ordinary shares.

Conversion
Each holder of CP share shall be entitled to convert its shares into fully paid ordinary shares of HK$0.10 each in the capital of the Company on the basis of one ordinary share for every CP share. Unless previously redeemed, cancelled or converted, each holder of CP shares will be entitled to convert in respect of the whole or any part of its CP shares into fully paid ordinary shares on the basis of one ordinary share for every CP share at any time after the date of issue of the CP Shares upon the giving of a conversion notice. If the Continuing Notice is served before 31 March 2009, the relevant CP shares will not be subject to mandatory conversion.

At the end of business on 31 March 2009, unless previously redeemed, purchased and cancelled, converted or that a Continuing Notice has been served and delivered to the Company, all CP shares will be mandatorily converted into ordinary shares by the Company. The dividend entitlement attaching to any CP shares will cease to apply with effect from the date of conversion. Ordinary shares arising on conversion shall rank pari passu in all respects with ordinary shares, including the rights to receive any dividends and other distributions declared. So long as the Company remains listed in Hong Kong, those holders of the CP shares will not exercise their right to convert the CP shares into ordinary shares of the Company unless at least 25% of the Company's total issued share capital that are listed on the Hong Kong Stock Exchange will at all times be held by the public.

Voting rights
The holders of CP shares will be entitled to receive notice of every general meeting of the Company but will not be entitled (i) to vote upon any resolution unless it is a resolution for winding-up the Company or reducing its share capital in any manner or a resolution modifying, varying or abrogating any of the special rights attached to the CP shares or (ii) to attend or speak at any general meeting of the Company unless the business of the meeting includes the consideration of a resolution upon which the holders of CP shares are entitled to vote.

Transferability
None of the CP shares will be assignable or transferable without the prior written approval of the Board of Directors of the Company. The Company will not apply for a listing of any of the CP shares on any stock exchange anywhere in the world.

Redemption
Subject to the provisions of the Companies Act, the Company shall be entitled, at any time after the fifth anniversary of the date of issue of the CP shares by resolution of the directors of the Company to redeem all or any of the CP shares. These shall be paid on each CP share redeemed a sum equal to (i) the subscription price thereof and (ii) all arrears (if any) of the Dividend thereon. As from the redemption date such dividend shall cease to apply.

29. Share Capital (continued)

Share option scheme

At the Special General Meeting of the Company held on 18 September 2015, the shareholders of the Company approved the adoption of a share option scheme (the "Option Scheme") to comply with the requirements of Chapter 17 of the Listing Rules. As at 31 December 2022 and 2023, no option was granted under the Option Scheme. A summary of the terms and conditions of the Option Scheme are set out below.

(1) Purpose

The purpose of the Option Scheme is to provide incentives to Participants (as defined below) to contribute to the Group and to enable the Group to recruit high-calibre employees and attract human resources that are valuable to the Group and any entity in which the Group holds any equity interest (the "Invested Entity").

(2) Participants

All directors and employees of the Group and suppliers, consultants, advisors, agents, customers, service providers, contractors, any member of or any holder of any securities issued by any member of the Group or any Invested Entity.

(3) Maximum number of shares

The number of shares which may be issued upon exercise of all options to be granted under the Option Scheme and any other share option scheme(s) of the Company must not exceed 10% in the nominal amount of the issued share capital of the Company as at the date of adoption of the Option Scheme. The maximum number of share available for issue under the Option Scheme is nil as at the date of this report.

(4) Maximum entitlement of each Participant

The maximum number of shares issued and to be issued upon exercise of the options granted to any one Participant (including both exercised and unexercised options) in any 12-month period shall not exceed one percent of the Shares in issue as at the date of grant.

(5) Time of exercise of option

An option may be exercised in accordance with the terms of the Option Scheme at any time during the period to be notified by the Board to each grantee of the option at the date of grant provided that such period shall not exceed a period of ten years from the date of grant but subject to the provisions for early termination of the option as contained in the terms of the Option Scheme.

(6) The eligible person shall pay HK$1.0 to the Company in consideration of the grant of an option upon acceptance of the grant of option.

(7) Exercise price

The option price per share payable on the exercise of an option is determined by the Board and shall not be less than the highest of (i) the closing price of the shares as stated in the daily quotations sheet of the Stock Exchange on the date of grant; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share on the date of grant.

(8) Remaining life of the Option Scheme

The Option Scheme will remain in force until 17 September 2025.

29. Share Capital (continued)

Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, buy-back shares, raise new debts, redeem existing debts or sell assets to reduce debts.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Total debt comprises total borrowings (except for bank overdrafts). Total capital comprises all components of equity (i.e. share capital, share premium and retained earnings), plus net debt.

The Group's strategy, which was unchanged throughout the year, was to maintain the gearing ratio at a reasonable level in order to secure access to finance at a reasonable cost. The ratio is calculated as net debt divided by total capital. The gearing ratio at 31 December 2023 and 2022 were as follows:

	2023 HK$'000	2022 HK$'000
Total debt	565,946	469,290
Less: bank and cash balances	(27,412)	(12,898)
Net debt	538,534	456,392
Total equity	179,443	315,789
Total capital	717,977	772,181
Gearing ratio	75.0%	59.1%

The externally imposed capital requirements for the Group are: (i) in order to maintain its listing on the Stock Exchange it has to have a public float of at least 25% of the shares; and (ii) to meet financial covenants attached to the interest-bearing borrowings.

The Group receives a report from the share registrars weekly on substantial share interests showing the non-public float and it demonstrates continuing compliance with the 25% limit throughout the year. As at 31 December 2023, 30% (2022: 29%) of the shares were in public hands.

Breaches in meeting the financial covenants would permit the banks to immediately call certain borrowings. There have been no breaches in the financial covenants of any interest-bearing borrowings for the year ended 31 December 2023 and the nine-month ended 31 December 2022.

30. Statement of Financial Position and Reserve Movement of the Company

(a) Statement of financial position of the Company

	Note	2023 HK$'000	2022 HK$'000
Non-current assets			
Investment in subsidiaries	35	*	*
Current Assets			
Accounts and other receivables		85	85
Bank balances		3,230	1,592
		3,315	1,677
Current liabilities			
Accruals		2,426	2,139
Amount due to ultimate holding company		—	179
Amount due to immediate holding company		179	—
Amount due to a fellow subsidiary		300	—
Amounts due to subsidiaries		3,501	3,576
Tax payables		17	—
		6,423	5,894
Net current liabilities		(3,108)	(4,217)
NET LIABILITIES		(3,108)	(4,217)
Equity			
Share capital	29	70,730	70,730
Reserves	30(b)	(73,838)	(74,947)
CAPITAL DEFICIENCY		(3,108)	(4,217)

* Less than HK$1,000

Approved by the Board of Directors on 28 March 2024 and are signed on its behalf by:

Mr. HUANG Tiansheng

Mr. Lin Ruqing

30. Statement of Financial Position and Reserve Movement of the Company (continued)

(b) Reserve movement of the Company

	Share premium HK$'000	Contributed surplus HK$'000 (note 31(b)(iii))	Capital reserve HK$'000 (note 31(b)(i))	Accumulated losses HK$'000	Total HK$'000
At 1 April 2022	104,016	161,262	108,403	(447,706)	(74,025)
Total comprehensive income for the period	—	—	—	(922)	(922)
At 31 December 2022 and 1 January 2023	104,016	161,262	108,403	(448,628)	(74,947)
Total comprehensive income for the year	—	—	—	1,109	1,109
At 31 December 2023	104,016	161,262	108,403	(447,519)	(73,838)

31. Reserves

(a) Group

The amounts of the Group's reserves and the movements therein are presented in the consolidated statement of profit or loss, consolidated statement of comprehensive income and consolidated statement of changes in equity.

(b) Nature and purpose of reserves

(i) Capital reserve

The capital reserve of the Group includes the difference arise from share capital reduction pursuant to a group reorganisation in 2022 amounted to HK$108,403,000.

(ii) Exchange reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 4(b) to the consolidated financial statements.

(iii) Contributed surplus

The contributed surplus of the Group includes the difference arise from share premium cancellation pursuant to a group reorganisation in 2022 amounted to HK$161,262,000.

The contributed surplus of the Company represents the difference between the cost of the investment in a subsidiary pursuant to the group reorganisation over the nominal value of the Company's shares issued in exchange thereof.

The contributed surplus of the Company is available for distribution to owners, provided that the Company is, after the payment of dividends out of the contributed surplus, able to pay its liabilities as they become due; or the realisable value of the Company's assets would thereby not be less than the aggregate of its liabilities, issued share capital and reserves.

32. Operating Lease Arrangements

The Group as lessor

Operating leases relate to land and buildings owned by the Group with lease terms of 10 years (2022: 10 years). All operating lease contracts contain market review clauses in the vent that the lessee exercises its options to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

	2023 HK$'000	2022 HK$'000
Within year 1	372	383
In the second year	372	383
In the third year	372	383
In the fourth year	372	383
In the fifth year	372	383
After five years	558	957
	2,418	2,872

33. Notes to the Consolidated Statement of Cash Flows

(a) Major non-cash transaction

During the year ended 31 December 2023, due to the shareholding changed in NCD and Shandong Bairun which was set out in note 26, Shandong Bairun and those entities under control of Xiamen C&D Inc. which were formerly identified as related parties became the fellow subsidiaries of the Group.

	Amounts due to related parties HK$'000	Amounts due to fellow subsidiaries HK$'000	Total HK$'000
At 1 January 2023, net	41,677	—	41,677
Cash generated from/(used in) operating activities	23,027	(1,409)	21,618
Cash generated from/(used in) financing activities	389	(9,504)	(9,115)
Non-cash transaction	(64,251)	64,251	—
Exchange differences	(842)	(436)	(1,278)
At 31 December 2023	—	52,902	52,902

33. Notes to the Consolidated Statement of Cash Flows (continued)

(b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statements of cash flows as cash flows from financing activities.

	Other borrowings (note 27) HK$'000	Bank loans (note 27) HK$'000	Total HK$'000
At 1 April 2022	314,976	—	314,976
Additions	109,719	80,004	189,723
Repayment	(16,846)	(1,752)	(18,598)
Interest expenses	10,670	1,752	12,422
Exchange differences	(28,196)	(1,037)	(29,233)
At 31 December 2022 and 1 January 2023	390,323	78,967	469,290
Additions	165,795	55,574	221,369
Repayment	(51,159)	(80,691)	(131,850)
Interest expenses	18,096	3,320	21,416
Increase in amount due to an intermediate holding company	(96)	—	(96)
Exchange differences	(12,130)	(2,053)	(14,183)
At 31 December 2023	510,829	55,117	565,946

(c) Total cash outflow for leases

Amounts included in the consolidated statement of cash flows for leases comprise the following:

	Year ended 31 December 2023 HK$'000	For the nine months ended 31 December 2022 HK$'000
Within operating cash flows	617	447

34. Related Party Transactions

(a) The remuneration of directors and other members of key management personnel during the year/period:

	Year ended 31 December 2023 HK$'000	For the nine months ended 31 December 2022 HK$'000
Basic salaries and allowances	1,200	972

(b) In addition to those related party transactions and balances disclosed elsewhere in the consolidated financial statements, the Group had the following transaction with its related party during the year/period:

	Year ended 31 December 2023 HK$'000	For the nine months ended 31 December 2022 HK$'000
Sales of finished goods to related parties	189,756	314,642
Sales of finished goods to fellow subsidiaries	280,075	—
Sales of finished goods to an intermediate holding company	302	—
Management fee to a related party	175	275
Management fee to a fellow subsidiary	125	—
Finance cost to a related party	10,246	10,670
Finance cost to a fellow subsidiary	7,319	—
Finance cost to an intermediate holding company	531	—

Note: During the year ended 31 December 2023, due to the change of shareholding in NCD and Shandong Bairun set out in note 26, those entities formerly identified as related parties became the fellow subsidiaries of the Group. For the nine months ended 31 December 2023, the sales of finished goods to related parties, fellow subsidiaries and an intermediate holding company amounted to approximately HK$370.3 million in aggregate.

35. Principal Subsidiaries

Particulars of the Groups' major subsidiaries of 31 December 2023 and 2022 are set as follow:

Name	Place of incorporation/ establishment	Issued and paid up capital/ registered capital	Percentage of ownership interest/ voting power/ profit sharing 2023	2022	Principal activities/ Place of operation
Directly held:					
Greater Paper Development Limited	Hong Kong/Limited liability company	1 ordinary share of HK$1	100	100	Investment holding in Hong Kong
Indirectly held:					
UPPSD*	The PRC/Limited liability company	Registered capital US$97,418,900	100	100	Manufacturing & trading of paper products in the PRC
山東遠通再生資源回收有限公司 (Shandong Yuantong Renewable Resources Recycling Company Limited*)	The PRC/Limited liability company	Registered capital RMB5,000,000	100	100	Recycling of wasted paper in the PRC

* The English names of these companies are used for identification purpose only. The official name of this entity is in Chinese.

The above table only lists those subsidiaries of the Company which, in the opinion of the directors, principally affect the results for the year or formed a substantial portion of the net assets of the Group.

36. Capital Commitments

Capital commitments contracted for at the end of the reporting period but not yet incurred are as follows:

	2023 HK$'000	2022 HK$'000
Property, plant and equipment	2,960	3,470

37. Events After The Reporting Period

In January 2024, the Group has drawn down bank borrowings of approximately HK$54,503,000 (equivalent to RMB49,720,000) which is repayable within 18 months from the date of the relevant drawdown with a repayment on demand clause and the bank facility of RMB100,000,000 has been fully utilised.

On 12 March 2024, UPPSD entered into extension agreements with Shandong Bairun to extend the borrowings in aggregate amount of approximately HK$434,095,000 (equivalent to RMB396,000,000) to 31 January 2026.

Financial Summary

Condensed Consolidated Statement of Comprehensive Income

	For the year ended 31 December 2023 HK$'000	For the nine months ended 31 December 2022 HK$'000	For the year ended 31 March 2022 HK$'000	2021 HK$'000 (Re-presented)	2020 HK$'000 (Re-presented)
Revenue from continuing operations	1,372,077	1,044,390	1,229,456	549,988	4,376,760
Gross (loss)/profit	(20,111)	(54,824)	97,070	(54,726)	408,898
(Loss)/profit from operations	(108,106)	(138,469)	479,287	(1,446,463)	(477,791)
(Loss)/profit for the year/period	(129,522)	(150,891)	2,558,902	(4,024,589)	(542,952)
(Loss)/profit attributable to equity owners of the Company	(128,798)	(150,875)	2,558,902	(3,768,764)	(550,566)

Condensed Consolidated Statement of Financial Position

	As at 31 December 2023 HK$'000	2022 HK$'000	As at 31 March 2022 HK$'000	2021 HK$'000	2020 HK$'000
Total current assets	256,470	323,926	480,544	912,553	2,929,542
Total non-current assets	916,470	993,083	1,096,257	184,811	2,929,083
Total assets	1,172,940	1,317,009	1,576,801	1,097,364	5,858,625
Total current liabilities	367,998	459,332	829,263	3,217,843	4,227,146
Total non-current liabilities	625,499	541,888	238,683	57,715	131,838
Total liabilities	993,497	1,001,220	1,067,946	3,275,558	4,358,984
Equity attributable to equity owners of the Company	179,443	315,789	508,855	(2,180,599)	1,257,709
Non-controlling interests	—	—	—	2,405	241,932
Total equity/(capital deficiency)	179,443	315,789	508,855	(2,178,194)	1,499,641