



C&D 建發新勝

C&D Newin Paper & Pulp Corporation Limited

(Incorporated in Bermuda with limited liability)

(Stock Code : 0731)

2024 INTERIM REPORT

CONTENTS

Corporate Information	2
Management Discussion and Analysis	4
Other Information	7
Condensed Consolidated Statement of Profit or Loss	13
Condensed Consolidated Statement of Comprehensive Income	14
Condensed Consolidated Statement of Financial Position	15
Condensed Consolidated Statement of Changes in Equity	17
Condensed Consolidated Statement of Cash Flows	18
Notes to the Condensed Consolidated Interim Financial Statements	19

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Huang Tiansheng (*Chief Executive Officer*)
Mr. Lin Ruqing

Non-executive Directors

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

CORPORATE INFORMATION

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 Co., Ltd, Xiamen branch

COMPANY WEBSITE

<http://www.cndnewin.com>

LEGAL ADVISERS

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

STOCK CODE

731

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first half of 2024, with the implementation of national policies to stabilize growth, expand domestic demand, and promote consumption, the downstream industries' demand gradually picked up in the domestic market. However, while overall market demand has been relatively weak, the packaging paper market experienced a temporary bottoming out in the mid-year. The business operation faced many challenges from both cost control and market demand perspectives. From the cost control perspective, although prices of major raw materials such as domestic waste paper, chemicals, and starch have shown a decline, the overall price decline of the raw material was not large which limited the space for production costs control. From the market demand perspective, regional supply and demand imbalances have led to slower market demand recovery. It is of the view that opportunities and risks coexist in the recent development of the paper industry.

With the gradual release of national policy benefits in the People's Republic of China ("PRC"), there are clear signs of recovery in the paper industry. In response to this, the Company seized every opportunity to vigorously implement technological transformation, energy conservation, efficiency improvement and productivity enhancement. Through continuous optimization of cost structure, reduction of energy costs, production capacity and efficiency enhancement, the Company aims to enhance its competitiveness and profitability. In the first half of 2024, the Company recorded a loss of approximately HK\$33.8 million, representing a reduction in loss of approximately HK\$69.8 million in comparison to that of the previous period in 2023. The business performance improved significantly.

Prospects

Looking forward, the PRC is accelerating the improvement of domestic economic policies to boost domestic demand while actively adjusting industrial development strategies and fostering new quality productive forces to provide a positive impetus for business development. In light of this, the Company will continue to implement a development strategy that involves upgrading production capacity, promoting energy conservation and consumption reduction. This will be achieved through methods such as increasing production speed, upgrading equipment, optimizing processes, and reducing raw material costs to enhance production capacity. This will increase economies of scale, creating a production base for packaging paper.

FINANCIAL PERFORMANCE

Revenue

The revenue of the Group increased from approximately HK\$593.5 million for the six months ended 30 June 2023 to approximately HK\$664.6 million for the six months ended 30 June 2024. The increase in the revenue of the Group was mainly due to the increase in the production and sales volume of paper products.

MANAGEMENT DISCUSSION AND ANALYSIS

Gross profit

Gross profit of the Group for the six months ended 30 June 2024 was approximately HK\$13.2 million (30 June 2023: gross loss of approximately HK\$33.4 million). The turnaround from gross loss to gross profit during the six months ended 30 June 2024 was mainly attributable to (i) the increase in revenue during the six months ended 30 June 2024 as a result of the increase in the production and sales volume of paper products; and (ii) decrease in overall costs of production of the Group during the six months ended 30 June 2024 resulting in the decrease in unit production cost.

Loss for the period

For the six months ended 30 June 2024, the Company recorded a loss of approximately HK\$33.8 million, representing a reduction in loss of approximately HK\$69.8 million in comparison to that of the previous period in 2023. This was mainly attributable to (i) the increase in revenue during the six months ended 30 June 2024 with an increase in the production and sales volume of paper products; (ii) decrease in overall costs of production of the Group during the six months ended 30 June 2024 resulting in the decrease in unit production cost and the Group recorded a turnaround from gross loss in the previous period in 2023 to gross profit during the six months ended 30 June 2024; and (iii) the increase of other income of approximately HK\$20.3 million during the six months ended 30 June 2024, primarily due to the receipt of tax subsidies provided by the Government to the Group as the High and New Technology Enterprise and the qualified enterprise of comprehensive utilization of resources. Nevertheless, the loss during the six months ended 30 June 2024 was primarily due to unfavorable paper products unit price under overall weak market demand, partly offset by the Group's marketing efforts and cost control efforts.

Liquidity and financial resources

As at 30 June 2024, the Group had bank and cash balances of approximately HK\$28.1 million with a net gearing ratio of approximately 79.0%. Net gearing ratio is calculated as 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 refers to total equity plus net debt.

As at 30 June 2024, the current ratio (current assets divided by current liabilities) was approximately 0.49 times (31 December 2023: approximately 0.70 times).

Pledge of assets

Certain land and buildings of the Company's subsidiaries, with a total carrying value of approximately HK\$70.0 million as at 30 June 2024 (31 December 2023: approximately HK\$80.4 million) were pledged to banks as securities for bank loans of approximately HK\$107.0 million (equivalent to RMB100.0 million) (31 December 2023: approximately HK\$55.1 million (equivalent to RMB50.0 million)).

MANAGEMENT DISCUSSION AND ANALYSIS

Contingent liabilities

As at 30 June 2024, the Group did not have any material contingent liabilities (31 December 2023: nil).

Material acquisitions and disposals of subsidiaries, associates and joint ventures and future plans for material investments or capital assets

The Group had no material acquisitions and disposals of subsidiaries, associates and joint ventures during the six months ended 30 June 2024 and there is no plan for material investments or capital assets as at the date of this report.

Foreign exchange risk

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

Employees, staff costs and training

As at 30 June 2024, the Group had a total of 765 employees excluding Directors (30 June 2023: 775 employees). For the six months ended 30 June 2024, the Group incurred staff costs (excluding Directors' remuneration) of approximately HK\$39.9 million, representing a decrease of approximately 6.2% as compared with approximately HK\$42.5 million for the six months ended 30 June 2023. The decrease was mainly attributable to the decrease in the one-off termination benefits of approximately HK\$1.0 million during the period.

The remuneration payable to our employees may include salaries and bonuses. Their salaries are determined with reference to, among other things, their respective position, qualification and experience. Their bonuses are generally determined with reference to, among other things, their respective position, term of service and performance. The remuneration package provided to our employees are reviewed on a regular basis from time to time. Training for various levels of staff is also undertaken depending on the needs and actual circumstances of the Group.

OTHER INFORMATION

INTERIM DIVIDEND

The Board has resolved not to recommend an interim dividend for the six months ended 30 June 2024.

CHANGE IN INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

The changes in the information of the Directors and the senior management which are required to be disclosed pursuant to Rule 13.51B(1) of the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") are as follows:

Mr. Choi Wai Hong, Clifford, being a non-executive Director, has been appointed as an executive director of China Evergrande New Energy Vehicle Group Limited, a company whose shares are listed on the Main Board of the Stock Exchange (stock code: 708), in August 2024 and an independent non-executive director of Jiayuan International Group Limited, a company whose shares are listed on the Main Board of the Stock Exchange (stock code: 2768). In June 2024. Mr. Choi resigned as independent non-executive director of DreamEast Group Limited, a company whose shares are listed on the Main Board of the Stock Exchange (stock code: 593). In January 2024. Mr. Choi ceased to be an independent non-executive director of EcoGreen International Group Limited upon the company's delisting from the Main Board of the Stock Exchange in January 2024.

Mr. Wong Yiu Kit, Ernest, being an independent non-executive Director, has been appointed as an independent non-executive director of Kwong Luen Engineering Holdings Limited, a company whose shares are listed on the Main Board of the Stock Exchange (stock code: 1413), in July 2024.

Save as disclosed above, there is no change in the information of the Directors and the senior management required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

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

As at 30 June 2024, so far as is known to any Director or chief executive of the Company, none of the Directors or 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 30 June 2024, 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:

OTHER INFORMATION

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 (Xiamen C&D Paper and Pulp Group Co., Ltd*) ("Xiamen C&D Paper") ^(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)	

Notes:

- As at 30 June 2024, the Company had issued 1,414,600,832 Shares in total. The letter "L" denotes the person's long position in the Shares.
- 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. Xiamen C&D Paper 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 a director of NCD and Glenfor and the general manager of the paper business of Xiamen C&D Paper, and (ii) Mr. Zhang Xiaohui, being a non-executive Director, is the general manager and director of Xiamen C&D Paper and a director of NCD, Glenfor and HK Paper Sources.

OTHER INFORMATION

3. As at 30 June 2024, 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) were also deemed to be interested in the Shares held by each other due to their spousal relationship.

Save as disclosed above, as at 30 June 2024, 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.

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 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 six months ended 30 June 2024.

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.

OTHER INFORMATION

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 interim 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.

OTHER INFORMATION

AUDIT COMMITTEE

The Audit Committee of the Company (the “Committee”) was set up to review and provide supervision of the Group’s financial reporting process and internal controls. The Committee has reviewed the Group’s unaudited interim report for the six months ended 30 June 2024, including the accounting principles and practices adopted by the Group, before it was tabled for the Board’s approval.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 June 2024, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted 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 six months ended 30 June 2024.

CORPORATE GOVERNANCE CODE

The Company has adopted the Corporate Governance Code (the “CG Code”) as set out in Appendix C1 to the Listing Rules as its own code of corporate governance. The Company has complied with all applicable code provisions of the CG Code during the six months ended 30 June 2024.

EVENTS AFTER THE REPORTING PERIOD

On 19 July 2024, 遠通紙業(山東)有限公司(Universal Pulp & Paper (Shandong) Co., Ltd*) (“UPPSD”) entered into a supplemental loan agreement with Xiamen C&D Paper, which is the intermediate holding company of NCD, to increase the total amount of the existing loan facility from RMB100,000,000 to RMB550,000,000 for the period up to 31 July 2026. Each drawdown shall be repaid anytime within 18 months from the drawdown date thereof.

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

OTHER INFORMATION

BOARD OF DIRECTORS

As at the date of this report, the Board comprises two executive Directors, namely Mr. HUANG Tiansheng and Mr. LIN Ruqing; two non-executive Directors, namely Mr. ZHANG Xiaohui and Mr. CHOI Wai Hong, Clifford; and three independent non-executive Directors, namely Mr. ZHAO Lin, Mr. WONG Yiu Kit, Ernest and Mr. LAM John Cheung-wah.

By order of the Board
C&D Newin Paper & Pulp Corporation Limited
Mr. HUANG Tiansheng
Executive Director

Hong Kong, 23 August 2024

* *For identification purpose only*

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2024

The Board hereby announces the unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2024 as follows.

		Unaudited Six months ended 30 June 2024 HK\$'000	Unaudited Six months ended 30 June 2023 HK\$'000
Revenue	4	664,584	593,547
Cost of sales		(651,420)	(626,953)
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Gross profit/(loss)		13,164	(33,406)
Other gains and income/(loss), net		21,207	2,845
Selling expenses		(5,794)	(2,740)
Administrative expenses		(50,639)	(58,512)
Impairment losses of financial assets, net		(414)	(1,145)
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Loss from operations		(22,476)	(92,958)
Finance costs		(11,518)	(10,677)
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Loss before tax		(33,994)	(103,635)
Income tax credit	5	182	—
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Loss for the period	6	(33,812)	(103,635)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	Note	Unaudited Six months ended 30 June 2024 HK\$'000	Unaudited Six months ended 30 June 2023 HK\$'000
Loss for the period		(33,812)	(103,635)
Other comprehensive income, net of tax:			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		(3,913)	(8,795)
Total comprehensive income for the period attributable to owners of the Company		(37,725)	(112,430)
Loss per share	8		
Basic		HK(2.4) cents	HK(7.3) cents
Diluted		HK(2.4) cents	HK(7.3) cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

		Unaudited 30 June 2024 HK\$'000	Audited 31 December 2023 HK\$'000
Non-current assets			
Property, plant and equipment	9	688,509	731,335
Right-of-use assets	10	177,006	185,003
Other intangible assets		113	132
		865,628	916,470
Current assets			
Inventories		177,302	192,109
Accounts and other receivables and prepayments	11	39,881	36,949
Amounts due from an intermediate holding company	14	11	—
Bank and cash balances		28,089	27,412
		245,283	256,470
Total assets		1,110,911	1,172,940
Current liabilities			
Accounts and other payables	12	279,613	296,913
Contract liabilities		2,490	2,129
Amounts due to fellow subsidiaries	14	47,688	13,542
Amounts due to immediate holding company	14	179	179
Amount due to an intermediate holding company		299	96
Borrowings	13	171,192	55,117
Tax payables		205	22
		501,666	367,998
Net current liabilities		(256,383)	(111,528)
Total assets less current liabilities		609,245	804,942

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

		Unaudited 30 June 2024 HK\$'000	Audited 31 December 2023 HK\$'000
	Note		
Non-current liabilities			
Accounts and other payables	12	55,659	57,025
Amounts due to a fellow subsidiary	14	2,780	39,360
Borrowings	13	391,602	510,829
Deferred tax liabilities		17,486	18,285
		467,527	625,499
NET ASSETS		141,718	179,443
Equity			
Share capital	15	70,730	70,730
Reserves		70,988	108,713
TOTAL EQUITY		141,718	179,443

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2024

	Attributable to owners of the Company						Retained earnings/ (Accumulated losses) HK\$'000	Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Contribution surplus HK\$'000	Capital reserve HK\$'000	Exchange reserve HK\$'000			
At 1 January 2023 (audited)	70,730	104,016	161,262	108,403	(29,632)	(98,990)	315,789	
Total comprehensive income for the period (unaudited)	—	—	—	—	(8,795)	(103,635)	(112,430)	
At 30 June 2023 (unaudited)	70,730	104,016	161,262	108,403	(38,427)	(202,625)	203,359	
At 1 January 2024 (audited)	70,730	104,016	161,262	108,403	(37,180)	(227,788)	179,443	
Total comprehensive income for the period (unaudited)	—	—	—	—	(3,913)	(33,812)	(37,725)	
At 30 June 2024 (unaudited)	70,730	104,016	161,262	108,403	(41,093)	(261,600)	141,718	

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2024

	Unaudited Six months ended 30 June 2024 HK\$'000	Unaudited Six months ended 30 June 2023 HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net cash generated from/(used in) operating activities	3,908	(44,545)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(1,952)	(10,532)
Interest received	129	118
Net cash used in investing activities	(1,823)	(10,414)
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings raised	140,315	56,559
Repayment of loans	(129,802)	—
Increase in amount due to intermediate holding company	192	—
Increase in amounts due to related parties, net	—	12,982
Interest paid	(11,518)	(10,677)
Net cash (used in)/generated from financing activities	(813)	58,864
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,272	3,905
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	27,412	12,898
EFFECT OF CHANGES IN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS	(595)	(1,913)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	28,089	14,890
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	28,089	14,890

I. BASIS OF PREPARATION

These unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2023. The accounting policies (including the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty) and methods of computation used in the preparation of these condensed financial statements are consistent with those used in the consolidated financial statements for the year ended 31 December 2023 except for the adoption of new and revised standards as set out in note 2.

Going Concern

As at 30 June 2024, the Group’s current liabilities exceeded its current assets by approximately HK\$256,383,000. The Group’s cash and cash equivalents amounted to approximately HK\$28,089,000, while the current portion of the account payables and bank and other borrowings amounted to approximately HK\$71,729,000 and HK\$171,192,000 respectively, and the amounts due to fellow subsidiaries, an intermediate holding company and immediate holding company in aggregate amounted to approximately HK\$48,166,000. 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.

I. 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 1 July 2024, based on the measures including but not limited to the following:

- the Group will continue to pay close attention to its operations and make good use of its resources with an aim to attain positive and sustainable cash flow from operations;
- an undertaking has been provided by NCD Investment Holding Limited ("NCD"), being the controlling shareholder (as defined in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules")) of the Company, that NCD will first procure Shandong Bairun Paper Co. Ltd.* (山東佰潤紙業有限公司) ("Shandong Bairun"), which is under the control of the shareholders of NCD, to further extend the term of the loan of approximately HK\$267,487,500 (equivalent to RMB250,000,000). If considered insufficient, NCD will provide further loans required for the operation of Universal Pulp & Paper (Shandong) Co. Ltd.* (遠通紙業(山東)有限公司) ("UPPSD"), being an indirect wholly owned subsidiary of the Company, until other bank financing becomes available; and
- on 19 July 2024, UPPSD (as borrower) entered into a supplementary loan agreement with 廈門建發漿紙集團有限公司 (Xiamen C&D Paper & Pulp Group Co., Ltd.*) ("Xiamen C&D Paper") (as lender), which is the intermediate holding company of NCD, for increasing the total amount of the existing loan facility of approximately HK\$106,995,000 (equivalent to RMB100,000,000) to approximately HK\$588,472,500 (equivalent to RMB550,000,000) for a period up to 31 July 2026. Each drawdown shall be repaid anytime within 18 months from the drawdown date thereof. The Directors are of the opinion that the Group will be able to utilise the additional loan facilities and repay the due borrowings in 2024 with the new borrowings drawn down if needed.

In view of the above, the Directors are confident that there will be sufficient financial resources available to the Group to enable it to continue as a going concern and hence have prepared these condensed 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 condensed consolidated financial statements.

I. BASIS OF PREPARATION (CONTINUED)

Basis of consolidation

The unaudited condensed consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2024. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2024. HKFRSs comprise Hong Kong Financial Reporting Standards (“HKFRS”); Hong Kong Accounting Standards (“HKAS”); and Interpretations. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The accounting policies applied in these unaudited condensed consolidated financial statements are the same as those applied in the Group’s consolidated financial statements as at and for the year ended 31 December 2023. A number of new or amended standards are effective from 1 January 2024 and earlier application is permitted. The Group has not early adopted any of the forthcoming new or amended standards in preparing the Group’s condensed consolidated financial statements.

The adoption of the new and revised standards are not expected to have any significant impact on this condensed consolidated financial information.

3. 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, namely paper manufacturing and selling segment, for the six months ended 30 June 2024. From a geographical perspective, management mainly assesses the performance of operations in the PRC.

For the six months ended 30 June 2024, the Group has carried on a single business which is manufacturing and selling of paper products. Accordingly, there is only one single reportable segment of the Group which is regularly reviewed by the executive Directors.

3. SEGMENT INFORMATION (CONTINUED)

Information about major customers

Revenues from customer contributing over 10% of the total revenue of the Group during the periods are as follows:

	Six months ended 30 June 2024 HK\$'000 (Unaudited)	Six months ended 30 June 2023 HK\$'000 (Unaudited)
Customer A	*	75,820
Customer B	*	69,699
Customer C	*	64,599

* The corresponding revenue did not contribute over 10% of the total revenue of the Group for the respective period.

4. REVENUE

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

	Six months ended 30 June 2024 HK\$'000 (Unaudited)	Six months ended 30 June 2023 HK\$'000 (Unaudited)
Revenue from contracts with customers within the scope of HKFRS 15		
Sale of goods	664,584	593,547
Timing of revenue recognition		
Products transferred at a point in time	664,584	593,547

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

5. INCOME TAX CREDIT

Income tax relating to continuing operations has been recognised in profit or loss as following:

	Six months ended 30 June 2024 HK\$'000 (Unaudited)	Six months ended 30 June 2023 HK\$'000 (Unaudited)
Current tax		
Hong Kong profits tax	(188)	—
Over-provision in prior years	5	—
	(183)	—
Deferred tax	365	—
	182	—

For the six months ended 30 June 2024, 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 six months ended 30 June 2023.

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 30 June 2024 was 15% (2023: 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

6. LOSS FOR THE PERIOD

The Group's loss for the period is stated at after charging the following:

	Six months ended 30 June 2024 HK\$'000 (Unaudited)	Six months ended 30 June 2023 HK\$'000 (Unaudited)
Impairment losses of financial assets, net	414	1,145

7. DIVIDENDS

The Board did not recommend the payment of any interim dividend for the six months ended 30 June 2024 and 30 June 2023.

8. LOSS PER SHARE

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

	Six months ended 30 June 2024 HK\$'000 (Unaudited)	Six months ended 30 June 2023 HK\$'000 (Unaudited)
Loss		
Loss for the purpose of calculating basic and diluted loss per share	(33,812)	(103,635)

8. LOSS PER SHARE (CONTINUED)

	Six months ended 30 June 2024 '000	Six months ended 30 June 2023 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	1,414,601	1,414,601

Basic and diluted loss per share is calculated by dividing the loss attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the six months ended 30 June 2024 and 30 June 2023.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2024, the Group purchased property, plant and equipment of approximately HK\$1,952,000 (30 June 2023: HK\$10,532,000).

As at 30 June 2024, the carrying amount of property, plant and equipment pledged as security for the Group's bank loans amounted to approximately HK\$15,821,000.

10. RIGHT-OF-USE ASSETS

During the six months ended 30 June 2024, the Group did not enter into any new lease agreement (30 June 2023: Nil).

As at 30 June 2024, the carrying amount of land use rights and leasehold land pledged as security for the Group's bank loans amounted to approximately HK\$54,203,000.

II. ACCOUNTS AND OTHER RECEIVABLES AND PREPAYMENTS

	30 June 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (Audited)
Accounts and bills receivable, net of provision	15,912	13,353
Other receivables, deposits and prepayments	23,969	23,596
	39,881	36,949

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

	30 June 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (Audited)
Current to 90 days	15,181	13,353
91–180 days	603	—
181–365 days	128	—
	15,912	13,353

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

12. ACCOUNTS AND OTHER PAYABLES

	30 June 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (Audited)
Accounts payable	71,729	83,980
Accruals and other payables	152,225	155,908
Debt restructuring (note)	111,318	114,050
	335,272	353,938
Analysed as:		
Current liabilities	279,613	296,913
Non-current liabilities	55,659	57,025
	335,272	353,938

Note: According to the UPPSD's bankruptcy reorganisation plan approved by the People's Court of Xuecheng District, Zaozhuang City, Shandong Province, the People's Republic of China ("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. Details of the UPPSD Bankruptcy Reorganisation Plan have been set out in the circular of the Company dated 31 December 2021.

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

	30 June 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (Audited)
0 to 90 days	70,698	83,153
Over 90 days	1,031	827
	71,729	83,980

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

13. BORROWINGS

	30 June 2024	31 December 2023
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Bank loans	106,995	55,117
Other borrowings	455,799	510,829
	562,794	565,946

The borrowings are repayable as follows:

	30 June 2024	31 December 2023
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Within one year and on demand	117,994	—
More than one year, but not exceeding two years	391,602	510,829
More than two years, but not more than five years	—	—
More than five years	—	—
Portion of bank loans that are due for repayment after one year but contain a repayment on demand clause (shown under current liabilities)	53,198	55,117
	562,794	565,946
Less: Amount due for settlement within 12 months (shown under current liabilities)	(171,192)	(55,117)
Amount due for settlement after 12 months	391,602	510,829

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

The interest rates per annum were as follows:

	30 June 2024	31 December 2023
Bank loans	4.25%	4.25%
Other borrowings	3.85–4.05%	3.85–4.05%

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

13. BORROWINGS (CONTINUED)

Bank loans of approximately HK\$106,995,000 (equivalent to RMB100,000,000) are arranged at fixed interest rates of 4.25% per annum which is secured by a charge over certain land and buildings of the Company's subsidiaries, with a total carrying value of approximately HK\$70,024,000.

Other borrowings of approximately HK\$85,596,000 (equivalent to RMB80,000,000), HK\$267,487,500 (equivalent to RMB250,000,000) and approximately HK\$102,715,200 (equivalent to RMB96,000,000) are arranged at fixed interest of 3.96%, 3.85% and 4.05% respectively per annum.

14. AMOUNTS DUE FROM/(TO) FELLOW SUBSIDIARIES/IMMEDIATE HOLDING COMPANY/INTERMEDIATE HOLDING COMPANY

As at 30 June 2024, the amounts due to fellow subsidiaries/immediate holding Company/intermediate holding Company are unsecured, interest-free and have no fixed repayment terms. The amounts due from the intermediate holding company is unsecured, interest free and repayable on demand.

	Accounts receivable HK\$'000	Contract liabilities HK\$'000	Other payables HK\$'000	Total HK\$'000
As at 30 June 2024 (unaudited)				
Amounts due from/(to) fellow subsidiaries				
Current liabilities	—	(44,910)	(2,780)	(47,690)
Non-current liabilities	—	—	(2,780)	(2,780)
	—	(44,910)	(5,560)	(50,470)
Amount due from/(to) the intermediate holding company				
Current assets/(liabilities)	11	—	(299)	(288)
Amounts due to immediate holding company				
Current liabilities	—	—	(179)	(179)
	11	(44,910)	(6,038)	(50,937)

14. AMOUNTS DUE FROM/(TO) FELLOW SUBSIDIARIES/IMMEDIATE HOLDING COMPANY/INTERMEDIATE HOLDING COMPANY (CONTINUED)

	Contract liabilities HK\$'000	Accounts payable HK\$'000	Other payables HK\$'000	Total HK\$'000
As at 31 December 2023 (audited)				
Amounts due to fellow subsidiaries				
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				
Current liabilities	—	—	(96)	(96)
Amounts due to immediate holding company				
Current liabilities	—	—	(179)	(179)
	(10,394)	(36,512)	(6,271)	(53,177)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

15. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.05 each		
At 31 December 2023 (audited) and 30 June 2024 (unaudited)	2,000,000,000	100,000
Convertible non-voting preference shares of HK\$0.10 each		
At 31 December 2023 (audited) and 30 June 2024 (unaudited)	143,086,013	14,309
At 31 December 2023 (audited) and 30 June 2024 (unaudited)	2,143,086,013	114,309
Issued and fully paid:		
Ordinary shares of HK\$0.05 each		
At 31 December 2023 (audited) and 30 June 2024 (unaudited)	1,414,600,832	70,730
Convertible non-voting preference shares of HK\$0.10 each		
At 31 December 2023 (audited) and 30 June 2024 (unaudited)	—	—
At 31 December 2023 (audited) and 30 June 2024 (unaudited)	1,414,600,832	70,730

16. RELATED PARTY TRANSACTIONS

- (a) The remuneration of directors and other members of key management during the period:

	Six months ended 30 June 2024 HK\$'000 (Unaudited)	Six months ended 30 June 2023 HK\$'000 (Unaudited)
Basic salaries and allowances	247	616
Retirement benefit scheme contribution	—	—
	247	616

- (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 period:

	Six months ended 30 June 2024 HK\$'000 (Unaudited)	Six months ended 30 June 2023 HK\$'000 (Unaudited)
Purchase of raw materials from fellow subsidiaries	18,302	—
Purchase of raw materials from a related party	451	—
Sales of finished goods to related parties	—	168,277
Sales of finished goods to the intermediate holding company	950	—
Sales of finished goods to fellow subsidiaries	258,461	—
Finance cost to the intermediate holding company	1,043	—
Finance cost to fellow subsidiaries	8,351	—
Finance cost to a related party	—	8,976

17. EVENTS AFTER THE REPORTING PERIOD

On 19 July 2024, UPPSD entered into a supplemental loan agreement with Xiamen C&D Paper, which is the intermediate holding company of NCD, to increase the total amount of the existing loan facility from RMB100,000,000 to RMB550,000,000 for the period up to 31 July 2026. Each drawdown shall be repaid anytime within 18 months from the drawdown date thereof.

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