C&D 建發新勝

C&D Newin Paper & Pulp Corporation Limited

(Incorporated in Bermuda with limited liability)

(Stock Code : 0731)

2024
ANNUAL REPORT

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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 *(resigned on 31 October 2024)*
Mr. Zhao Lin
Ms. Hong Ting *(appointed on 31 October 2024 and resigned on 28 February 2025)*
Ms. Chan Siu Mat *(appointed on 28 February 2025)*

Audit Committee

Mr. Wong Yiu Kit, Ernest *(Chairman)*
Mr. Choi Wai Hong, Clifford
Mr. Lam John Cheung-wah *(resigned on 31 October 2024)*
Ms. Hong Ting *(appointed on 31 October 2024 and resigned on 28 February 2025)*
Ms. Chan Siu Mat *(appointed on 28 February 2025)*

Remuneration Committee

Mr. Zhao Lin *(Chairman)*
Mr. Zhang Xiaohui
Mr. Lam John Cheung-wah *(resigned on 31 October 2024)*
Ms. Hong Ting *(appointed on 31 October 2024 and resigned on 28 February 2025)*
Ms. Chan Siu Mat *(appointed on 28 February 2025)*

Nomination Committee

Mr. Zhao Lin *(Chairman)*
Mr. Zhang Xiaohui
Mr. Lam John Cheung-wah *(resigned on 31 October 2024)*
Ms. Hong Ting *(appointed on 31 October 2024 and resigned on 28 February 2025)*
Ms. Chan Siu Mat *(appointed on 28 February 2025)*

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

Appleby Global Corporate Services (Bermuda) Limited
Canon's Court, 22 Victoria Street,
PO Box HM 1179, Hamilton HM EX,
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 2024 HK$'000	For the year ended 31 December 2023 HK$'000
Revenue	1,331,437	1,372,077
Operating profit/(loss)	48,179	(108,106)
Finance costs	23,839	21,416
Profit/(loss) before tax	24,340	(129,522)
Profit/(loss) attributable to owners of the Company	24,595	(128,798)

Consolidated Statement of Financial Position

	As at 31 December 2024 HK$'000	As at 31 December 2023 HK$'000
Non-current assets	839,364	916,470
Current assets	254,373	256,470
Current liabilities	432,832	367,998
Shareholders' funds	197,635	179,443
Non-current liabilities	463,270	625,499

Share Statistics

	For the year ended 31 December 2024	For the year ended 31 December 2023
Earnings/(loss) per share — basic	HK1.7 cents	HK(9.1) cents
Earnings/(loss) per share — diluted	HK1.7 cents	HK(9.1) cents
Dividends per share	HK Nil cents	HK Nil cents
Net asset value per ordinary share	HK14.0 cents	HK12.7 cents

Chairman's Statement

"I firmly believe that adhering to high-quality development and embracing the spirit of long-termism will guide the industry through this severe downturn, breathing new vitality into this traditional sector."

Dear Shareholders, Partners and Stakeholders,

On behalf of the Board of Directors, I would like to present the annual results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2024 (the "**Year**").

In 2024, China's pulp and paper industry struggled under pressures due to insufficient effective demand, high costs and energy control. In the face of the challenges, adhering to the strategy of "enhancing efficiency with technology-driven innovation and reshaping development resilience with management reform", we actively promoted the reform of the Group's entire value chain, facilitating the process optimisation and equipment upgrades to successfully reduce costs. In addition, the Group introduced core management talents and boosted team morale through various initiatives, providing strong talent support for the Company's sustainable development.

In 2025, we will further advance the reform of the entire value chain, with a focus on the swift commissioning of ongoing technical reform and upgrade projects and the rapid implementation of projects that can achieve economies of scale. At the same time, with the deepening reform of the employment system, we insist on the merit-based principle in the Group's human resources practices. In addition, we will leverage on our industry-leading operating system to further optimise our turnaround efficiency and enhance our competitiveness. In terms of raw material supply, we will further refine our procurement channels and establish long-term and stable relationships with suppliers to reduce raw material price risks. Concerning sales, we will further intensify our market development efforts to enhance customer stickiness and industry position.

Reform leads to success amidst adversity. With a more resolute commitment, greater agility in adaptation, and an improved cash flow, we are dedicated to injecting momentum and dynamic into the healthy development of the Company. The Company's controlling shareholder is mainly engaged in the supply chain operations across various sectors. In this regard, the Group will leverage resources and support from its controlling shareholder group, to conduct overall strategic adjustments and proactively expand into areas with new growth for business. It will seize opportunities arising from the overall adjustment of China's industrial chain, capitalising on the business opportunities in overseas markets and the controlling shareholder's resources advantages to develop trading business centred around the pulp and paper industry chain as well as other industries with potential. In addition, as opportunities arise, the Group will explore new revenue streams and enhance its profitability. At the same time, while gradually growing bigger and stronger, the Group is striving for the Company's prosperity and aims to create greater value for its shareholders.

Zhang Xiaohui
Chairman of the Board

Hong Kong, 26 March 2025

Management Discussion and Analysis

Business Review

Despite the difficulties and challenges in 2024, China's overall economy remained stable and continued to progress. Globally speaking, the complicated international environment weakened the momentum of world economic growth, with recurring geopolitical conflicts and intensifying trade protectionism. Domestically, the Company's operations were still under pressure due to insufficient domestic demand and a sluggish market for packaging paper. In active response, the management of the Company adjusted its operating approaches, by adhering to the strategy of "enhancing efficiency with technology-driven innovation and reshaping development resilience with management reform". We strive to promote cost reduction and efficiency enhancement as well as motivation and empowerment in our domestic operations. The Company is actively exploring different markets to enhance its market recognition.

Financial Review

Revenue

During the Year, the revenue was generated from the manufacturing and selling of paper products of approximately HK$1,331.4 million (for the year ended 31 December 2023: HK$1,372.1 million).

Costs of sales and gross loss

During the Year, the cost of sales was approximately HK$1,344.7 million (for the year ended 31 December 2023: HK$1,392.2 million).

The decrease in gross loss of approximately HK$6.8 million is mainly attributable to the improved unit production costs as a result of the Group's stringent production cost control and marketing efforts to increase the sales volume.

Selling expenses

During the Year, the selling expenses was approximately HK$2.5 million (for the year ended 31 December 2023: HK$2.3 million), which was mainly attributable to the increase in staff costs expenses from HK$1.8 million for the year ended 31 December 2023 to HK$2.1 million for the year.

Administrative expenses

During the Year, the administrative expenses was approximately HK$102.2 million (for the year ended 31 December 2023: HK$109.8 million), which was mainly attributable to staff costs expenses of approximately HK$25.6 million, depreciation and amortization of approximately HK$21.8 million and research and development expenses of approximately HK$41.5 million (for the year ended 31 December 2023: HK$27.7 million, HK$23.4 million and HK$42.3 million respectively).

Financial Review (continued)

Profit/(loss) for the year

The Group recorded profit for the Year, which amounted to approximately HK$24.6 million for the Year as compared to loss amounted to approximately HK$128.8 million for the year ended 31 December 2023.

The turnaround from loss to profit during the Year was mainly attributable to the combined effect of the following factors:

(i) the significant one-off gain amounted to approximately HK$128.2 million as a result of release of undeclared claims under the debt restructuring of the Group. Details of the debt restructuring of the Group were disclosed in the circular of the Company dated 31 December 2021;

(ii) an increase in government tax subsidies of approximately HK$33.7 million for the Year, mainly due to the entitlement of the Group to the government tax subsidies policies such as comprehensive utilisation of resources; and

(iii) a decrease in gross loss of approximately HK$6.8 million as a result of the improved unit production costs due to the Group's stringent production cost control and marketing efforts to increase the sales volume.

Liquidity, Financial Resources and Capital Structure

Bank loans and other borrowings

As at 31 December 2024, the Group's bank loans and other borrowings were approximately HK$637.1 million, representing an increase of approximately 12.6% as compared with approximately HK$565.9 million as at 31 December 2023.

Pledge of assets

At 31 December 2024, no asset was pledged as security for the Group's other borrowings (31 December 2023: Nil).

At 31 December 2024, the carrying amount of property, plant and equipment and right-of-use in aggregate of approximately HK$79.0 million (31 December 2023: HK$80.4 million) was pledged as security for the Group's bank borrowings of approximately HK$106.0 million (31 December 2023: HK$55.1 million).

Gearing ratio

As at 31 December 2024, our gearing ratio remained at 75.0% (31 December 2023: 75.0%). 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 2024, our current ratio was 0.59 times as compared with that of 0.70 times as at 31 December 2023. The current ratio is calculated by current assets divided by current liabilities.

Contingent liabilities

As at 31 December 2024, the Group did not have any material contingent liabilities or guarantees (31 December 2023: Nil).

Employees and Staff Costs

As at 31 December 2024, we had a total of 735 employees excluding directors (31 December 2023: 769 employees). For the Year, the Group incurred staff costs (excluding directors' remuneration) of approximately HK$76.5 million (for the year ended 31 December 2023: HK$79.1 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 annual 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 2024, due to the insufficient effective demand in China's pulp and paper industry, the Company's operation pressure was intensified. However, considering series of national economic stimulus policies and the overall trend of domestic economic, the broader market remains stable with the long-term positive fundamentals unchanged. In this regard, the management of the Company will continue to strive for industry policy support, accurately grasp product positioning and market positioning and improve product competitiveness to expand our business scale. Internally, we will strictly control production cost, optimise human resource and facilitate technical reform and innovation, so as to maintain the competitiveness of the Company.

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.

Principal Risks and Uncertainties (continued)

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 2025, the Group will work diligently and respond actively to the continual cyclical fluctuations of the paper manufacturing industry in China. The Company's controlling shareholder is mainly engaged in the supply chain operations across various sectors. In this regard, the Group plans to fully leverage resources and support from its controlling shareholder group, to conduct overall strategic adjustments and proactively expand into other new business sectors. Adhering to the strategy of "enhancing efficiency with technology driven innovation and reshaping development resilience with management reform", the Group aims to further optimise its turnaround efficiency and enhance its competitiveness. It will also intensify its global market development efforts, while seizing opportunities arising from the adjustment of China's industrial chain, capitalising on the business opportunities in overseas markets and the controlling shareholder's resource advantages. Its goal is to develop a trading business centred around the pulp and paper industry chain as well as other industries with potential. In addition, as opportunities arise, the Group will explore new revenue streams and enhance its profitability. At the same time, while strengthening efforts on these new businesses, the Group is striving for the Company's prosperity and aims to create greater value for its shareholders.

Subsequent Events after the Year

On 5 March 2025, UPPSD entered into an undertaking agreement with 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**"). Xiamen C&D Paper & Pulp will provide continuing financial support in the form of assisting UPPSD to obtain sufficient loans from banks in Mainland China, extending the repayment period for the loan of RMB501,000,000 and offering additional loan if required for the operation of UPPSD.

Subsequent to the reporting period, the Group has further drawn down approximately HK$9,541,000 (equivalent to RMB9,000,000) of the unutilised facilities.

Save as disclosed above, the Group has no significant events occurred from 1 January 2025 to the date of this annual report which require additional disclosures.

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

Executive Directors

Mr. Lin Ruqing (林儒卿), aged 39, is an executive Director. He joined the Group on 27 September 2023.

Mr. Lin has 17 years of experience in business and management. Mr. Lin joined Xiamen C&D Paper & Pulp 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 44, 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). and a director of Hong Kong Jarfot Paper & Pulp International Trading Co., Limited (香港建福漿紙國際貿易有限公司), being wholly-owned subsidiaries of the Company. He joined the Group on 26 January 2022.

Mr. Huang has over 21 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 49, 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. Mr. Zhang is also a director of Hong Kong Jarfot Paper & Pulp International Trading Co., Limited (香港建福漿紙國際貿易有限公司) and Xiamen Jianfu Paper & Pulp International Trading Company Limited* (廈門建福漿紙國際貿易有限公司), being wholly-owned subsidiaries of the Company. He joined the Group on 27 September 2023.

Mr. Zhang has over 26 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 of Hong Kong Limited (the "**Stock Exchange**") (stock code: 2002) from 22 November 2023.

Non-executive Directors (continued)

Mr. Choi Wai Hong, Clifford (蔡偉康), aged 67, 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; (iv) The Taxation Institute of Hong Kong; and (v) a Certified ESG Planner of the International Chamber of Sustainable Development.

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, an independent non-executive director of EcoGreen International Group Limited, a company listed on the Main Board of the Stock Exchange (former stock code: 2341), which was incorporated in the Cayman Islands with limited liability and was delisted from the Main Board of the Stock Exchange on 17 July 2024, from 8 November 2022 to 17 January 2024 and an independent non-executive director of Jiayuan International Group Limited, a company listed on the Main Board of the Stock Exchange (former stock code: 2768), which was incorporated in the Cayman Islands with limited liability and was delisted from the Main Board of the Stock Exchange on 29 October 2024, from 3 June 2024 to 11 December 2024. Mr. Choi was 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, until 25 February 2025.

Mr. Choi was an executive director of China Evergrande New Energy Vehicle Group Limited, a company listed on the Main Board of the Stock Exchange (stock code: 708) since 5 August 2024 and an independent non-executive director of Aidigong Maternal & Child Health Limited, a company listed on the Main Board of the Stock Exchange (stock code: 286) since 6 March 2025. Since 27 March 2025, Mr. Choi is also an independent non-executive director of Greatview Aseptic Packaging Company Limited, a company listed on the Main Board of the Stock Exchange (stock code: 468).

Independent Non-executive Directors

Mr. Wong Yiu Kit, Ernest (黃耀傑), aged 57, 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 22 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 20 October 2011 to 30 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). From 19 February 2021 to 25 July 2024, he was an independent non-executive director of FEG Holdings Corporation Limited (formerly known as: Kwong Luen Engineering Holdings Limited), a company whose shares are listed on the Main Board of the Stock Exchange (stock code: 1413). Mr. Wong served as an independent non-executive director of Goldstone Investment Group Limited, a company which was incorporated in the Cayman Islands with limited liability and was delisted from the Main Board of the Stock Exchange on 4 November 2024, from 1 December 2020 to 4 November 2024. From 20 September 2017 to 6 March 2025, Mr. Wong was an independent non-executive director Aidigong Maternal & Child Health Limited, a company whose shares are listed on the Main Board of the Stock Exchange (stock code: 286).

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).

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. He was admitted as a chartered financial analyst of the Institute of Chartered Financial Analysts and an associate member of the Institute of Chartered Accountants in England and Wales. 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)

Ms. Chan Siu Mat (陳小密), aged 42, is an independent non-executive Director and a member of each of the audit committee, remuneration committee and nomination committee of the Board. She joined the Group in February 2025 and is responsible for overseeing the Group's management independently and providing independent advice to the Board.

She obtained a bachelor's degree of business administration in accounting from City University of Hong Kong in 2006 and she is a member of The Hong Kong Institute of Certified Public Accountants since 2009.

Ms. Chan has over 18 years of experience in auditing, accounting and company secretarial fields. She was the chief financial officer of Weiye Holdings Limited ("**Weiye Holdings**", a company listed on Main Board of the Stock Exchange, stock code: 1570). Ms. Chan has worked as a manager of Deloitte Touche Tohmatsu from September 2006 to January 2012, a finance manager, a company secretary and an authorized representative of Kong Sun Holdings Limited (a company listed on Main Board of the Stock Exchange, stock code: 295) from April 2012 to April 2014, a finance manager and a company secretary of Wen Wei (Hong Kong) Investment Group Company Limited from April 2014 to March 2018 and a financial controller of Weiye Holdings from March 2018 to November 2022.

Since November 2024, Ms. Chan is the independent non-executive director of RMH Holdings Limited (a company listed on the GEM of the Stock Exchange, stock code: 8437).

Mr. Zhao Lin (趙琳), aged 61, 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 38 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 (林恒輝), aged 42, has over 19 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 53, 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 38, 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 2024, 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. 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 *(resigned on 31 October 2024)*
Mr. Zhao Lin
Ms. Hong Ting *(appointed on 31 October 2024 and resigned on 28 February 2025)*
Ms. Chan Siu Mat *(appointed on 28 February 2025)*

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.

Ms. Chan Siu Mat, on 28 February 2025, obtained the legal opinion referred to in Rule 3.09D of the Listing Rules, and became aware of all the requirements of the Listing Rules applicable to her as directors of listed issuers, as well as the possible consequences of making a false statement or providing false information to the Stock Exchange. She confirmed that she was aware of her responsibilities as directors of listed issuers.

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.

Board of Directors (continued)

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.

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 2024.

Appointment and re-election of Directors
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, Ms. Chan Siu Mat, Mr. Lin Ruqing, Mr. Wong Yiu Kit, Ernest and Mr. Zhao Lin 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 2024, 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 2024;

iii. reviewed and approved the audited annual results of the Group for the year ended 31 December 2023; 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 2024 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	√	√
Mr. Huang Tiansheng	√	√
Non-executive Directors		
Mr. Zhang Xiaohui	√	√
Mr. Choi Wai Hong, Clifford	√	√
Independent non-executive Directors		
Mr. Wong Yiu Kit, Ernest	√	√
Mr. Lam John Cheung-wah(Note 1)	√	√
Mr. Zhao Lin	√	√
Ms. Hong Ting(Note 2)	—	—
Ms. Chan Siu Mat(Note 3)	—	—

Notes:

1. Mr. Lam John Cheung-wah resigned his position as independent non-executive Director with effect from 31 October 2024.

2. Ms. Hong Ting was appointed as independent non-executive Director with effect from 31 October 2024 and resigned as independent non-executive Director with effect from 28 February 2025.

3. Ms. Chan Siu Mat was appointed as independent non-executive Director with effect from 28 February 2025.

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 Ms. Chan Siu Mat. 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 2024, 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 year ended 31 December 2023;

ii. reviewed the interim report for the six months ended 30 June 2024, the unaudited interim results of the Group for the six months ended 30 June 2024 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 2024 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 Ms. Chan Siu Mat. 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 2024, 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 2024 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 2024 is set out as follows:

Remuneration bands	Number of individuals
HK$0 to HK$250,000	9

For further details of the remuneration for the year ended 31 December 2024, 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 Ms. Chan Siu Mat. 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 2024, 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 has one female Director on the Board and has a 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 six male Directors and one female Director with a balanced mix of knowledge and skills.

Board Diversity Policy and Nomination Policy (continued)

The Board also recognises the importance of diversity at the workforce level. As at 31 December 2024, the gender ratio in the workforce (including senior management) was approximately 27.5 males to 10 females. The Company aims to achieve a more balanced gender ratio in the workforce next year.

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 2024, 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 2024, the Company held two (2) Board meetings, two (2) Audit Committee meetings, one (1) Remuneration Committee meeting, one (1) Nomination Committee meeting and two (2) general meetings.

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)

During the year ended 31 December 2024, the Board convened a total of two Board meetings based on the needs of the operations and business development of the Group, instead of holding at least four regular board meetings during the Year as required under code provision C.5.1 of the Code. Each Board meeting had been arranged to discuss multiple topics and resolutions. During the year ended 31 December 2024, the Directors were provided with all relevant information on an ongoing basis to enable them to stay informed of the Group's development progress and to make swift decisions as required. The Company will consider holding more regular Board meetings in the coming year to comply with the requirements under the said code provision.

The attendance records of each Director at the aforesaid meetings of the Company held during the year ended 31 December 2024 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. Huang Tiansheng	2/2	N/A	N/A	N/A	2/2
Mr. Lin Ruqing	2/2	N/A	N/A	N/A	2/2
Non-executive Directors					
Mr. Zhang Xiaohui	2/2	N/A	1/1	1/1	2/2
Mr. Choi Wai Hong, Clifford	2/2	2/2	N/A	N/A	2/2
Independent non-executive Directors					
Mr. Wong Yiu Kit, Ernest	2/2	2/2	N/A	N/A	2/2
Mr. Lam John Cheung-wah[Note 1]	2/2	2/2	1/1	1/1	2/2
Mr. Zhao Lin	2/2	N/A	1/1	1/1	2/2
Ms. Hong Ting[Note 2]	N/A	N/A	N/A	N/A	N/A
Ms. Chan Siu Mat[Note 3]	N/A	N/A	N/A	N/A	N/A

Notes:

1. Mr. Lam John Cheung-wah resigned from his position as independent non-executive Director with effect from 31 October 2024.

2. Ms. Hong Ting was appointed as independent non-executive Director with effect from 31 October 2024 and resigned with effect from 28 February 2025.

3. Ms. Chan Siu Mat was appointed as independent non-executive Director with effect from 28 February 2025.

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 2024 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 2024.

Risk Management and Internal Control (continued)

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 2024, 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 2024. 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 2024.

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 2024.

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 2024 is set out in the section headed "Independent Auditor's Report" in this annual report.

External Auditor and Auditor's Remuneration

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 20 May 2024.

The total fee paid/payable to the external auditor of the Company, RSM Hong Kong, for the year ended 31 December 2024 is set out below:

Categories of services	**Fee paid/payable** HK$'000
Audit services	
— audit fee for the year ended 31 December 2024	1,030
Non-audit services for the year ended 31 December 2024	20

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

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. Lin Henghui, the current chief financial officer and primary corporate contact person of the Company.

During the year ended 31 December 2024, 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 20 May 2024. Notice of the meeting was sent to the Shareholders on 26 April 2024.

On 20 May 2024, the executive Directors, namely Mr. Lin Ruqing and Mr. Huang Tiansheng; the non-executive Directors, namely Mr. Zhang Xiaohui (being the chairman of the Board) 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.

Communications with Shareholders and Investors (continued)

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 2024.

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.

Shareholders' Rights (continued)

Procedures for Shareholders to propose a person for election as a director (continued)

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.

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 2024, 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 2024.

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 2024 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 2024 are set out in the consolidated financial statements on pages 97 to 98 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 164 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 Tuesday, 20 May 2025. 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 Wednesday, 14 May 2025 to Tuesday, 20 May 2025, 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 Tuesday, 13 May 2025.

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 2024 (for the year ended 31 December 2023: 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 2024, we had a total of 735 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 2024 and up to the date of this report.

Relationships with Stakeholders (continued)

Customers and suppliers

The customers of the Group, which primarily consist of packaging paper 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 2024, the Group's sales to its five largest customers, which include 江蘇建發紙業有限公司 (Jiangxu C&D Paper Co., Ltd.*) ("**Jiangxu C&D Paper**"), 青島建發紙業有限公司 (Qingdao C&D Paper Co., Ltd.*) ("**Qingdao C&D Paper**") and 天津建發紙業有限公司 (Tianjin C&D Paper Co., Ltd) ("**Tianjin C&D Paper**"), accounted for approximately 46.7% of the Group's total revenue and the largest customer accounted for approximately 13.4% of the Group's total revenue.

For the year ended 31 December 2024, purchases from the Group's five largest suppliers accounted for approximately 44.0% of the Group's total purchases and the largest supplier accounted for approximately 11.1% of the Group's total purchases.

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 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 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. Tianjin 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 Tianjin 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 2024 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 2024 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 2024 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 2024.

Share Capital

As at 31 December 2024, 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 2024 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 2024 are set out on page 101 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 2024 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 2024, 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 2024 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. Huang Tiansheng	Executive Director and Chief Executive Officer
Mr. Zhang Xiaohui	Chairman of the Board, Non-executive Director and Authorised Representative
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 (resigned on 31 October 2024)
Ms. Hong Ting	Independent Non-executive Director (appointed on 31 October 2024 and resigned on 28 February 2025)
Ms. Chan Siu Mat	Independent Non-executive Director (appointed on 28 February 2025)
Senior management	
Mr. Lin Henghui	Chief Financial Officer

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, Ms. Chan Siu Mat will retire and, being eligible, has offered herself for re-election as Directors at the upcoming AGM of the Company.

In accordance with Bye-Law 99, Mr. Lin Ruqing, Mr. Wong Yiu Kit, Ernest and Mr. Zhao Lin 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

Each of executive Director, non-executive Director and independent non-executive Director has entered into a service contract with the Company for a fixed term of three years commencing from the date of the service contract. These service agreements may be terminated pursuant to their respective terms and may be renewed in accordance with the Articles of Association and applicable laws, rules and regulations.

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 2024, 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. Huang Tiansheng, 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, Mr. Lam John Cheung-wah and Ms. Hong Ting was entitled to an annual emolument of RMB150,000, RMB100,000, RMB100,000, RMB92,000 and RMB18,000, 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 2024 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 2024, 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 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:

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 2024, 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 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) 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 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.

Directors' Rights to Acquire Shares or Debentures

Save as otherwise disclosed in this annual report, at no time during the year ended 31 December 2024, 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 2024.

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 2024.

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 2024.

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 2024.

Continuing Connected Transactions

Renewed Paperboard Sales Framework Agreement

On 13 November 2023, UPPSD, an indirect wholly-owned subsidiary of the Company, (as vendor) entered into a renewed paperboard sales framework agreement (the "**Renewed Paperboard 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 1 January 2024 to 31 December 2026.

The unit price of the Paperboard Products will be determined with reference to the prevailing market price in Mainland China 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 pursuant to an order, UPPSD is entitled to adjust the unit price of the Paperboard Products in accordance with the price update letter issued to the customers, including Xiamen C&D Paper & Pulp. Based on the principles applied by the core management team of UPPSD, UPPSD will issue price update letter to notify the customers the recent pricing changes in accordance to the assessment of the core management team on the market trend and the pricing strategy.

For the year ended 31 December 2024, the proposed cap for the transaction amount under the Renewed Paperboard Framework Agreement was RMB650,000,000. The actual transaction amount under the Renewed Paperboard Framework Agreement for the year ended 31 December 2024 was approximately RMB528,337,000.

Paper Pulp Procurement Framework Agreement

On 13 November 2023, UPPSD also entered into the paper pulp procurement framework agreement (the "**Paper Pulp Framework Agreement**") with Xiamen C&D Paper & Pulp for the procurement of paper pulp products (the "**Paper Pulp Products**") sourced by Xiamen C&D Paper & Pulp from time to time from 1 January 2024 to 31 December 2026.

The unit price of the Paper Pulp Products will be determined with reference to the prevailing market price in Mainland China for the same type of products and in accordance with the pricing policies of the Group made for independent third party customers.

For the year ended 31 December 2024, the proposed cap for the transaction amount under the Framework Agreement was RMB100,000,000. The actual transaction amount under the Framework Agreement for the year ended 31 December 2024 was approximately RMB43,121,000.

Reasons for and benefits of the transactions

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

Continuing Connected Transactions (continued)

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 Renewed Paperboard Framework Agreement and Paper Pulp Procurement 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 Renewed Paperboard Sales Framework Agreement and the Paper Pulp Procurement 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.

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 Renewed Paperboard Sales Framework Agreement and the Paper Pulp Procurement 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.

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 2024 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 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.

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.

Share Option Scheme (continued)

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 2024, 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 2024.

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 2024, 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 2024 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 2024.

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 2024, and considers that the consolidated financial statements of the Company for the year ended 31 December 2024 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 2024 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 2024.

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

Hong Kong, 26 March 2025

About the 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 2024 to 31 December 2024 (the "Reporting Period") in accordance with Appendix C2 — Environmental, Social and Governance Reporting Code (the "ESG Reporting Code") 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 Code to disclose ESG issues during the Reporting Period.

Governance Structure

The Board of Directors ("the Board") holds ultimate responsibility for the Group's environmental, social, and governance (ESG) strategy and reporting. This includes overseeing ESG issues that may impact our business operations, and the interests of shareholders and other stakeholders. The Board identifies and assesses risks to set operational objectives including ESG-related goals, ensures a robust governance framework, and supervises senior management in implementing ESG initiatives. Regular ESG reviews help maintain an effective risk management and internal control system.

The Group is committed to high corporate governance standards, supported by a structured management framework, clear policies, and effective ESG controls. We engage independent third parties annually for comprehensive risk assessments and internal audits, with findings reported to the Audit Committee. Moreover, we provide the Board with comprehensive information covering ESG risks and embed ESG principles into our corporate culture. This encompasses various areas, including environmental protection, human resource development, supply chain management, and community investment. Additionally, we actively promote green development and sustainability concepts among our employees.

Recognising the importance of sound corporate governance, we integrate sustainability into our business strategy, and believe responsible growth benefits all stakeholders and creates long-term value. Our paper manufacturing business, sales business and other business in Shandong Province, China, strictly comply with local regulations, employment laws, and environmental policies, ensuring business development aligns with corporate social responsibility.

Reporting Principles

This ESG report follows the ESG Reporting Code and is structured around four key principles:

1. **Materiality:** The Group reports ESG issues that are sufficiently important to investors and other stakeholders. Under Part D of the Code, we disclose information about climate-related risks and opportunities that could reasonably be expected to affect its cash flows, its access to finance or cost of capital over the short, medium or long term.

2. **Quantitative:** The key performance indicators (KPIs) included in this report are measurable. We set specific targets to facilitate the assessment and verification of ESG policy effectiveness. Quantitative data is accompanied by explanations of its purpose and implications, with comparative figures provided where appropriate.

3. **Balance:** The information presented in this report objectively reflects our ESG performance, ensuring fair and unbiased disclosure. Selective omissions or reporting formats that could mislead stakeholders' decisions or judgments are avoided.

4. **Consistency:** Assumptions and calculation methodologies used for KPIs remain consistent with previous years to ensure data comparability. Any changes in assumptions or methodologies are explicitly disclosed.

Reporting Boundary and Reporting Period

The data presented in this ESG report covers the period from 1 January 2024 to 31 December 2024 ("the Reporting Period"). Information has been collected from various sources, including but not limited to our internal control policies, evidence of ESG-related initiatives, KPIs specified in the ESG Reporting Code, and the Group's annual operational and ESG performance metrics.

This report covers the Group's operations at its Hong Kong headquarters, the PRC and Universal Pulp and Paper (Shandong) Co., Ltd. in Shandong Province. In this year's ESG report, we have enhanced climate-related disclosures in line with the ESG Reporting Code, providing a more detailed account of our climate-related performance.

Stakeholder Engagement

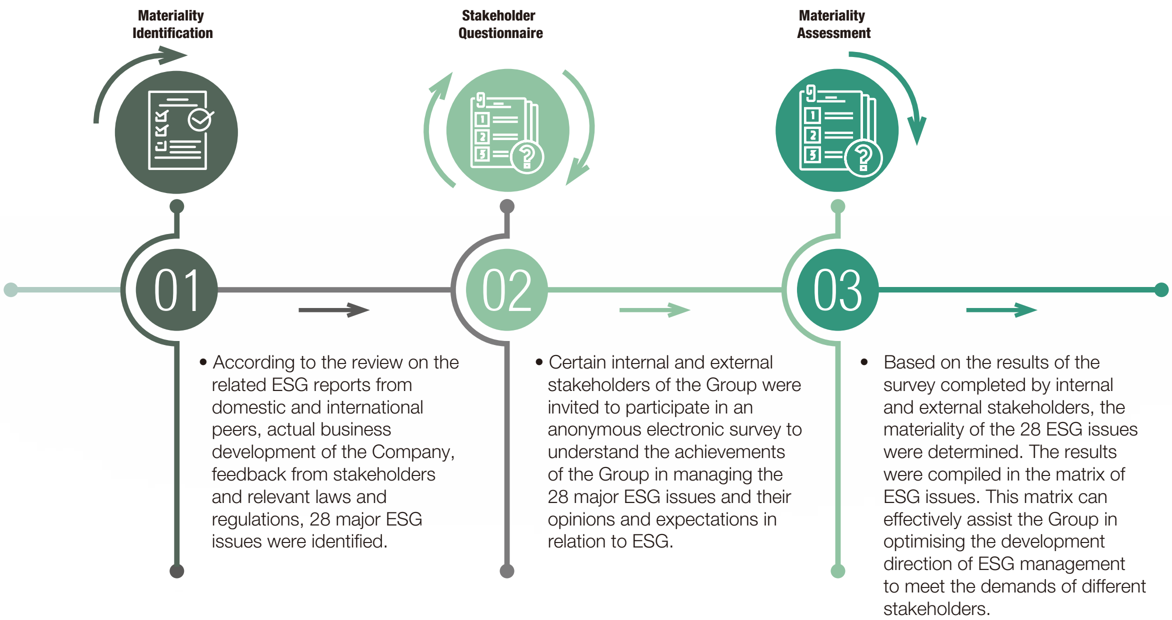
Stakeholder expectations and demands are central to driving our sustainability agenda. We view stakeholder engagement as a key component of our strategic management and are committed to establishing a broad and deep engagement framework.

During the Reporting Period, we actively engaged stakeholders through various channels, including general meetings, regular disclosures, industry events, digital platforms, and dedicated surveys. By openly sharing business progress and sustainability achievements, we gained valuable insights into the diverse concerns of stakeholders. These insights have been integrated into actionable plans and decision-making processes, enabling us to create long-term value while addressing stakeholder interests, thereby strengthening resilience and sustainability of the Group.

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, we conducted an annual review and materiality assessment to better understand stakeholder concerns and evolving priorities. We systematically identified ESG material issues relevant to our business by considering the latest national policies, environmental regulations, industry trends, and best practices from leading companies. To ensure accuracy and objectivity, we engaged a diverse group of stakeholders through electronic surveys, inviting them to assess the significance of these issues. This process enabled us to prioritise key ESG issues that have a substantial impact on the Group and its stakeholders. Based on these findings, we systematically identified potential ESG risks and opportunities. The assessment results have been incorporated into sustainability strategy of the Group, guiding current and future initiatives to ensure targeted and effective implementation.



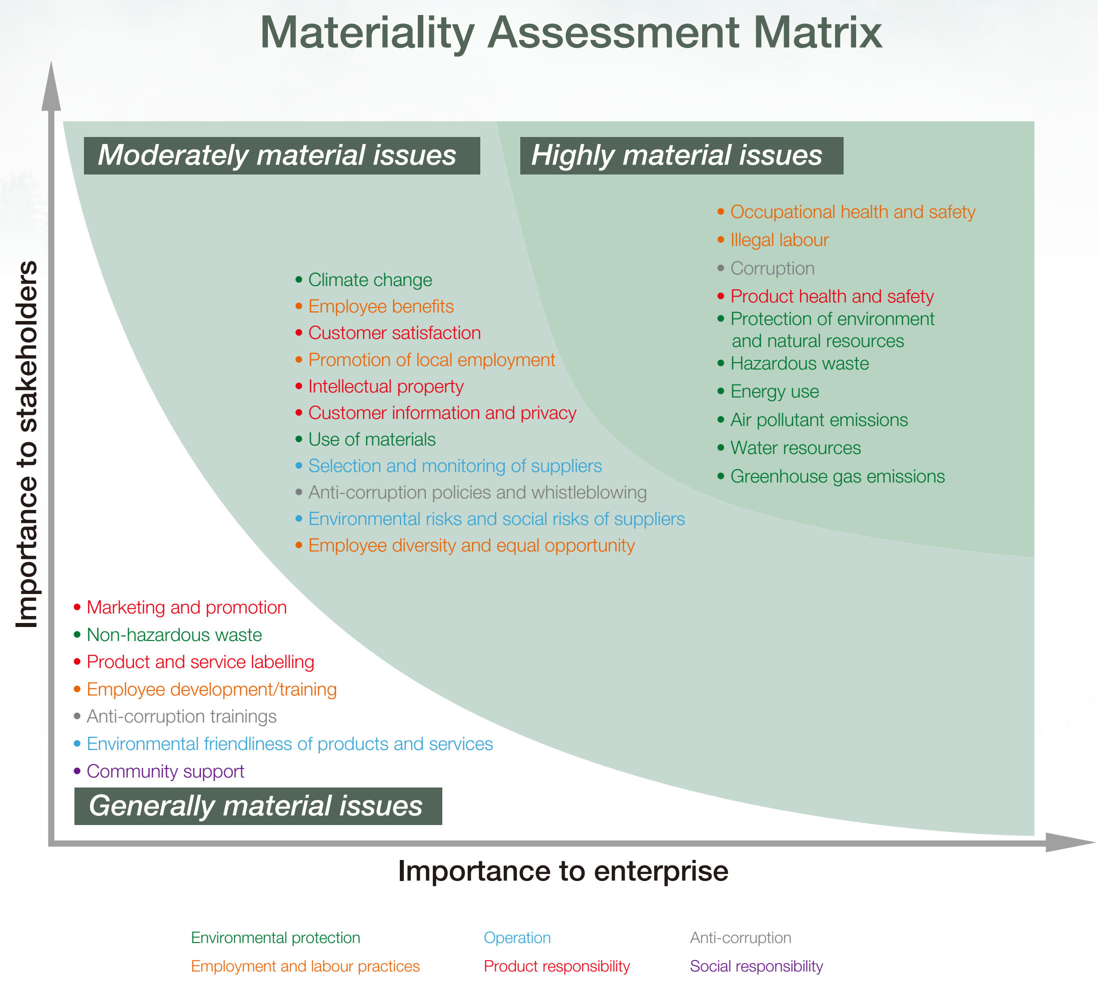
ESG Materiality Assessment (continued)

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 pollutant 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)

ESG Materiality Assessment (continued)

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



According to the materiality matrix, the ESG issues positioned in the upper-right quadrant are considered highly significant by both the Group and external stakeholders. These key issues include occupational health and safety, illegal labour, corruption, product health and safety, protection of environment and natural resources, hazardous waste, energy use, air pollutant emissions, water resources, and greenhouse gas emissions. These topics are identified as fundamental to driving sustainability of the Group and will be further elaborated in the following sections.

Feedback from Stakeholders

Investors and the public can access the latest business information on our website (https://www.cndnewin.com). We also welcome stakeholder feedback, particularly on the identified material ESG issues. Suggestions and perspectives can be shared with us through the following channels:

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

Environment

Sustainability is at the core of our operations. The Group strictly adheres to environmental laws and regulations, including the Environmental Protection Law of the People's Republic of China, the Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution, the Water Pollution Prevention and Control Law of the People's Republic of China, the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes, the Law of the People's Republic of China on Noise Pollution Prevention and Control, the 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 have obtained ISO 14001 Environmental Management System certification and actively integrate environmental requirements into our production and operational processes. We also invest in environmental protection facilities, refine management policies, and strengthen implementation mechanisms. Our goal is to fulfil our environmental commitments and align our business activities with ecological responsibility.

Environmental management and initiatives

As a paper manufacturing enterprise, we primarily produce high-grade coated duplex board, kraft cardboard and kraft linerboard. We operate three paper production lines alongside our own thermal power plant and wastewater treatment facility. To minimise our environmental footprint, we have adopted the following measures:

- **Upgrading environmental facilities:** We continuously modernise production equipment to enhance wastewater treatment capacity and air pollution control efficiency, ensuring emissions comply with national and local standards.

- **Optimising resource utilisation:** By refining production processes, we improve raw material efficiency, promote water recycling, and repurpose certain production waste for integrated utilisation, reducing environmental impact.

- **Strengthening environmental governance:** We have established and implemented environmental management policies, standardised operational procedures, and conduct regular monitoring and evaluation of emissions data.

Environment (continued)

Regulatory compliance and environmental performance

As of the end of the Reporting Period, the Group has maintained full compliance with environmental regulations, with all pollutant emissions meeting legal standards, specifically: 1) Our wastewater treatment plant operates stably, continuously reducing impacts on water ecosystems; 2) Our air pollution control systems function efficiently, ensuring key pollutant emissions consistently remain within regulatory limits.

Looking ahead, we will further enhance environmental management, refine production processes, and deepen resource efficiency and circular economy practices. Additionally, we will explore innovative technologies to minimise our environmental impact and drive sustainability.

Emissions

Air Pollution Control

The Group has established a comprehensive and highly efficient self-supplied power system within its paper manufacturing operations, ensuring a stable supply of electricity to meet production needs while providing strong support for reducing operational costs. In addition to complying with ultra-low emission standards, the self-supplied power plant enhances energy efficiency and further facilitates the achievement of energy conservation and emission reduction targets. Through the operation of its power plant, the Group continuously optimises emission indicators, promoting sustainable production in a more environmentally friendly manner.

To ensure the stability of power supply and environmental safety, our power plant features a fully enclosed coal storage facility, equipped with standardised fire prevention installations and safety measures. This design minimises dust pollution that may arise during coal handling and storage. Moreover, it effectively prevents water pollution caused by rainwater runoff, reflecting our strong commitment to environmental protection down to the finest details.

The Group's air pollutant emissions mainly originate from the power plant boiler exhaust gases, which include sulphur dioxide, nitrogen oxides, and particulate matter, etc. To address this, we have implemented a multi-layered emission reduction strategy, achieving significant progress particularly in optimising the boiler system. The boiler system is capable of adapting to various coal types, improving energy utilisation efficiency from the source and significantly reducing environmental impact. Additionally, by employing low-nitrogen combustion technology, selective non-catalytic reduction (SNCR) denitrification, bag filtering, limestone wet desulphurisation, and wet electrostatic precipitators, we have substantially reduced air pollutant emissions, ensuring emission levels remain well below regulatory requirements. In terms of micro-dust in the exhaust gas, we integrate bag filtering with wet electrostatic precipitators for advanced treatment. This approach significantly enhances the efficiency of air pollution control and further minimises the impact of emissions.

Furthermore, recognising that private and freight transport contribute significantly to air pollutant and greenhouse gas emissions, we actively promote green mobility solutions:

- **Encouraging green commuting:** Employees are encouraged to adopt energy-efficient transport habits.
- **Dedicated shuttle services:** We collaborate with local public transport operators to provide staff shuttle services, reducing private vehicle use and associated emissions.
- **Transitioning to clean energy vehicles:** We plan to gradually introduce electric and alternative energy vehicles to further minimise transportation-related environmental impact.

Emissions (continued)

Air Pollution Control (continued)

During the Reporting Period, the Group successfully met its air pollution control targets, with emission levels remaining well below permitted thresholds and regulatory standards (specific data shown below). Going forward, we will continue refining energy-saving and emissions reduction initiatives, enhance our green operational model, contribute to industry transformation and sustainable development, and strengthen our commitment to environmental protection, ensuring long-term ecological balance.

Emission Category	Key Performance Indicator (KPI)	Unit	Target Value Annual Permitted Emissions	2024.1.1–2024.12.31 Amount	Intensity[1] (Per 10,000 tonnes)
Air Pollutant Emissions[2]	SO_x	Tonne	122.76	15.50	0.32
	NO_x	Tonne	175.36	49.70	1.01
	PM	Tonne	17.54	1.35	0.03

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 490,417 tonnes.

2. Air pollutant emissions refer to the air pollutants discharged into the atmosphere through the chimneys of the power generation boilers within the Group's paper manufacturing operations (data from the online monitoring system of the ecological department).

Wastewater Management

The Group is firmly committed to green development, ensuring full compliance with national and regional resource and environmental regulations to maintain both environmental compliance and sustainability. To achieve its goal of environmental protection and resource efficiency, we continuously enhance our environmental management system and actively adopt advanced pollution control technologies to minimise resource consumption and reduce pollutant emissions at the source, thereby elevating overall environmental management standards. Equipped with a self-supplied power plant and a wastewater treatment facility, we have established a 24-hour automated real-time environmental monitoring system. This system rigorously tracks key water pollutants to ensure that all discharge indicators meet or exceed national and local environmental standards, including the Integrated wastewater discharge standard, and the Discharge standard of wastewater from limestone-gypsum flue gas desulfurization system in fossil fuel power plants.

The primary wastewater pollutants of the Group include chemical oxygen demand (COD) and ammonia nitrogen. To manage wastewater generated during paper production, such as paper and pulp manufacturing wastewater, boiler make-up water treatment wastewater, boiler fixed discharge, circulating cooling system drainage, domestic sewage, initial rainwater, etc., we have set up wastewater treatment stations within production facilities for multi-stage pre-treatment. The treatment process involves inclined net filtration, primary sedimentation, anaerobic treatment, aerobic treatment, and secondary sedimentation for sludge-water separation. Pre-treated wastewater is then transported via dedicated pipelines to municipal wastewater treatment plants for further processing before meeting discharge standards.

Emissions (continued)

Wastewater Management (continued)

To further optimise wastewater treatment, we have upgraded odour control systems, effectively mitigating odours generated during processing through chemical scrubbing and ion deodorisation technologies. This significantly reduces environmental impact on surrounding areas. Additionally, we have implemented a combination of resource recovery and compliant disposal for sludge and biogas generated during wastewater treatment. Sludge is either incinerated in the in-house thermal power plant or handled by certified waste management companies, ensuring safe disposal. Biogas is recovered and used as fuel for the power plant, reducing energy consumption and enhancing resource efficiency through waste recycling.

During the Reporting Period, the Group achieved outstanding results in wastewater management, with annual COD and ammonia nitrogen emissions significantly lower than permitted levels, and concentrations well below government-mandated limits (specific data shown below). Looking ahead, we will continue advancing wastewater treatment technologies, improving resource efficiency, and setting higher environmental management standards to further support its sustainability objectives.

			Target Value	2024.1.1–2024.12.31	
Emission Category	**Key Performance Indicator (KPI)**	**Unit**	**Annual Permitted Emissions**	**Amount**	**Intensity[1] (Per 10,000 tonnes)**
Wastewater Discharge	Chemical Oxygen Demand (COD)	Tonne	3,700.00	475.50	9.70
	Ammonia Nitrogen	Tonne	333.00	3.99	0.08

1. The intensity is calculated by dividing the water pollutant emissions during the Reporting Period by the Group's annual paper production of 490,417 tonnes.

Solid Waste Management

The Group strictly complies with national regulations on solid waste management, including the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes and the Law of the People's Republic of China on Promoting Clean Production. It ensures the compliant disposal of both general and hazardous waste generated during operations. Additionally, we actively implement waste reduction measures at the source, striving to minimise solid waste generation. For example, the paper-making workshop has introduced an inclined screen system to recover waste pulp for reuse in the pulping process, effectively reducing fibre loss and sludge generation. Furthermore, we continuously improve waste paper recycling standards to minimise impurities and plastic waste.

Emissions (continued)

Solid Waste Management (continued)

General Waste Management

The general waste from production and operations mainly includes fly ash, slag, desulphurisation gypsum, sludge, and paper-making residues. To enhance resource utilisation, we have adopted the following measures:

- **Classified collection and reuse:** Fly ash, slag, and desulphurisation gypsum are sold to qualified construction material companies for use as raw materials; paper-making residues are utilised in waste paper recycling projects; waste plastic, pulp, and metal are sold to relevant enterprises as production materials.

- **Disposal of non-recyclable waste:** Unusable bottom ash and sludge are incinerated by certified companies. Additionally, a portion of sludge is co-fired with coal in the boilers to maximise resource utilisation.

- **Household waste management:** Domestic waste generated from daily office activities is properly sorted and handled by property management, then sent to municipal waste treatment facilities.

Hazardous Waste Management

The hazardous waste primarily includes used lead-acid batteries, asbestos waste, laboratory waste liquids, waste mineral oil and oil drums, and contaminated packaging materials. To ensure the safe management of hazardous waste, we have implemented the following measures:

- **Dedicated hazardous waste storage:** Specialised storage facilities are designated for different types of hazardous waste, ensuring proper containment and strict record-keeping.

- **Third-party disposal:** All hazardous waste is entrusted to certified third-party companies for compliant treatment in accordance with environmental regulations.

During the reporting period, the Group achieved a 100% classification and disposal rate for solid waste. Both hazardous and non-hazardous waste management fully complied with national regulations, with specific data as follows:

Waste Category	Unit	2024.1.1–2024.12.31
Hazardous Wastes	Tonne	21.32
Non-hazardous Wastes	Tonne	157,400.68

Use of Resources

Energy

The Group strictly complies with national and regional dual-control policies on energy consumption and has established a series of energy management policies and procedures, including the Energy Management System and the Energy-Saving Target Management System, to regulate energy use. To enhance the effectiveness of its energy management system, the Group has obtained "ISO 50001 Energy Management System Certification" and continues to refine its energy management mechanisms based on this framework.

Energy Management Structure

The Group has established an Energy Management Leadership Team, led by the Vice President in charge, with the Manager of the Safety and Environmental Protection Department serving as Deputy Leader. Heads of various departments are members, forming a comprehensive energy management network across the Group. Within each department and workshop, production supervisors are designated as energy management officers, ensuring that energy management responsibilities are implemented at every level through a hierarchical management approach.

Energy Efficiency Optimization and Conservation Measures

Each year, we set energy-saving targets based on national regulations and the previous year's energy consumption levels, driving all departments to implement necessary measures. During the Reporting Period, we carried out a series of energy-saving initiatives, including upgrading production lines for energy efficiency and phasing out high-energy-consuming equipment.

To effectively advance energy conservation efforts, we have also established a responsibility evaluation and assessment mechanism to review progress of each department towards annual energy-saving targets. Departments and employees with outstanding performance are rewarded, fostering greater engagement in energy management across the organisation.

Awareness and Education

To enhance employees' awareness of energy conservation, we regularly organises energy-saving educational programmes, promoting planned and efficient energy use.

Looking ahead, we will continue to advance energy-saving technological upgrades, further optimise energy management processes, and explore the broader adoption of clean energy solutions to achieve sustainable energy utilisation.

ISO50001 Energy Management System Certification

Use of Resources (continued)

Energy (continued)

Awareness and Education (continued)

Energy Conservation	Target Value	Target Progress	Energy Management Measures
Electricity Saving	Electricity consumption per tonne of paper≤480 KWh	408.87 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; • Increase the operating speed of the paper machine and enhance the overall pulp supply capacity, thereby reducing electricity consumption per tonne of paper; • Transition the power plant's operation from self-owned units to public utility units to lower energy consumption and coal usage; • Provide regular training and education to strengthen employees' awareness of daily electricity saving.
Steam Saving	Steam consumption per tonne of paper ≤2.1 tonnes	1.71 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.
Oil Saving	Oil consumption per tonne of paper (raw material) ≤0.2716 litres Oil consumption per tonne of paper (product) ≤ 0.1201 litres	0.1187 litres, achieved 0.0898 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 fuel usage for motor vehicles 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; • The use of vehicles for purposes other than transportation-related tasks is strictly prohibited.

Use of Resources (continued)

Water Resources

The Group recognises the critical importance of water resources and is committed to water conservation through responsible extraction and improved utilisation efficiency. To effectively manage water resources, we have established a Water Conservation Office, which serves as the dedicated body responsible for formulating and implementing water conservation plans and coordinating relevant measures across departments. The office operates under the guidance of the Leader and Deputy Leader and collaborates with the General Department, Warehousing Department, Technical Department, and other relevant departments to form an efficient water management system.

During the Reporting Period, the Group developed a detailed water conservation target plan, requiring each department to set water consumption limits per unit of product based on its operational characteristics. The following measures were implemented to enhance water efficiency:

- **The General Department** promotes and enforces water conservation policies, organises regular awareness campaigns to improve employees' water-saving awareness, and oversees water usage data reporting.

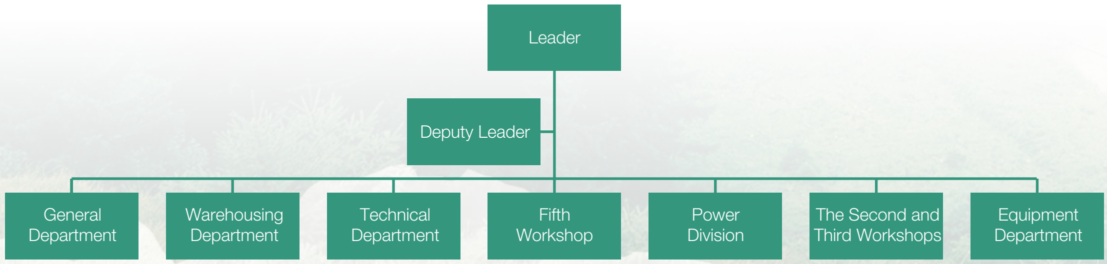
- **The Warehousing Department** manages water treatment equipment and related supplies, ensuring operational efficiency and compliance with maintenance requirements.

- **The Technical Department/Coating Department** continuously improves process technologies, such as using recycled water in the pulping and papermaking process, thereby reducing reliance on freshwater and increasing water reuse rates.

- **The Equipment Department/Power Division** is responsible for upgrading and maintaining water treatment facilities and other water-related equipment, ensuring stable operation and minimising water waste.

During the Reporting Period, through enhanced water efficiency measures, we successfully achieved our annual water conservation targets. Additionally, the Water Conservation Office established a regular water usage monitoring and analysis mechanism, enabling real-time supervision and transparent evaluation of water consumption of each department. This system helps departments promptly identify issues and implement targeted improvements. Additionally, we did not encounter any difficulties in sourcing water during the Reporting Period.

Group Water Conservation Management Network



Use of Resources (continued)

Water Resources (continued)

Water Conservation	Target Value	Target Progress	Water Management Measures
Water Conservation	Water consumption per tonne of paper[1] ≤7.5 tonnes	6.1 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.

During the Reporting Period, the Group's resource consumption is shown below:

Energy, Water Resources	Unit	2024.1.1–2024.12.31
Total consumption		
Diesel fuel	Litre (L)	412,559.00
Unleaded petrol	Litre (L)	12,209.04
Coal	Tonne (t)	181,876.37
Electricity (Purchased)	Kilowatt hour (KWh)	138,887,000.00
Water[1]	Cubic metre (m^3)	3,274,696.00
Intensity (Per 10,000 tonnes)[2]		
Diesel fuel	Litre (L) per 10,000 tonnes	8,412.41
Unleaded petrol	Litre (L) per 10,000 tonnes	248.95
Coal	Tonne (t) per 10,000 tonnes	3,708.61
Electricity (Purchased)	Kilowatt hour (KWh) per 10,000 tonnes	2,832,017.48
Water	cubic metre (m^3) per 10,000 tonnes	66,773.68

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

2. The intensity is calculated by dividing the energy or water consumption during the Reporting Period by the Group's annual paper production of 490,417 tonnes.

Use of Resources (continued)

Packaging Materials

The Group's packaging materials mainly include stretch film, kraft liner cover, paper tubes, and multi-layer plywood. To reduce packaging material consumption and enhance resource efficiency, we have implemented the following measures:

- **Optimized design:** Packaging designs have been improved to minimise material redundancy while maintaining product quality and safety, thereby enhancing structural efficiency.

- **Promotion of recycling and reuse:** Internal recycling policies have been introduced, such as the reuse of paper tubes and plastic steel straps, to reduce reliance on new materials.

- **Data monitoring and management:** A statistical and monitoring system for packaging material usage has been established to regularly assess material consumption, identify wasteful practices, and implement targeted improvements.

During the Reporting Period, the Group's packaging materials consumed are shown below:

Packaging Materials	Unit	Total Consumption (2024.1.1-2024.12.31)	Intensity (Per 10,000 tonnes)[1]
PET steel belt	Tonne	25.50	0.52
Labelling paper	Roll	178.00	3.63
Stretch film (machine-use)	Kilogram	63,829.76	1,301.54
Stretch film (hand-use)	Kilogram	156.10	3.18
Multi-layer plywood	Piece	47,667.00	971.97
Angle bead	Piece	3,320.00	67.70
Wax ribbon	Roll	46.00	0.94
Octagonal plate	Block	1,200.00	24.47
Cowhide tape (hot melt)	Tray	3,603.00	73.47
Cowhide tape (rubber)	Tray	14,399.00	293.61
Kraft liner cover	Slice	470,490.00	9,593.67
Fumigation tray	Cover	76.00	1.55
Up-and-down membrane	Kilogram	7,626.52	155.51
Double-sided adhesive	Roll	1,697.00	34.60
Double-sided tape	Roll	666.00	13.58
Copper plate label	Roll	496.00	10.11
Scotch tape	Tray	15,941.00	325.05
Circle membrane	Kilogram	18,711.90	381.55
Paper tube	Metre	476,205.14	9,710.21
Certificate	Sheet	504,000.00	10,276.96

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 490,417 tonnes.

Environment and Natural Resources

The Group is committed to minimising its impact on the environment and natural resources while pursuing sustainability. To address the environmental impact of its business activities, we have implemented a range of management initiatives.

Water Resource Management

- **Wastewater reuse system:** To reduce water wastage, we have established a wastewater reuse system to collect and treat pulp and paper manufacturing wastewater, boiler discharge, domestic sewage, and initial rainwater. Treated water is partially reused in pulp manufacturing and other production processes, promoting water recycling and reducing dependence on external water sources.

- **On-site wastewater treatment facilities:** We have also set up dedicated wastewater treatment stations to ensure treated water meets discharge standards while further improving water resource utilisation efficiency.

Material Management

- **Packaging reduction measures:** The usage of stretch film, kraft liner cover, and adhesive tape has been optimised to reduce resource wastage.

- **Promotion of eco-friendly materials:** We actively adopt recycled paper and encourages waste paper recycling to decrease reliance on virgin materials.

- **Paperless office initiative:** A standardised digital document processing system is being gradually introduced to reduce office paper consumption and promote digital operations.

Environmental Management System

- **ISO 14001 certification:** The Group has fully implemented the "ISO 14001 Environmental Management System", standardising environmental management processes and ensuring their effectiveness through third-party certification.

- **Continuous improvement:** Under the environmental management framework, we conduct regular environmental performance evaluations, promptly refines management measures, and fosters the synergy between environmental protection and business growth.

ISO14001 Environmental Management System

Social

Employment

The Group strictly complies with the Labour Law of the People's Republic of China, the Employment Ordinance and the Mandatory Provident Fund Schemes Ordinance of Hong Kong. We fully implement an equal employment policy, strictly prohibit the employment of child labour, and adhere to anti-discrimination laws such as the Sex Discrimination Ordinance, the Race Discrimination Ordinance, the Disability Discrimination Ordinance, and the Family Status Discrimination Ordinance. These measures ensure that employees are not subject to discrimination based on race, age, religion, gender, or other factors during the employment process.

We firmly believe that employees are our most valuable asset and a key driver of competitiveness. Talent is regarded as the core force behind innovation and sustainability. To achieve our talent-driven development strategy, we continuously enhance our remuneration and benefits system, including a robust salary increment mechanism, a commission-based incentive scheme for sales staff, and a long-term service award programme. Bonuses are distributed based on employee performance and the Group's overall business performance.

Additionally, we continuously optimise our human resources management system, fostering a diverse and highly collaborative work environment through robust internal monitoring mechanisms and regulatory documents such as the Employee Handbook. We also actively provide employees with diverse training and development opportunities, building career development platforms that promote mutual progress and sustainable growth for both employees and the Group.

Employee Well-being

The Group upholds a people-oriented approach, striving to create a comfortable, supportive, and efficient working environment while ensuring employees achieve a healthy work-life balance. It strictly complies with local labour laws, ensuring reasonable working hours and sufficient rest periods and statutory holidays. In production departments, a three-shift rotation system is implemented, which not only maintains stable productivity but also considers employees' rest needs, effectively safeguarding their physical and mental well-being.

To enrich employees' leisure activities, we have built recreational facilities within its premises, including basketball courts and table tennis rooms, providing convenient spaces for exercise and relaxation. We also organise regular social and team-building events to boost employee engagement, strengthen team cohesion, and enhance employees' sense of belonging within the company. Special cultural and entertainment activities are arranged for festivals and special occasions, fostering a positive and enjoyable workplace culture.

In terms of improving employees' living conditions, we have implemented various supportive measures. For employees with long commuting distances, free accommodation is provided, while shuttle bus services are arranged for those residing in nearby areas to ensure safe and convenient transportation to and from work. Additionally, we offer free on-site meals, meeting employees' daily dietary needs while enhancing their work efficiency and satisfaction.

Social (continued)

Employment (continued)

Employee Well-being (continued)

Looking ahead, we will continue to prioritise employee well-being, enhancing workplace facilities and services while exploring innovative initiatives to further improve employees' work experience and quality of life. By fostering an environment of continuous improvement, we aim to achieve sustainable growth alongside our employees.

Employee benefits distribution

Employee sports event

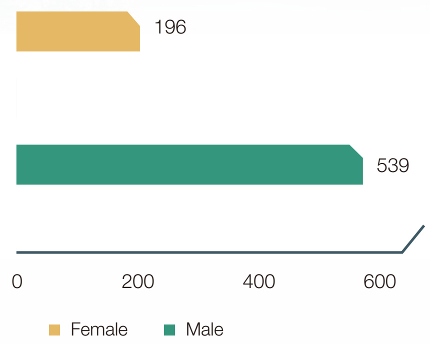
Social (continued)

Employment (continued)

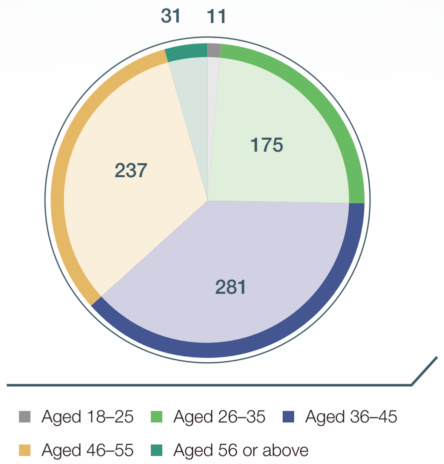
Data of Current and Resigned Employees

As of 31 December 2024, the Group employed a total of 735 full-time employees, all 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)

Social (continued)

Employment (continued)

Data of Current and Resigned Employees (continued)

We respect employees' personal career choices and ensures that proper resignation procedures are handled in compliance with labour laws when employees leave the company. During the Reporting Period, the overall employee turnover rate of the Group was 15.4%, with gender-specific and age-group-specific turnover data detailed as follows:

Employee Turnover Rate	**2024.1.1-2024.12.31**
Total turnover rate	15.4%
By gender	
Male	10.4%
Female	26.6%
By age group	
Aged 18-25	15.4%
Aged 26-35	13.1%
Aged 36-45	5.6%
Aged 46-55	15.9%
Aged 56 or above	83.1%

Note: Turnover rate of each employee category = (Number of employees who left during the Reporting Period/Average number of employees in that category at the start and end of the Reporting Period)×100%.

Health and Safety

The Group prioritises employee health and safety as a top consideration. Upholding a people-oriented approach, we have established a comprehensive health and safety management system that strictly complies with relevant laws and regulations. By reinforcing safety culture and optimising safety management, we aim to prevent and reduce workplace accidents, providing employees with a stable and secure working environment that supports the Group's long-term sustainability.

Safety Production Responsibility System

To ensure workplace safety, we have implemented a Workplace Safety Responsibility System in strict accordance with national laws and regulations, defining clear responsibilities at all levels to ensure that safety management accountability is properly enforced.

For the paper product manufacturing business, we have established a Safety Production Committee, composed of management personnel, responsible for overseeing and coordinating all aspects of safety operations. The committee holds regular meetings to review safety policies, standards, and emergency response plans while formulating solutions for major safety hazards and environmental concerns. Additionally, a reward and penalty system has been introduced to assess the safety performance of different departments, enhancing overall management effectiveness.

Health and Safety (continued)

Safety Production Responsibility System (continued)

Responsibilities of the Work Safety Committee

- Implement national and local government policies, laws, regulations, standards, and company safety management systems.

- Organise the development and implementation of the safety management system and safety standardisation processes.

- Approve workplace safety policies, responsibility frameworks, management procedures, and emergency response plans.

- Hold regular meetings to review and resolve major safety issues within the Group.

- Establish a reward and penalty system to assess safety performance across various departments.

- Review and approve accident reports and investigation findings.

- Develop solutions for major workplace safety hazards and environmental pollution issues.

Safety Education and Training

To enhance employees' safety awareness and emergency response capabilities, we have formulated and implemented a comprehensive safety training programme in accordance with 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.

- New employees are required to complete job-specific safety training, familiarising themselves with workplace safety regulations, operational procedures, and essential safety skills.

- Existing employees participate in regular training programmes, including pre-start training, occupational safety training, and accident prevention courses, to improve their ability to prevent accidents and mitigate occupational hazards.

- Moreover, we maintain a comprehensive safety training archive, which systematically records employees' training participation and assessment results, providing data-driven support for continuous improvement in safety management.

Health and Safety (continued)

Safety Education and Training (continued)

By reinforcing safety management systems, strengthening training, and fostering a safety-first culture, we ensure a secure and responsible work environment for all employees.

Employee pre-start training

Safety Management Measures

Labour Protection

The Group provides employees with appropriate personal protective equipment (PPE) based on their job requirements, including earplugs, safety shoes, and insulated gloves, and enforces strict compliance with proper usage. In addition, we regularly monitor environmental indicators in the production workshops, such as noise, dust, and high temperatures, and makes the data publicly available. For areas with high temperatures, we install ventilation systems and air conditioning to provide a comfortable working environment. Furthermore, every summer, we distribute heat allowances and anti-heat medicines to employees to safeguard their physical and mental health.

Fire Safety Management

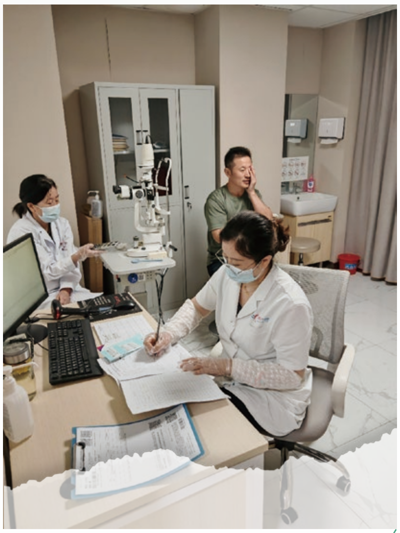
We conduct regular fire safety inspections and maintains fire protection equipment to ensure it remains in good working condition. In response to potential hazards, immediate corrective actions are taken, and fire drills are organised to enhance employees' emergency response capabilities.

Health and Safety (continued)

Safety Management Measures (continued)

Occupational Health Management

We offer employees regular occupational health examinations and conduct inspections of workplaces exposed to occupational health hazards, ensuring the effective protection of employees' health.



Employee health examination

Safety Culture Development

We actively promote the development of a safety culture, adhering to the principle that "production management must include safety management," and emphasising responsibility "to superiors, to workers, and to oneself." We continuously advance and improve the construction of a dual-prevention system for risk classification management and hazard identification and rectification. The Group's paper manufacturing business has been certified under the "ISO45001 Occupational Health and Safety Management System" and has received numerous honours from local governments, including "A Production Safety Advanced Work Unit in Xuecheng District for 2017" awarded by the Xuecheng District Government and the title of "Worker Pioneer" awarded by the Xuecheng District General Labour Union.

Health and Safety (continued)

Safety Management Measures (continued)

Safety Culture Development (continued)

Over the past three years (including the Reporting Period), the Group has not had any fatalities due to work-related accidents. During the Reporting Period, the Group recorded 262 lost workdays due to work-related injuries.

ISO45001 Occupational Health and Safety Management System

Development and Training

The Group has always maintained a talent-focused approach, dedicated to cultivating a professional and exceptional workforce, while providing support for employees' long-term development. Through the establishment of a comprehensive human resources management system and a diversified training mechanism, we offer learning opportunities tailored to various positions, enabling the mutual growth of employees and the company.

Systematic Training Programme

In compliance with legal regulations, we have implemented a "Training Management System" and, based on the Group's business strategy, departmental requirements, and employees' annual performance reviews, designed a comprehensive annual training programme. This programme carefully considers market and industry trends, ensuring that training content aligns with the Group's development direction and assists employees in acquiring the latest professional knowledge and skills.

To help new employees quickly acclimatise to their environment, we arrange induction training that covers company culture, business philosophy, and policies, laying a solid foundation for their success in the workplace. For existing employees, we regularly organise one to two in-service training sessions each month, covering practical topics such as fire safety, health and safety management for all staff, and more, to further enhance their professional capabilities and work quality.

Development and Training (continued)

Training Evaluation and Continuous Improvement

To enhance the effectiveness of training, we conduct performance assessments and feedback surveys after each training session to evaluate participants' knowledge retention and application. This data provides valuable insights for optimising future training programmes, ensuring employees' professional development is continually enhanced.

We also adopt a combination of internal and external training methods. On one hand, we invite external experts for professional guidance; on the other hand, we actively encourage internal employees to become trainers, conducting internal training and experience-sharing sessions. Additionally, we support employees in pursuing further education and academic exchanges externally, which brings new perspectives and knowledge to the company, while broadening employees' horizons.

Employee Growth Support and Incentives

To foster personal growth, we have established an employee development subsidy programme, providing financial support for those pursuing further education. We also follow the principle of "internal promotion priority". When job vacancies arise, we prioritise qualified internal employees, offering them more career development opportunities. We firmly believe that employees' professional abilities and job satisfaction are critical to the company's success. Through systematic learning and practical support, we not only enhance employees' career competitiveness but also improve the company's overall performance, thus laying a strong foundation for future sustainable development.

The Group's paper manufacturing business has achieved 100% training participation. During the Reporting Period, the total training hours accumulated by the Group amounted to 10,290 hours. Below are the statistics for average training hours per employee:

Training and Development Data (hours)	**2024.1.1-2024.12.31**
Total duration	10,290.00
Average training hours per employee	14.00
By gender	
Male	7,546.00
Average training hours per male employee	14.00
Female	2,744
Average training hours per female employee	14.00
By type	
Senior management	42.00
Average training hours per senior management	14.00
Middle management	700.00
Average training hours per middle management	14.00
Frontline and other employees	9,548.00
Average training hours per frontline and other employee	14.00

Labour Compliance

The Group strictly adheres to all relevant laws and regulations, upholding lawful and compliant recruitment principles while resolutely prohibiting child labour and forced labour. We ensure that all recruitment activities meet statutory requirements by 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. During candidate screening, if an applicant is found to be under the legal working age, the recruitment process is immediately terminated to ensure full compliance with legal provisions.

To prevent child labour and forced labour at the source, we have established and continuously refined the recruitment and employment mechanisms, ensuring that all employees are hired on a voluntary basis. Throughout the recruitment process, we clearly define job requirements and adhere to the principles of fairness, impartiality, and transparency. Candidates are selected through a combination of assessments and interviews to ensure they meet the necessary qualifications. Furthermore, we conduct rigorous credential checks and background investigations to verify that applicants have reached the legal working age, possess lawful employment eligibility, and have no criminal records. We establish formal employment contracts with all staff members, requiring both parties to sign as a crucial measure to prevent child and forced labour.

As of the end of the Reporting Period, the Group had found no significant violations of child labour or forced labour laws and regulations, nor had it experienced any major impacts related to such issues.

Supply Chain Management

The Group has established a rigorous supplier management mechanism to ensure compliance and sustainable development across the supply chain. We are committed to conducting thorough legitimacy reviews of suppliers and require them to meet environmental and social standards. To this end, we have developed a comprehensive supplier evaluation system to ensure that all business partners adhere to regulatory requirements. During the procurement process, we have defined clear standards and maintain a "Qualified Supplier List" to ensure that suppliers meet both business and compliance requirements. For existing suppliers, we conduct annual evaluations of their delivery capacity, product quality, service performance, workplace safety, and environmental impact, adjusting and optimising supplier selection accordingly. For new suppliers, we implement a stringent background check mechanism to verify their legal qualifications before they are included in the "Qualified Supplier List".

As of the end of the Reporting Period, the Group had a total of 491 suppliers, of which 490 were based in Mainland China and one was based in Japan. We maintain long-term, stable partnerships with key suppliers, further enhancing the reliability and resilience of our supply chain.

Supply Chain Management (continued)

To mitigate environmental and social risks within the supply chain while ensuring its regulatory compliance and controllability, we have implemented a strict procurement management system. This system clearly defines the roles and responsibilities of the procurement department and relevant functional departments, making procurement processes more transparent, efficient, and compliant. During raw material procurement, we rigorously review suppliers' production capacity, quality management systems, environmental certifications, and the environmental impact of their production processes to ensure they meet our standards. After the initial screening, we conduct on-site assessments of potential suppliers and require sample submissions for technical testing, ensuring that raw material quality remains stable and complies with national safety and environmental standards.

Regarding supplier evaluation, we focus not only on quality and compliance but also actively promote environmental and social responsibility among supply chain partners. We prioritise enterprises with well-established quality management, environmental management, and occupational health and safety management systems, encouraging suppliers to obtain international certifications such as ISO 9001, ISO 14001, and ISO 45001. Additionally, we advocate for supply chain partners to reduce pollutant emissions, implement ecological protection measures, fulfil social responsibilities, and adopt clean energy solutions to drive energy conservation and emissions reduction, ensuring that the overall supply chain develops in a green and sustainable manner.

To uphold sustainability principles within the supply chain, we actively promote sustainable forest management and have obtained international certification. We have successfully acquired FSC-CoC (Forest Stewardship Council Chain of Custody) Certification, ensuring that wood and wood-based products throughout the entire supply chain, from raw material sourcing to the final product, comply with traceability and sustainability standards. This initiative further strengthens the environmental responsibility of our supply chain, ensuring that corporate growth and ecological conservation progress hand in hand.

FSC Chain of Custody Certification

Product Responsibility

The Group specialises in the production of premium coated duplex board, kraft cardboard and kraft linerboard, with an annual output exceeding 400,000 tonnes. To ensure production stability and environmental benefits, we have established our own thermal power plant and wastewater treatment facilities. To enhance quality management standards, we adhere to refined management principles, actively introduce scientific management models, and promote corporate standardisation to ensure efficiency and compliance across all operational processes. Furthermore, the Group has obtained ISO 9001 Quality Management System certification, reinforcing its competitive edge in product quality within the industry.

ISO9001 Quality Management System

Quality Control

To ensure that our products meet safety standards and continuously improve quality, we have formulated strict quality control procedures in accordance with the Product Quality Law of the People's Republic of China and other relevant regulations. We have implemented a rigorous Product Monitoring and Measurement Control Procedure, whereby each production line is staffed with dedicated quality inspection personnel responsible for testing raw materials, semi-finished goods, and final products. Additionally, stringent screening is conducted to detect and eliminate harmful substances. All inspection data is analysed against established benchmarks to guarantee compliance with quality requirements. Any substandard products are strictly prohibited from entering the market, ensuring product stability and reliability.

Customer Service

The Group is committed to enhancing customer service quality by implementing a robust mechanism to ensure customer satisfaction. To this end, we have established the Customer Complaint Handling Process Regulations, whereby a dedicated after-sales service team promptly responds to and resolves customer concerns. If a customer raises a quality-related issue, our professional personnel will conduct on-site assessments and, depending on the situation, implement remedial measures such as product recalls or compensation. To further optimise our services, the responsible department regularly reviews and refines the handling process, formulating corrective and preventive measures to continuously improve customer satisfaction.

During the Reporting Period, the Group did not recall any products due to health or safety concerns. A total of 15 product or service complaints were received, all of which were successfully resolved, achieving a 100% complaint resolution rate.

Product Responsibility (continued)

Data Privacy and Intellectual Property Protection

The Group recognises stakeholders' concerns regarding information security and is committed to building and maintaining a robust customer privacy protection system. Through rigorous security measures and regulatory compliance practices, we ensure the highest level of data protection. Within our corporate governance framework, we have established clear data privacy regulations and confidentiality obligations, which are incorporated into internal control policies, employee handbooks, and employment contracts. All employees are required to strictly adhere to these regulations and handle corporate confidential information with the utmost care. Furthermore, we have implemented multiple privacy protection measures, including restricted access areas and secure storage mechanisms for customer records, thereby strengthening information security management.

At the same time, we place great emphasis on intellectual property protection and have established comprehensive Design and Development Control Procedures to ensure that our research and development (R&D) outputs comply with customer requirements and relevant legal regulations. All products, new processes, raw materials, and technologies must adhere to intellectual property laws, trade secret protection mechanisms, confidentiality procedures, and contractual obligations. During the Reporting Period, the Group did not experience any intellectual property infringements related to its products or services.

Anti-corruption

The Group upholds a commitment to ethical business practices, embedding principles of integrity across its operations. We strictly prohibit all forms of corruption and bribery, ensuring a fair and just market environment. Over the years, we have diligently adhered to local laws and regulations, continuously refining our internal governance mechanisms. By strengthening management systems and fostering employees' legal awareness, we cultivate a transparent, efficient, and compliant operational framework that supports the Group's sustainable growth.

To effectively prevent corruption and fraud, we have established clear responsibilities across departments and management levels. We reinforce disciplinary requirements and enhance employees' integrity and self-discipline. Our compliance oversight team is responsible for guiding ethical business conduct and monitoring internal transactions and operational activities to ensure full compliance with regulatory standards. By addressing risks at their source, we proactively prevent misconduct. Additionally, we encourage internal whistleblowing by providing a secure and confidential reporting mechanism. Whistleblower identities are strictly protected, and all reports are handled in a timely manner.

Anti-corruption (continued)

In our anti-corruption efforts, we have implemented a series of targeted measures to strengthen supervisory management:

1. **Strict anti-corruption policies:** We have established stringent anti-corruption policies, which are regularly reviewed and optimised to ensure a comprehensive framework that aligns corporate governance with ethical standards.

2. **Comprehensive internal audits and supervision:** Our multi-tiered oversight mechanism identifies potential risks and ensures that any irregularities are promptly detected and addressed.

3. **Regular anti-corruption training:** The Group provides periodic anti-corruption training for directors, management, and employees, enhancing awareness and fostering a company-wide prevention mechanism. Training covers fundamental anti-corruption knowledge, relevant legal and regulatory requirements, internal policies, and practical prevention measures. During the Reporting Period, our anti-corruption training achieved a 100% participation rate.

4. **Integrity agreements with business partners:** In external collaborations, we require business-related departments and partners to sign integrity agreements, ensuring all commercial dealings adhere to fairness and transparency while mitigating corruption risks.

During the Reporting Period, the Group did not receive any complaints or legal cases related to corruption.

Community Investment

The Group actively fulfils its social responsibility, viewing public welfare and community service as essential means of creating social value. Our commitment to corporate citizenship is reflected across various initiatives, demonstrating our dedication to social well-being.

In support of local communities, we have taken tangible steps to improve residents' quality of life. We have provided 140,000 square metres of heating coverage for the Yizhiyuan community and Panlong community, effectively addressing their winter heating needs and ensuring a warmer, more comfortable living environment.

Furthermore, our social responsibility and philanthropic efforts have received widespread recognition. We have been honoured with multiple awards, including Green Factory in Shandong Province, 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, and Qualified Enterprise of Clean Production, etc.

Community Investment (continued)

Principal Honours

The Group is actively engaged in social responsibility and public welfare initiatives. We have been recognised by provincial, municipal, and district governments with the following honours:

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

Climate-related Disclosures

Governance

Board and Governance Oversight Responsibilities

The Group has established a governance framework for climate-related risks and opportunities, with the Board of Directors responsible for overall supervision. The Board regularly reviews the impact of climate change on the Group’s operations and ensures that climate strategies align with the Group’s long-term sustainability goals.

(i) Skills and Competencies

Members of the Board and relevant committees possess diverse industry experience and stay updated on the latest climate-related regulations, market trends, and best practices to enhance their ability to address climate risks and opportunities. Additionally, we continuously assess the competencies of the Board and management to ensure the necessary expertise is in place.

(ii) Information Access and Frequency

The Board and its authorised committees receive regular updates on climate-related risks and opportunities through periodic meetings. During the Reporting Period, the Group held three climate-related meetings.

Climate-related meetings	2024.1.1-2024.12.31
Number of climate-related meetings held	3

Climate-related Disclosures (continued)

Governance (continued)

Role of Management in Governance Processes

(i) Responsibilities and Oversight
The Group has designated a dedicated management team to implement climate-related strategies and ensure that relevant policies are integrated into daily operations. Management regularly reports to the Board and relevant committees on progress, receiving guidance and oversight.

(ii) Monitoring Measures and Internal Coordination
Management employs a series of monitoring measures, including data collection and analysis, periodic risk assessments, and progress tracking, to support the management of climate-related risks and opportunities. These measures are integrated into the Group's overall risk management framework and are implemented in coordination with relevant departments to ensure effective execution.

Strategy

Climate-related Risks and Opportunities

The Group has identified and assessed climate-related risks and opportunities that may affect cash flow, its access to finance or cost of capital over the short, medium, and long term, to ensure sustainability of our business.

Climate Risks

a. Physical Risks

Risk Type	Risk Description	Potential Impact	Timeframe	Potential Financial Impact	Assessment/ Response Plan
Acute Risks	Typhoons, Flooding	• Damage to buildings, equipment, and inventory; • Employee injuries (e.g., slips, electrocution), affecting production safety; • Transportation disruptions, supply chain interruptions.	Short-, Medium-, Long-term	Insurance costs ↑ Safety investments ↑ Revenue ↓	• Assessment indicates low flood risk for our production units; • Establish emergency response plans, including the establishment of an emergency leadership team responsible for critical decision-making and resource allocation, as well as the setup of an emergency supply reserve to ensure adequate material support; • Regular safety training and drills to enhance disaster preparedness and employee self-rescue skills.

Strategy (continued)

Climate-related Risks and Opportunities (continued)

Climate Risks (continued)

a. Physical Risks (continued)

Risk Type	Risk Description	Potential Impact	Timeframe	Potential Financial Impact	Assessment/ Response Plan
Chronic Risks	Rising Sea Levels	• Disruptions to transportation systems, interruptions of supply chain; • Warehouses flooding, damage to product inventory.	Medium-, Long-term	• Asset replacement costs ↑	• Assessment indicates minimal impact on our production units; • Develop a diversified supply chain strategy to reduce reliance on a single supplier or supply region.
	Extreme High or Low Temperatures	• Increased risk of heat-related illnesses and fatigue, reducing productivity; • Equipment damage due to overheating; • Additional insulation required for equipment in extreme low temperatures; • Increased cooling costs in extreme high temperatures; • Increased heating demand in extreme low temperatures.	Short-, Medium-, Long-term	• Revenue ↓ • Operational costs ↑	• Assessment indicates significant impact from extreme low temperatures in winter; • Provide necessary cold-weather gear and adjust work schedules to minimize exposure; • Conduct regular equipment maintenance and inspections to ensure functionality under extreme temperatures.
	Drought and Water Shortages	• Insufficient water supply for operations; • Increased costs for securing water resources.	Short-, Medium-, Long-term	• Operational costs ↑	• Assessment indicates potential water stress risk in our production unit areas; • Regularly assess water risk and update management strategies, including water conservation measures, water recycling, and rainwater collection to reduce reliance on external water sources.

Note: The Group defines the short term as 1-3 years, the medium term as 3-5 years, and the long term as more than 5 years. The Group will adjust relevant strategies based on market conditions and policy changes as needed.

Strategy (continued)

Climate-related Risks and Opportunities (continued)

Climate Risks (continued)

b. Transition Risks

Risk Type	Risk Description	Potential Impact	Time Horizon	Potential Financial Impact	Assessment/ Response Plan
Policy and Regulation	Stricter carbon emission requirements, electricity and production control policies, tightening government carbon quotas year by year.	• Impact on sales of high emission products; • Increased carbon quota compliance costs.	Medium-, Long-term	• Revenue ↓ • Compliance costs ↑	• Develop emission reduction measures for production processes; • Explore the use of clean, renewable energy.
Technology	The cost of transitioning to low-emission technologies.	• Loss of market share due to lack of competitive advantage compared to peers.	Medium-term	• Technology transformation investment ↑	• Develop a technology transformation plan; • Implement technology upgrades in phases; • Seek policy support and subsidies.
Market	Growing demand for low-carbon products and services.	• Rising price of carbon emission allowance.	Medium-, Long-term	• Capital investment ↑	• Drive continuous optimization and upgrading of product structure to reduce carbon footprint; • Scientifically assess best practices for emissions reduction, carbon trading mechanisms, and low-carbon product solutions.

Strategy (continued)

Climate-related Risks and Opportunities (continued)

Climate Opportunities

Opportunity Type	Opportunity Description	Potential Benefits	Time Horizon	Potential Financial Impact	Assessment/ Response Plan
Market	Growing demand for "replace plastic with paper"; Increasing demand for recycled paper.	• Growing sales; • Financial growth of assets.	Medium-, Long-term	• Revenue ↑ • Investment returns ↑	• Establish close partnerships with various paper-based alternative suppliers to ensure stable and diverse product supply; • Promote market education to enhance customer awareness and acceptance of recycled paper and biodegradable materials; • Increase investment in products and assets with plastic-replacement capabilities and circular economy characteristics.
Products & Services	Increasing market demand for low-carbon products and services.	• Enhance corporate image; • Attract sustainable investments; • Expand new customers.	Medium-, Long-term	• Revenue ↑ • Financing cost ↓	• Prioritize low-carbon product suppliers in the future to meet market demand.

Business Model and Value Chain

For the impact of climate-related risks and opportunities on our business model and value chain, please refer to the "Climate-Related Risks and Opportunities" section. The key risks primarily affect our manufacturing bases, while opportunities are concentrated in product development and market expansion. To mitigate climate risks in production, we have implemented targeted response measures. On the product and market side, we are strengthening R&D efforts to meet the growing demand for low-carbon, recyclable, and biodegradable products.

Strategy and Decision-making

Recognizing the challenges and opportunities brought by climate change, we continuously assess its impact on our operations and long-term development. Climate considerations have been integrated into our business model, driving our transition toward a low-carbon future.

Strategy (continued)

Impact of Climate-related Risks and Opportunities on Strategy and Decision-making

(i) Business Model Adjustments

To address climate-related risks and opportunities, we have optimized resource allocation, upgraded technology, and improved production processes. For example, we are upgrading key production lines for coated whiteboard and kraft paper to enhance energy efficiency and reduce carbon emissions. Additionally, we have invested in advanced equipment such as headboxes, refiners, desanders, sizing machines, rewinders, and power systems to meet higher environmental standards.

(ii) Adaptation and Mitigation Measures

The Group plans to implement a series of measures to reduce carbon emissions and minimise environmental impact, including: 1) Steam, drying, and pulp supply system upgrades to enhance energy efficiency; 2) Replacement of high-energy-consuming equipment and phasing out inefficient machinery to reduce energy consumption.

(iii) Climate Transition Plan

We are actively driving our low-carbon transition through capital investments in equipment upgrades and energy-saving technologies. Moving forward, we will further integrate carbon reduction technologies and explore greener production methods in line with policy and market trends.

Key assumptions include:

- Stricter environmental regulations require enhanced carbon reduction capabilities.
- Advances in energy-saving and carbon reduction technologies will lower operational costs and carbon footprint.
- Growing market demand for low-carbon products will drive our development toward greener solutions.

Financial Position, Financial Performance and Cash Flows

For the financial impacts of climate-related risks and opportunities, refer to the "Climate-Related Risks and Opportunities" section. We recognize that climate factors may affect financial performance through raw material procurement costs, energy expenditures, and compliance costs.

Financial Impact Exemption Statement: Quantifying climate-related financial impacts involves complex variables, and current data availability and methodologies have limitations. Under the ESG Reporting Code's financial impact exemption clause, we primarily use qualitative analysis at this stage. As our data collection and analytical capabilities improve, we will enhance quantitative assessments and disclose more details in due course.

Strategy (continued)

Climate Resilience

Climate Resilience Assessment

We acknowledge the long-term impact of climate change on the paper industry and will continue to monitor industry trends to ensure our business remains adaptive and sustainable.

(i) Impact on Strategy and Business Model

To strengthen resilience, we implement multiple measures, including close monitoring of regulatory changes and timely adjustments to production strategies to mitigate transition risks. For specific measures, refer to the "Climate-Related Risks and Opportunities" section.

(ii) Major Uncertainties

Given the complexity of climate change, we focus on uncertainties such as: 1) The evolution of carbon pricing mechanisms in key markets; 2) The commercialization and applicability of low-carbon technologies; 3) Supply chain resilience to extreme weather events; 4) Sustainable availability of key raw materials.

(iii) Strategy Adjustment Capabilities

Our climate strategies are adjusted across different timeframes:

① Short-term (1-3 years): Optimize production processes, enhance energy efficiency, and explore low-carbon energy applications.

② Medium-term (3-5 years): Strengthen supply chain management, assess suppliers' climate adaptation capabilities, and gradually adopt low-carbon raw materials.

③ Long-term (5+ years): Monitor industry developments in low-carbon technologies and assess the impact of renewable energy and green manufacturing on our operations.

Climate Scenario Analysis

We have not yet conducted a formal climate scenario analysis. However, recognizing its importance in future planning, we aim to gradually implement it in line with industry standards and regulatory requirements.

Reasonable Data Exemption Statement: Climate scenario analysis requires extensive assumptions and complex datasets. Given current limitations in data completeness and accuracy, we have not conducted a full analysis. Under the ESG Reporting Code's reasonable data exemption clause, we are not disclosing specific details at this stage. We are committed to enhancing our climate risk assessment capabilities and will provide more detailed scenario analysis as data and methodologies improve.

Risk Management

Identification and Assessment of Climate-related Risks

(i) We utilize publicly available tools such as Climate Central Risk Screening Tools and Aqueduct Water Risk Assessment Tools, along with authoritative climate reports and government meteorological data, to identify climate-related risks, primarily covering our production operations.

(ii) Although we have not yet fully developed climate scenario analysis capabilities, we refer to industry standards and best practices to identify potential risks.

(iii) We assess the scope, likelihood, and potential impact of climate risks by integrating the risk assessment tools mentioned in (i) with industry-specific insights.

(iv) Climate risks have not yet been prioritized against other risk categories.

(v) Our climate risk monitoring mechanism includes continuous tracking of climate policies, industry trends, and operational conditions. We conduct regular risk impact assessments and adjust strategies accordingly to ensure timely identification and mitigation of climate-related risks. Cross-departmental collaboration and information gathering are also strengthened to enhance overall resilience.

(vi) Compared to the previous reporting period, we have intensified our monitoring of policy and market changes and now conduct systematic climate risk assessments using risk evaluation tools.

Identification and Assessment of Climate-related Opportunities

(i) We identify climate-related opportunities through market trend analysis and customer demand assessments.

(ii) Although we have not yet conducted a full climate scenario analysis, we assess opportunities by tracking policy and regulatory developments, industry trend reports, and market shifts, such as increasing demand for low-carbon products and the expansion of the recycled paper market.

Integration of Climate Risks and Opportunities into Overall Risk Management

Climate-related risks and opportunities have been progressively integrated into our overall risk management framework. The senior management team conducts regular reviews to ensure that climate factors are adequately considered in business decision-making.

Metrics and Targets

Greenhouse Gas (GHG) Emissions

In alignment 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), we have established a comprehensive GHG accounting and reporting management system.

A dedicated GHG accounting and verification team has been formed, equipped with specialized personnel responsible for emissions calculations. This team develops an annual monitoring plan, ensuring accurate, timely, and effective data collection and measurement. The structured management of emissions data supports enhanced energy management and contributes to reducing GHG emissions.

List of Data

Emission Category	Key Performance Indicators (KPI)	Unit	Amount	2024.1.1–2024.12.31 Intensity[1] (Per 10,000 tonnes)
Greenhouse Gas Emissions	Scope 1	tCO_2e	323,750.24	6,601.53
	Scope 2 (location-based)	tCO_2e	74,526.76	1,519.66
	Total	tCO_2e	**398,277.00**	**8,121.19**

1. The intensity is calculated by dividing the greenhouse gas emissions during the Reporting Period by the Group's annual paper production of 490,417 tonnes.

2. The Group has not conducted an inventory of Scope 3 greenhouse gas (GHG) emissions this year. In accordance with the reasonable data exemption provisions set out in the ESG Reporting Code, the Group will not provide a detailed disclosure of Scope 3 emissions at this stage. In the future, upon improving the relevant data collection and accounting systems, the Group will gradually disclose its Scope 3 GHG emissions.

Metrics and Targets (continued)

Our Approach

Methodology

Standards used	The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standards
Measurement method	Operational control

Summary of Input Data for Scope 1 Greenhouse Gas Emissions

Input Data	Method
Activity data	Scope 1 greenhouse gas emissions include emissions from the Group's paper manufacturing operations due to coal combustion in boilers, fuel consumption by company-owned vehicles, and anaerobic wastewater treatment processes. The specific activity data includes: • Quantity of coal used in boilers. • Volume of fuel consumed by vehicles. • Volume of wastewater treated via anaerobic processes.
Emission factors	Emission factors sourced from publicly available data, including: • Greenhouse Gas Accounting System. • National/regional databases.

Summary of Input Data for Scope 2 Greenhouse Gas Emissions

Input data	Method
Activity data	Scope 2 greenhouse gas emissions include indirect emissions from purchased electricity consumed by the Group. The specific activity data includes: • The Group's purchased electricity.
Emission factors	Emission factors for electricity: • Based on the latest China electricity grid average CO_2 emission factor published by the Ministry of Ecology and Environment of the People's Republic of China: 0.5366 $kgCO_2$/kWh.

Metrics and Targets (continued)

Cross-industry Metrics

Climate-related Transition Risks

The Group has not yet quantified the amount and percentage of assets or business activities vulnerable to climate-related transition risks.

Climate-related Physical Risks

The Group has not yet quantified the amount and percentage of assets or business activities vulnerable to climate-related physical risks.

Climate-related Opportunities

The Group has not yet quantified the amount and percentage of assets or business activities aligned with climate-related opportunities.

Capital Deployment

The Group has not yet quantified the amount of capital expenditure, financing or investment deployed towards climate-related risks and opportunities.

Reasonable Data Exemption Statement: Given the uncertainties and complexities involved in quantifying data in the aforementioned areas, a comprehensive assessment has not yet been conducted. Therefore, the Group has opted to invoke the reasonable data exemption clause under the ESG Reporting Code and will not provide detailed disclosure at this stage. However, as the Group advances its business development and climate risk assessments, it is committed to gradually improving the disclosure of relevant data.

Internal Carbon Prices

The Group has not yet fully implemented internal carbon prices in its decision-making processes. However, our self-supplied power plant has been incorporated into the national carbon emissions trading market and is required to comply with the relevant carbon quota regulations, undertaking periodic carbon compliance obligations. If greenhouse gas emissions from the power plant exceed its allocated quota, the Group must cover the additional carbon emission costs based on prevailing carbon market prices.

Currently, the Group assesses its carbon emission costs primarily based on fluctuations in market carbon trading prices. In the future, as the carbon market matures and carbon pricing mechanisms become more robust, we may integrate carbon prices into investment decision-making, transfer pricing, and scenario analysis to ensure that potential carbon costs and environmental impacts are adequately considered in decision-making processes.

Due to the volatility of carbon market prices and the absence of a fixed internal carbon pricing system, the Group is unable to provide a specific price figure per tonne of greenhouse gas emissions at this stage. Moving forward, as the carbon market develops and the Group enhances its carbon management framework, it will continue to monitor the implementation of internal carbon prices and adjust its strategies accordingly.

Metrics and Targets (continued)

Remuneration

At present, the Group has not formally incorporated climate-related considerations into its remuneration policies. Although the ESG Reporting Code does not mandate the inclusion of climate-related factors in remuneration policies, the Board will, in the future, review the necessity of linking remuneration to climate change and related topics based on the Group's strategic and developmental needs.

Industry-based Metrics

The Group closely monitors indicators related to energy management and industry policies, keeping track of the latest regulatory developments concerning the management of coal-fired self-supplied power plants. By aligning with industry trends, we optimise our energy management strategies and explore diversified energy supply solutions to ensure operational stability and regulatory compliance. Additionally, we actively identify opportunities arising from energy structure optimisation and assess the potential impact of policy changes on overall operations. Looking ahead, we will draw on industry best practices to refine our energy usage strategies, enhance resource efficiency, and promote sustainable development while adhering to regulatory requirements.

Climate-related Targets

The Group recognises the risks and opportunities associated with climate change and remains committed to optimising energy management and improving energy efficiency to reduce carbon emissions. Given the impact of the power plant on the Group's overall carbon footprint, climate-related targets have been established specifically for its operations to ensure alignment with industry benchmarks and facilitate the transition to a low-carbon economy.

In accordance with industry standards and regulatory requirements, we have set the following greenhouse gas emission targets:

- **Electricity Generation Benchmark** $\leq$ 0.8244 tCO_2/MWh;

- **Steam Supply Benchmark** $\leq$ 0.1033 tCO_2/GJ.

These targets serve as key indicators for the Group's carbon reduction initiatives. Through technological innovation, equipment upgrades, and operational management improvements, we aim to lower carbon emission intensity per unit of energy consumption, thereby reducing overall greenhouse gas emissions.

Metrics and Targets (continued)

Basis and Purpose of Targets

The Group has established the above carbon emission control targets by referencing the latest industry benchmarks and considering the actual operational conditions of its power plant. The primary objectives of these targets include:

- Mitigating climate change impacts by reducing carbon emissions associated with energy consumption.
- Enhancing operational efficiency through energy optimisation and cost reduction.
- Ensuring regulatory compliance by aligning with domestic and international environmental laws and industry standards.

Scope and Duration of Targets

The targets apply specifically to our self-supplied power plant and do not extend to other business units or geographical locations. These targets are part of an ongoing management framework and will be reviewed and adjusted in response to policy developments, technological advancements, and industry standards.

Baseline Periods and Measurement Methods

To ensure effective implementation and progress tracking, the Group will conduct regular monitoring and assessments using the following methods:

- Baseline period: Annual comparisons against historical data to evaluate emission reduction progress.
- Monitoring indicators: Carbon emission intensity in electricity generation and steam supply, as well as energy utilisation rates.
- Verification approach: Internal monitoring and data reporting mechanisms, with potential consideration of third-party verification to enhance transparency and accuracy.

Milestones and Review Plans

At present, the Group has not set specific interim or mid-term targets, as the operational conditions of the power plant require dynamic adjustments in response to industry developments and regulatory requirements. The Group will continue to monitor industry benchmarks and, if necessary, introduce mid-term reduction targets. Factors considered for target revisions include:

- Advances and applications in energy technologies.
- Changes in policies and regulations.
- Evolution of industry decarbonisation methodologies.
- Performance and emissions trends of the power plant.

Metrics and Targets (continued)

Greenhouse Gases Coverage

The targets primarily cover carbon dioxide (CO_2) emissions and do not include other greenhouse gases. The scope of the targets is limited to Scope 1 emissions (direct emissions), excluding Scope 2 (indirect emissions from purchased electricity, etc.) and Scope 3 (other indirect emissions).

Total Emissions and Carbon Neutrality Plan

The targets are intensity-based rather than absolute targets, meaning no specific total carbon emission cap has been set. Moreover, we currently have no plans to use carbon credits to offset emissions but will assess policy developments and market mechanisms in the future. If carbon credits are utilised, we will disclose the relevant verification standards and implementation details.

Applicability of Cross-industry Metrics and Industry-based Metrics

Applicability of Cross-industry Metrics

The Group has not yet quantified the specific impact of climate-related transition risks, physical risks, and opportunities on its assets and operations. Therefore, cross-sector climate-related indicators are not fully applicable at this stage. However, as we enhance our climate risk assessment framework and gain further operational insights, these indicators will gradually be incorporated into evaluations and disclosures.

Applicability of Industry-based Metrics

The Group follows industry regulations and policies governing power plant management in its approach to energy management and carbon emissions control. Given that the Group's primary carbon emissions originate from its power plant, the relevant industry indicators and targets are highly applicable, particularly in terms of energy efficiency and emission intensity control. These indicators will serve as the primary reference for our current energy management efforts, ensuring compliance with industry standards and regulatory requirements while supporting our transition towards low-carbon and long-term sustainability.

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 97 to 164, which comprise the consolidated statement of financial position as at 31 December 2024, 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 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with HKFRS Accounting Standards 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 net operating cash outflow of approximately HK$39,192,000 during the year ended 31 December 2024. As at 31 December 2024, the Group's current liabilities exceeded its current assets by approximately HK$178,459,000. The Group had cash and cash equivalents amounted to approximately HK$42,668,000 while the outstanding current portion of bank borrowings of approximately HK$106,010,000, outstanding current portion of other borrowings of approximately HK$84,808,000 and current portion of amounts due to fellow subsidiaries, an intermediate holding company and an immediate holding company in aggregate amounted to approximately HK$30,904,000. 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 year. 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 2024, the Group has PPE of approximately HK$667,442,000 (2023: HK$731,335,000) and ROU assets of approximately HK$171,825,000 (2023: HK$185,003,000).

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 with net operating cash outflow during the year ended 31 December 2024, 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 year 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;

Key Audit Matters (continued)

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 year. 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.	– 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; – 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.

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter

2. Valuation of inventories

Refer to note 21 to the consolidated financial statements.

At 31 December 2024, the Group has inventories of approximately HK$181,119,000 (net of allowance for HK$21,879,000) (31 December 2023: HK$192,109,000 (net of allowance for HK$24,444,000)).

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 year 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 HKFRS Accounting Standards 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.

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

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

- 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.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes 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.

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

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 year 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.

RSM Hong Kong
Certified Public Accountants

26 March 2025

Consolidated Statement of Profit or Loss

For the year ended 31 December 2024

	Note	Year ended 31 December 2024 HK$'000	Year ended 31 December 2023 HK$'000
Revenue	8	1,331,437	1,372,077
Cost of sales		(1,344,704)	(1,392,188)
Gross loss		(13,267)	(20,111)
Other gains and income, net	9(a)	37,235	24,111
Release of undeclared claims	9(b)	128,186	—
Selling expenses		(2,495)	(2,270)
Administrative expenses		(102,162)	(109,846)
Reversal of impairment losses of financial assets, net		682	10
Profit/(loss) from operations		48,179	(108,106)
Finance costs	11	(23,839)	(21,416)
Profit/(loss) before tax		24,340	(129,522)
Income tax credit	12	255	724
Profit/(loss) for the year attributable to owners of the Company	13	24,595	(128,798)
Earnings/(loss) per share	17		
Basic and diluted (HK cents)		1.7	(9.1)

Consolidated Statement of Other Comprehensive Income

For the year ended 31 December 2024

	Year ended 31 December 2024 HK$'000	Year ended 31 December 2023 HK$'000
Profit/(loss) for the year attributable to owners of the Company	24,595	(128,798)
Items that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	(6,403)	(7,548)
Other comprehensive income for the year, net of tax	(6,403)	(7,548)
Total comprehensive income for the year attributable to owners of the Company	18,192	(136,346)

Consolidated Statement of Financial Position

As at 31 December 2024

	Note	2024 HK$'000	2023 HK$'000
Non-current assets			
Property, plant and equipment	18	667,442	731,335
Right-of-use assets	19	171,825	185,003
Other intangible assets	20	97	132
		839,364	916,470
Current assets			
Inventories	21	181,119	192,109
Accounts and other receivables and prepayments	22	30,584	36,949
Amount due from an intermediate holding company	26	2	—
Bank and cash balances	23	42,668	27,412
		254,373	256,470
Total assets		1,093,737	1,172,940
Current liabilities			
Accounts and other payables	24	208,714	296,913
Contract liabilities	25	1,898	2,129
Amounts due to fellow subsidiaries	26	30,725	13,542
Amount due to immediate holding company	26	179	179
Amount due to an intermediate holding company	26	—	96
Borrowings	27	190,818	55,117
Tax payables		498	22
		432,832	367,998
Net current liabilities		(178,459)	(111,528)
Total assets less current liabilities		660,905	804,942

	Note	2024 HK$'000	2023 HK$'000
Non-current liabilities			
Accounts and other payables	24	—	57,025
Amount due to a fellow subsidiary	26	—	39,360
Borrowings	27	446,302	510,829
Deferred tax liabilities	28	16,968	18,285
		463,270	625,499
NET ASSETS		197,635	179,443
Equity			
Share capital	29	70,730	70,730
Reserves	31	126,905	108,713
TOTAL EQUITY		197,635	179,443

Approved by the Board of Directors on 26 March 2025 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 2024

	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$'000 (note 31(b)(ii))	Accumulated losses HK$'000	Total equity HK$'000
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
At 1 January 2024	70,730	104,016	161,262	108,403	(37,180)	(227,788)	179,443
Total comprehensive income for year	–	–	–	–	(6,403)	24,595	18,192
Change in equity for the year	–	–	–	–	(6,403)	24,595	18,192
At 31 December 2024	70,730	104,016	161,262	108,403	(43,583)	(203,193)	197,635

Consolidated Statement of Cash Flows

For the year ended 31 December 2024

	Year ended 31 December 2024 HK$'000	Year ended 31 December 2023 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(loss) before tax	24,340	(129,522)
Adjustments for:		
Depreciation of property, plant and equipment	50,996	59,577
Depreciation of right-of-use assets	7,237	7,378
Amortisation of intangible assets	31	35
Loss on written-off of property, plant and equipment	3,194	31
Gain on disposal of property, plant and equipment	(58)	—
Reversal of impairment losses of financial assets, net	(682)	(10)
Reversal of for impairment losses on inventories	(1,797)	(20,090)
Release of undeclared claims	(128,186)	—
Finance costs	23,839	21,416
Interest income	(204)	(226)
Operating loss before working capital changes	(21,290)	(61,411)
Decrease in inventories	12,787	60,251
Decrease in accounts and other receivables	5,945	20,309
Increase in amount due from intermediate holding company	(2)	—
Decrease in accounts and other payables	(17,037)	(89,712)
(Decrease)/increase in contract liabilities	(231)	584
Increase in amounts due to related parties	—	23,027
Decrease in amounts due to fellow subsidiaries	(19,364)	(1,409)
Net cash used in operating activities	(39,192)	(48,361)

	Year ended 31 December 2024 HK$'000	Year ended 31 December 2023 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(13,935)	(18,088)
Proceed from the disposal of property, plant and equipment	466	—
Interest received	204	226
Net cash used in investing activities	(13,265)	(17,862)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in amount due to a related party	—	389
Repayment to a fellow subsidiary	(2,813)	(9,504)
Other borrowings raised	542,483	165,795
Bank borrowings raised	53,837	55,574
Repayment of other borrowings	(504,585)	(33,159)
Repayment of bank borrowings	—	(77,371)
Interest paid	(23,839)	(21,320)
Increase in amount due to intermediate holding company	(96)	—
Net cash generated from financing activities	64,987	80,404
NET INCREASE IN CASH AND CASH EQUIVALENTS	12,530	14,181
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	27,412	12,898
EFFECT OF CHANGES IN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS	2,726	333
CASH AND CASH EQUIVALENTS AT END OF YEAR	42,668	27,412
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	42,668	27,412

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 HKFRS Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). HKFRS Accounting Standards comprises Hong Kong Financial Reporting Standards ("HKFRS"), Hong Kong Accounting Standards ("HKAS"); and Interpretations. These consolidated financial statements also comply with the 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 HKFRS Accounting Standards 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.

2. Basis of Preparation (continued)

Going Concern

The Group incurred a net operating cash outflow of approximately HK$39,192,000 during the year ended 31 December 2024. As at 31 December 2024, the Group's current liabilities exceeded its current assets by approximately HK$178,459,000. The Group had cash and cash equivalents amounted to approximately HK$42,668,000, while the outstanding current portion of bank borrowings of approximately HK$106,010,000, outstanding current portion of other borrowings of approximately HK$84,808,000 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$30,904,000.

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.

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 2024, 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 2024, the Group has drawn down bank borrowings of approximately HK$106,010,000 (equivalent to RMB100,000,000). The Group has submitted an application for the renewal of the bank borrowings for extending the terms for a further three years. This renewal process is currently under review by the bank. The Directors are of the opinion that the Group will be able to extend the term of the loan facilities for a further three years in 2025;

(c) As set out in note 27 to the consolidated financial statements, as at 31 December 2024, the Group has drawn down other borrowings of approximately HK$531,110,100 (equivalent to RMB501,000,000) from 廈門建發漿紙集團有限公司 (Xiamen C&D Paper & Pulp Group Co., Limited* ("Xiamen C&D Paper & Pulp"), the intermediate parent of the Company, and has available unutilised loan facilities of approximately HK$51,944,900 (equivalent to RMB49,000,000). The maturity date is 18-month after the drawn down date of the relevant borrowings. Subsequent to the reporting period, the Group has further drawn down approximately HK$9,541,000 (equivalent to RMB9,000,000) of the unutilised facilities. The Directors are of the opinion that the Group will be able to utilise the undrawn loan facilities if needed; and

2. Basis of Preparation (continued)

Going Concern (continued)

(d) Subsequent to reporting period, Xiamen C&D Paper & Pulp has provided an undertaking to offer continuing financial support to 遠通紙業（山東）有限公司 (Universal Pulp & Paper (Shandong) Co., Ltd*) ("UPPSD"), the principal operating subsidiary of the Company. This support includes: (i) facilitating UPPSD to obtain sufficient loans from banks in Mainland China; (ii) extending the repayment period for the loans of RMB501,000,000; and (iii) providing additional loans as required, until the UPPSD is able to meet its financial obligations in the normal course of business, thereby supporting the Group as a going concern.

* The English name of the company is used for identification purpose only. The official name of this entity is in Chinese.

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 HKFRS Accounting Standards

(a) Application of new and revised HKFRS Accounting Standards

The Group has applied the following amendments to HKFRS Accounting Standards and interpretation issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2024 for the preparation of the consolidated financial statements:

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Hong Kong Interpretation 5 ("HK Int 5") (Revised)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

The applications of the amendments to HKFRS Accounting Standards and interpretation listed above did not have any 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 financial statements.

3. Adoption of New and Revised HKFRS Accounting Standards (continued)

(b) Revised HKFRS Accounting Standards in issue but not yet effective

Up to the date of issue of these consolidated financial statements, the HKICPA has issued a number of new standards and amendments to standards and interpretation, which are not effective for the year ended 31 December 2024 and which have not been adopted in these financial statements. The Group has not early applied the following which may be relevant to the Group:

	Effective for accounting periods beginning on or after
Amendments to HKAS 21 and HKFRS 1 — Lack of Exchangeability	1 January 2025
Amendments to HKFRS 9 and HKFRS 7 — Classification and Measurement of Financial Instruments	1 January 2026
Annual Improvements to HKFRS Accounting Standards — Volume 11	1 January 2026
HKFRS 18 — Presentation and Disclosure in Financial Statements	1 January 2027
Amendments to HK Int 5 — Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2027
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 of the Company are in the process of making an assessment of what the impacts of these new standards, amendments to standards and interpretation are expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements except for the following:

HKFRS 18 "Presentation and Disclosure in Financial Statements"

HKFRS 18 will replace HKAS 1 "Presentation of financial statements", introducing new requirements that will help to achieve comparability of the financial performance of similar entities and provide more relevant information and transparency to users. Even though HKFRS 18 will not impact the recognition or measurement of items in the consolidated financial statements, HKFRS 18 introduces significant changes to the presentation of financial statements, with a focus on information about financial performance present in the statement of profit or loss, which will affect how the Group present and disclose financial performance in the financial statements. The key changes introduced in HKFRS 18 relate to (i) the structure of the statement of profit or loss, (ii) required disclosures for management-defined performance measures (which are referred to alternative or non-GAAP performance measures), and (iii) enhanced requirements for aggregation and disaggregation of information.

The directors of the Company are currently assessing the impact of applying HKFRS 18 on the presentation and the disclosures of the consolidated financial statements.

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. certain property, plant and equipment and right-of-use assets that are measured at relevant amount).

The preparation of the financial statements in conformity with HKFRS Accounting Standards 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.

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 makes 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.

4. Material Accounting Policy Information (continued)

(c) Property, plant and equipment (continued)

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%

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.

4. Material Accounting Policy Information (continued)

(d) Leases (continued)

(i) The Group as a lessee (continued)

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.

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.

4. Material Accounting Policy Information (continued)

(d) Leases (continued)

(i) The Group as a lessee (continued)

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.

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.

(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.

4. Material Accounting Policy Information (continued)

(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.

(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.

4. Material Accounting Policy Information (continued)

(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.

(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 HKFRS Accounting Standards. 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, at the end of the reporting period, the Group has a right to defer settlement of the liability for at least 12 months after the reporting period.

Covenants that the Group is required to comply with, on or before the end of the reporting period, are considered in classifying loan arrangements with covenants as current or non-current. Covenants that the Group is required to comply with after the reporting period do not affect the classification at the reporting date.

4. Material Accounting Policy Information (continued)

(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.

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.

4. Material Accounting Policy Information (continued)

(q) Employees benefits (continued)

(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.

(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.

4. Material Accounting Policy Information (continued)

(s) Taxation (continued)

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 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 either to settle its current tax assets and liabilities on a net basis, or to realise the asset and settle the liability simultaneously.

4. Material Accounting Policy Information (continued)

(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.

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.

4. Material Accounting Policy Information (continued)

(u) Impairment of financial assets (continued)

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; or

– 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.

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 2024, no deferred tax asset has been recognised on the tax losses of HK\$427,059,000 (2023: 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 belong. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the recoverable amount.

The carrying amount of property, plant and equipment and right-of-use assets as at 31 December 2024 were approximately HK\$667,442,000 (2023: HK\$731,335,000) and HK\$171,825,000 (2023: HK\$185,003,000) respectively.

5. Critical Judgements and Key Estimates (continued)

Key sources of estimation uncertainty (continued)

(c) Impairment of accounts and bill 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 2024, the carrying amount of accounts and bills receivable is HK$23,121,000 (net of allowance for impairment losses of approximately HK$7,000) (2023: HK$13,353,000 (net of allowance for impairment losses of approximately HK$3,109,000)).

(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$21,467,000 as at 31 December 2024 (2023: HK$23,697,000).

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$412,000 as at 31 December 2024 (2023: HK$747,000).

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.

Account 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 has concentration of credit risk as 18% (2023: 36%) and 74% (2023: 88%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively to provide disclosures of other types of significant credit risk concentration. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals.

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)

Account receivables (continued)

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

	As at 31 December 2024		
	Expected loss rate %	Gross carrying amount HK$'000	Loss allowance HK$'000
Current (not past due)	*	17,946	—
Up to 60 days past due	*	4,507	—
61–90 days past due	*	71	—
More than 90 days past due	1.2%	604	7
		23,128	7

	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

Note 1: * Less than 0.1%

6. Financial Risk Management (continued)

(b) Credit risk (continued)

Account 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 is as follows:

	2024 HK$'000	2023 HK$'000
At 1 January	3,109	3,622
Written-off	(2,382)	(414)
Reversal of allowance for accounts receivables	(682)	(10)
Exchange differences	(38)	(89)
At 31 December	7	3,109

Financial assets at amortised cost

All of the Group's 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

Individual operating entities within the Group are responsible for their own cash management, including the participation in supplier finance arrangements with banks and the raising of loans to cover expected cash demands, subject to approval by the Directors of the Company when the borrowing exceed certain predetermined level of authority.

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.

As disclosed in Note 27, the bank loans classified as current liabilities are subject to the fulfillments of covenants. Some of these covenants relate to the Group's financial covenants which are tested periodically, as are commonly found in lending arrangements with financial institutions. If the Group were to breach these covenants, the related loans would become payable on demand. Up to the date of these consolidated financial statements, the Group did not identify any difficulties in complying with the covenants for the borrowings.

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 2024					
Borrowings (note)	190,818	466,284	–	–	657,102
Accounts and other payables	208,714	–	–	–	208,714
Amounts due to fellow subsidiaries	2,755	–	–	–	2,755
Amount due to immediate holding company	179	–	–	–	179
	402,466	466,284	–	–	868,750
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

Note: Bank loans with a repayment on demand clause are included in the 'on demand or less than 1 year' time band in the above maturity analysis. As at 31 December 2024, the aggregate undiscounted principal amounts of these bank loans amounted to HK$106,010,000. 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 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$112,882,000.

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:

	2024 HK$'000	2023 HK$'000
Financial assets:		
Financial assets at amortised cost	65,895	43,114
Financial liabilities:		
Financial liabilities at amortised cost	848,768	962,667

(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 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 and 1 January 2024	272,107	185,003	457,110
Addition	189	—	189
Depreciation	(11,200)	(7,237)	(18,437)
Written-off	(1,742)	—	(1,742)
Exchange differences	(8,693)	(5,941)	(14,634)
At 31 December 2024	250,661	171,825	422,486

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. Revaluations are performed on a regular basis with an interval of not more than 3 years, the directors are in opinion the carrying amount of the property, plant and equipment and the right-of-use assets do not differ materially from those that would be determined using fair values as at 31 December 2024.

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. Revaluations were assessed as at 31 December 2023 and performed on a regular basis with an interval of not more than 3 years.

Level 3 fair value measurements

					Fair value As at 31 December	
				Effect on fair value for increase of inputs	2024 HK$'000	2023 HK$'000
Description	Valuation technique	Unobservable inputs	Range		Assets	
Property, plant and equipment — land and buildings	Market comparable approach	Unit price	RMB1,300–RMB2,150 per sqm	Increase	N/A*	272,107
Right-of-use assets — land use rights	Market comparable approach	Unit price	RMB391–RMB448 per sqm	Increase	N/A*	185,003

* No revaluations were assessed as at 31 December 2024.

8. Revenue

Disaggregation of revenue

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

	Year ended 31 December 2024 HK$'000	Year ended 31 December 2023 HK$'000
Revenue from contracts with customers within the scope of HKFRS 15		
Sale of goods	1,331,437	1,372,077
Timing of revenue recognition		
Products transferred at a point in time	1,331,437	1,372,077

9. Other Gains and Income, Net

(a) Other Gains and Income, Net

	Year ended 31 December 2024 HK$'000	Year ended 31 December 2023 HK$'000
Interest income	204	226
Rental income	340	347
Losses on write-off of property, plant and equipment	(3,194)	(31)
Gains on disposal of property, plant and equipment	58	—
Government subsidy (note a)	39,466	5,736
Release of restructure liabilities	—	17,161
Others	361	672
	37,235	24,111

Note:

It mainly represents the VAT tax and related other tax refunded from the tax authority in the PRC of approximately HK$27,324,000 (equivalent to approximately RMB25,234,000) (2023: approximately HK$5,736,000 (equivalent to approximately RMB5,189,000)), as the Group manufactures the products by using recycled materials which entitled 50% reduction of VAT tax and related other tax; it also includes a special deduction for VAT of approximately HK$12,142,000 (equivalent to RMB11,214,000) (2023: HK$Nil), as the Company (UPPSD), being an advanced manufacturing enterprise, is eligible to reduce its VAT payable amount by an additional 5% of the deductible input VAT for the year ended 31 December 2024.

(b) Release of undeclared claims

	Year ended 31 December 2024 HK$'000	Year ended 31 December 2023 HK$'000
Release of undeclared claims (note)	128,186	—

Note:

It represents a gain arising from the release of undeclared creditor claims. These claims pertained to payable balances of a subsidiary prior to its liquidation administrative process. In accordance with the relevant provisions of the liquidation law in the PRC, and supported by an independent legal opinion, creditor claims not formally declared within three years of the conclusion of the liquidation administrative process are deemed released. Consequently, the related payables were derecognised during the year.

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 2024, 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 2024 HK$'000	Year ended 31 December 2023 HK$'000
Customer A	172,220	140,364
Customer B	151,875	N/A[1]
Customer C	N/A[1]	170,845

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

11. Finance Costs

	Year ended 31 December 2024 HK$'000	Year ended 31 December 2023 HK$'000
Interest on bank borrowings	4,474	3,320
Interest on other borrowings	19,365	18,096
	23,839	21,416

12. Income Tax Credit

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

	Year ended 31 December 2024 HK$'000	Year ended 31 December 2023 HK$'000
Current tax		
Hong Kong profits tax	481	17
PRC Enterprise Income Tax	—	5
Over provision of the PRC Enterprise Income Tax in prior years	(5)	—
	476	22
Deferred tax (note 28)	(731)	(746)
	(255)	(724)

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 Profits Tax rate regime will continue to be taxed at a rate of 16.5%.

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 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.

12. Income Tax Credit (continued)

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

	Year ended 31 December 2024 HK$'000	Year ended 31 December 2023 HK$'000
Profit/(loss) before tax	24,340	(129,522)
Tax at the Hong Kong Profits Tax rate of 16.5% (2023: 16.5%)	4,016	(21,371)
Tax effect of income that is not taxable	(7,277)	(9,469)
Tax effect of expenses that are not deductible	629	473
Tax effect of tax losses not recognised	2,853	27,850
Effect of different tax rates of subsidiaries	(306)	1,962
Utilisation of tax losses previously not recognised	–	(152)
Tax concession	(165)	(17)
Over-provision in prior years	(5)	–
Income tax credit	(255)	(724)

13. Profit/(Loss) for the Year

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

	Year ended 31 December 2024 HK$'000	Year ended 31 December 2023 HK$'000
Amortisation of intangible assets (included in administrative expenses)	31	35
Depreciation on property, plant and equipment	50,996	59,577
Depreciation on right-of-use assets	7,237	7,378
Gain on disposal of property, plant and equipment	(58)	—
Loss on written-off of property, plant and equipment	3,194	31
Cost of inventories sold (note)	1,291,196	1,348,758
Auditor's remuneration	1,050	1,200
Reversal of impairment losses on financial assets, net	(682)	(10)
Reversal of impairment losses on inventories	(1,797)	(20,090)

Note: Cost of inventories sold includes depreciation of approximately HK$34,048,000 (2023: HK$41,907,000) which are included in the amounts disclosed separately.

14. Employee Benefit Expenses

	Year ended 31 December 2024 HK$'000	Year ended 31 December 2023 HK$'000
Staff costs including directors' emoluments		
Salaries and allowances	62,194	65,537
Retirement benefit scheme contributions	14,767	14,722
	76,961	80,259

(a) Five highest paid individuals

	Year ended 31 December 2024 HK$'000	Year ended 31 December 2023 HK$'000
Salaries and allowances	2,658	3,226
Retirement benefit scheme contributions	41	38
	2,699	3,264

The emoluments fell within the following band:

	Number of individuals	
	Year ended 31 December 2024	Year ended 31 December 2023
Nil to HK$1,000,000	5	4
HK$1,000,001 to HK$1,500,000	—	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 2024 and 2023.

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 2024 and 2023, 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 2024 and 2023 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 directors	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 2024					
Executive Directors					
Huang Tiansheng (note (iii))	–	–	–	–	–
Lin Ruqing (note (ii))	–	–	–	–	–
Non-executive Directors					
Choi Wai Hong, Clifford	164	–	–	–	164
Zhang Xiaohui (note (vi))	–	–	–	–	–
Independent Non-executive Directors					
Zhao Lin	110	–	–	–	110
Wong Yiu Kit, Ernest	109	–	–	–	109
Lam John Cheung-wah (note (viii))	92	–	–	–	92
Hong Ting (note (ix))	18	–	–	–	18
	493	–	–	–	493

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 directors	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))	–	–	–	–	–
Lin Ruqing (note (ii))	–	–	–	–	–
Huang Tiansheng (note (iii))	–	–	–	–	–
Shi Chenye (note (iv))	–	–	–	–	–
Non-executive Directors					
Cheng Dongfang (note (v))	–	–	–	–	–
Zhang Xiaohui (note (vi))	–	–	–	–	–
Choi Wai Hong, Clifford	398	–	–	–	398
Li Shengfeng (note (vii))	–	–	–	–	–
Independent Non-executive Directors					
Zhao Lin	272	–	–	–	272
Wong Yiu Kit, Ernest	265	–	–	–	265
Lam John Cheung-wah (note (viii))	265	–	–	–	265
	1,200	–	–	–	1,200

Notes:

i) On 27 September 2023, Mr. Shi Yaofeng resigned as an Executive Director and the Chief Executive Officer.

ii) On 27 September 2023, Mr. Lin Ruqing was appointed as an Executive Director.

iii) On 27 September 2023, Mr. Huang Tiansheng was appointed as the Chief Executive Officer.

iv) On 8 August 2023, Ms. Shi Chenye resigned as an executive Director and the Vice Chief Executive Officer.

v) On 27 September 2023, Mr. Cheng Dongfang resigned as the Chairman and a Non-Executive Director.

vi) On 27 September 2023, Mr. Zhang Xiaohui was appointed as a Non-Executive Director.

vii) On 8 August 2023, Mr. Li Shengfeng resigned as a Non-Executive Director.

viii) Mr. Lam John Cheung-wah resigned as an Independent Non-Executive Director on 30 October 2024.

ix) Ms. Hong Ting was appointed as an Independent Non-Executive Director on 30 October 2024 and resigned on 28 February 2025.

15. Benefits and Interest of Directors (continued)

(a) Directors' emoluments (continued)

During the year ended 31 December 2024 and 31 December 2023, 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.

Neither the chief executive nor any of the directors waived any emoluments during the year ended 31 December 2024 (2023: Nil).

(b) Directors' retirement benefits

No retirement benefits was paid to the directors of the Company during the year ended 31 December 2024 (2023: HK$Nil).

(c) Directors' termination benefits

On 30 October 2024, the Board made a resolution to approve the resignation of Mr. Lam John Cheung-wah as the director of the Company. 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 2024, the Company did not pay consideration to any third parties for making available directors' services (2023: 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 2024 (2023: HK$Nil).

17. Earnings/(loss) per Share

The calculation of the basic and diluted earnings/(loss) per share is based on the following:

	For the year ended 31 December 2024 HK$'000	For the year ended 31 December 2023 HK$'000
Profit/(loss)		
Profit/(loss) for the purpose of calculating basic and diluted earnings/(loss) per share	24,595	(128,798)

	For the year ended 31 December 2024 '000	For the year ended 31 December 2023 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic/diluted earnings/(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 earnings/(loss) per share are the same for the years ended 31 December 2024 and 2023.

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 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 and 1 January 2024	300,390	35,092	506,990	9,187	1,570	16,602	869,831
Additions	189	3	4,236	–	243	9,264	13,935
Disposal	–	–	–	(1,358)	–	–	(1,358)
Transfer	–	–	13,571	–	–	(13,571)	–
Write-off	(2,014)	(4)	(1,979)	(354)	(5)	–	(4,356)
Exchange differences	(9,854)	(1,155)	(17,028)	(266)	(57)	(457)	(28,817)
At 31 December 2024	288,711	33,936	505,790	7,209	1,751	11,838	849,235
Accumulated depreciation							
At 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 and 1 January 2024	28,283	4,182	101,839	3,571	621	–	138,496
Charge for the year	11,200	1,680	36,593	1,195	328	–	50,996
Disposal	–	–	–	(950)	–	–	(950)
Write-off	(272)	(2)	(692)	(194)	(2)	–	(1,162)
Exchange differences	(1,161)	(173)	(4,106)	(119)	(28)	–	(5,587)
At 31 December 2024	38,050	5,687	133,634	3,503	919	–	181,793
Carrying amount							
At 31 December 2024	250,661	28,249	372,156	3,706	832	11,838	667,442
At 31 December 2023	272,107	30,910	405,151	5,616	949	16,602	731,335

At 31 December 2024, the carrying amount of property, plant and equipment pledged as security for the Group's bank loans amounted to approximately HK$26,709,000 (2023: HK$27,644,000).

18. Property, Plant and Equipment (continued)

The analysis of the cost or valuation at 31 December 2024 and 2023 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	–	33,936	505,790	7,209	1,751	11,838	560,524
At valuation	288,711	–	–	–	–	–	288,711
At 31 December 2024	288,711	33,936	505,790	7,209	1,751	11,838	849,235
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

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 year. 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 2024, 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 spite of recording net profit during the year, it mainly arises from one-off event relating to the release of undeclared claims. 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 1.9% (2023: 2%) and 8.19% (2023: 10.03%) 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 1.9%. 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 2024 (2023: HK$Nil).

19. Right-of-use Assets

	Land use rights and leasehold land HK$'000
At 1 January 2023	197,916
Depreciation	(7,378)
Exchange differences	(5,535)
At 31 December 2023 and 1 January 2024	185,003
Depreciation	(7,237)
Exchange differences	(5,941)
At 31 December 2024	171,825

At 31 December 2024, the carrying amount of land use rights and leasehold land pledged as security for the Group's bank loans amounted to approximately HK$52,265,000 (2023: HK$52,716,000).

	Year ended 31 December 2024 HK$'000	Year ended 31 December 2023 HK$'000
Depreciation expenses on right-of-use assets	7,237	7,378
Expenses relating to short-term lease (included in administrative expenses)	1,070	617

Details of total cash outflow for leases is set out in note 33(b) 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 January 2023	229
Exchange differences	(7)
At 31 December 2023 and 1 January 2024	222
Exchange differences	(7)
At 31 December 2024	215
Accumulated amortisation	
At 1 January 2023	58
Amortisation for the year	35
Exchange differences	(3)
At 31 December 2023 and 1 January 2024	90
Amortisation for the year	31
Exchange differences	(3)
At 31 December 2024	118
Carrying amount	
At 31 December 2024	97
At 31 December 2023	132

As at 31 December 2024, the average remaining amortisation period of the computer software are 2.8 years (2023: 3.8 years).

21. Inventories

	2024 HK$'000	2023 HK$'000
Raw materials	70,434	79,461
Finished goods	110,685	112,648
	181,119	192,109

22. Accounts and Other Receivables and prepayments

	2024 HK$'000	2023 HK$'000
Accounts receivable	7,773	13,227
Bills receivable	15,355	3,235
Reversal of impairment losses	(7)	(3,109)
	23,121	13,353
Other receivables	19	2,263
Deposits	85	86
Prepayments	7,359	21,247
	7,463	23,596
	30,584	36,949

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:

	2024 HK$'000	2023 HK$'000
Current to 60 days	22,453	13,353
61 to 90 days	71	–
Over 90 days	597	–
	23,121	13,353

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:

	2024 HK$'000	2023 HK$'000
HK$	4,177	3,228
US$	1	13
RMB	38,490	24,171
	42,668	27,412

As at 31 December 2024, the bank and cash balances of the Group's subsidiaries in the PRC denominated in RMB amounted to HK$4,177,000 (2023: HK$24,171,000). 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

	2024 HK$'000	2023 HK$'000
Accounts payable	122,999	83,980
Accruals and other payables	30,238	155,908
Debt restructuring (note)	55,477	114,050
	208,714	353,938
Analysed as:		
Current liabilities	208,714	296,913
Non-current liabilities	–	57,025
	208,714	353,938

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 2024, the balance represents the remaining one instalment.

24. Accounts and Other Payables (continued)

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

	2024 HK$'000	2023 HK$'000
0 to 90 days	121,243	83,153
Over 90 days	1,756	827
	122,999	83,980

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

25. Contract Liabilities

Contract liabilities are advance from customers.

	2024 HK$'000	2023 HK$'000
Balance at 1 January	2,129	1,595
Decrease in contract liabilities as a result of recognising revenue during the year was included in the contract liabilities at the beginning of the year	(1,953)	(1,500)
Increase in contract liabilities as a result of receipt in advance	1,722	2,034
Balance at 31 December	1,898	2,129

All the advances from customers are expected to be recognised as income within 1 year (2023: 1 year).

26. Amounts due from/(to) Fellow Subsidiaries/Immediate Holding Company/ Intermediate Holding Company

As at 31 December 2024, except other payables of approximately HK$2,755,000 (equivalent to approximately RMB2,598,000) which are repayable in one installment in 2025, the remaining amounts due to fellow subsidiaries represent the contract liabilities which are expected to be recognised as income within one year. The amounts due to immediate holding company/intermediate holding company are unsecured, interest – free and have no fixed repayment terms.

26. Amounts due from/(to) Fellow Subsidiaries/Immediate Holding Company/ Intermediate Holding Company (continued)

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 two 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 one year. The amounts due to immediate holding company/intermediate holding company are unsecured, interest – free and have no fixed repayment terms.

	Other receivables HK$'000	Contract liabilities HK$'000	Accounts payables HK$'000	Other payables HK$'000	Total HK$'000
As at 31 December 2024					
Amounts due to fellow subsidiaries					
Current liabilities	—	(27,970)	—	(2,755)	(30,725)
Amount due from the intermediate holding company					
Current assets	2	—	—	—	2
Amount due to immediate holding company					
Current liabilities	—	—	—	(179)	(179)
	2	(27,970)	—	(2,934)	(30,902)
As at 31 December 2023					
Amounts due to fellow subsidiaries (notes (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)

26. Amounts due from/(to) Fellow Subsidiaries/Immediate Holding Company/ Intermediate Holding Company (continued)

Notes:

(i) NCD Investment Holding Limited ("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.

(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 Bairun.

27. Borrowings

	2024 HK$'000	2023 HK$'000
Bank loans	106,010	55,117
Other borrowing	531,110	510,829
	637,120	565,946

(a) The analysis of the repayment schedule of borrowings is as follows:

	2024 HK$'000	2023 HK$'000
Within one year or on demand	190,818	55,117
More than one year, but not exceeding two years	446,302	510,829
	637,120	565,946

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

The interest rates per annum were as follows:

	2024	2023
Bank loans	4.25%	4.25%
Other borrowing	3.72%	3.85%–4.05%

Bank loans of approximately HK$106,010,000 (equivalent to RMB100,000,000) are arranged at fixed interest of 4.25% per annum and expose the Group to fair value interest rate risk.

27. Borrowings (continued)

On 20 May 2022, UPPSD entered into a loan agreement with the bank for a loan facility of approximately HK$106,010,000 (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. The borrowing is repayable within 12 months with a repayment on demand clause, which is classified as current liabilities as at 31 December 2024.

Under the UPPSD Bankruptcy Reorganisation Plan, a loan agreement was entered between Shandong Bairun Paper Co., Ltd.* (山東佰潤紙業有限公司) ("Shandong Bairun"), 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 and UPPSD entered into a loan agreement for the loan principal of approximately HK$274,050,000 (equivalent to RMB250,000,000) where RMB80,000,000 was for UPPSD's daily operation and RMB170,000,000 was for the first instalment payment of restructure liabilities.

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) and has drawn down approximately HK$105,235,000 (equivalent to RMB96,000,000). 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) and has drawn down approximately HK$54,810,000 (equivalent to RMB50,000,000). During the year ended 31 December 2024, UPPSD has repaid all outstanding borrowing of approximately HK$417,799,600 (equivalent to RMB396,000,000) from Shandong Bairun.

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 was fully repaid by UPPSD during the year ended 31 December 2024.

During the year ended 31 December 2024, UPPSD entered into a supplement loan agreement with Xiamen C&D Paper & Pulp for an increase in loan facility to approximately HK$583,055,000 (equivalent to RMB550,000,000) and an extension of period of loan to 31 July 2026. UPPSD has drawn down approximately HK$531,110,000 (equivalent to RMB501,000,000) subsequently. The borrowing is arranged at fixed interest of 3.72% per annum and repayable within 18 months from drawn down date, of which HK$446,302,000 (equivalent to RMB421,000,000) was classified as non-current liabilities as at 31 December 2024.

28. Deferred Tax

The following are the deferred tax liabilities recognised by the Group.

Deferred tax liabilities

	Fair value gains HK$'000
At 1 January 2023	(19,578)
Credit to profit or loss for the year	746
Exchange difference	547
At 31 December 2023 and 1 January 2024	(18,285)
Credit to profit or loss for the year	731
Exchange difference	586
At 31 December 2024	(16,968)

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 2024, the Group did not recognise deferred tax assets (2023: HK$Nil) due to the unpredictability of future profit streams. Tax losses amounting to approximately HK$198,009,000, HK$211,143,000 and HK$17,907,000 will be expired up to year 2032, 2033 and 2034 respectively (2023: HK$200,947,000 and HK$129,944,000 will be expired up to year 2032 and 2033 respectively), while the remaining balance can be carried forward indefinitely.

29. Share Capital

	Number of shares	Amount HK$'000
Authorised:		
Ordinary shares of HK$0.05 each		
At 1 January 2023, 31 December 2023, 1 January 2024 and 31 December 2024	2,000,000,000	100,000
Convertible non-voting preference shares of HK$0.10 each	143,086,013	14,309
At 1 January 2023, 31 December 2023, 1 January 2024 and 31 December 2024	2,143,086,013	114,309
Issued and fully paid:		
Ordinary shares of HK$0.05 each		
At 1 January 2023, 31 December 2023, 1 January 2024 and 31 December 2024	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.

29. Share Capital (continued)

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.

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 2023 and 2024, 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.

29. Share Capital (continued)

Share option scheme (continued)

(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.

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.

29. Share Capital (continued)

Capital management (continued)

The Group monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by adjusted capital. Total debt comprises total borrowings (except for bank overdrafts). Adjusted capital comprises all components of equity (i.e. share capital, share premium, reserve and accumulated losses), 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 2024 and 2023 were as follows:

	2024 HK$'000	2023 HK$'000
Total debt	637,120	565,946
Less: bank and cash balances	(42,668)	(27,412)
Net debt	594,452	538,534
Total equity	197,635	179,443
Total capital	792,087	717,977
Gearing ratio	75.0%	75.0%

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 2024, 30% (2023: 30%) 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 2024 and 31 December 2023.

30. Statement of Financial Position and Reserve Movement of the Company

(a) Statement of financial position of the Company

	Note	2024 HK$'000	2023 HK$'000
Non-current assets			
Investment in subsidiaries	35	*	*
Current Assets			
Accounts and other receivables		85	85
Bank balances		4,179	3,230
		4,264	3,315
Current liabilities			
Accruals		1,761	2,426
Amount due to immediate holding company		179	179
Amount due to a fellow subsidiary		1,500	300
Amounts due to subsidiaries		–	3,501
Tax payables		498	17
		3,938	6,423
Net current assets/(liabilities)		326	(3,108)
NET ASSETS/(LIABILITIES)		326	(3,108)
Equity			
Share capital	29	70,730	70,730
Reserves	30(b)	(70,404)	(73,838)
TOTAL EQUITY/(DEFICIT)		326	(3,108)

* Less than HK$1,000

Approved by the Board of Directors on 26 March 2025 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 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 and 1 January 2024	104,016	161,262	108,403	(447,519)	(73,838)
Total comprehensive income for the year	–	–	–	3,434	3,434
At 31 December 2024	104,016	161,262	108,403	(444,085)	(70,404)

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.

31. Reserves (continued)

(b) Nature and purpose of reserves (continued)

(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 (2023: 10 years). All operating lease contracts contain market review clauses in the event 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.

	2024 HK$'000	2023 HK$'000
Within year 1	360	372
In the second year	360	372
In the third year	360	372
In the fourth year	360	372
In the fifth year	360	372
After five years	179	558
	1,979	2,418

33. Notes to the Consolidated Statement of Cash Flows

(a) 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 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 and 1 January 2024	510,829	55,117	565,946
Additions	542,483	53,837	596,320
Repayment	(523,950)	(4,474)	(528,424)
Interest expenses	19,365	4,474	23,839
Exchange differences	(17,617)	(2,944)	(20,561)
At 31 December 2024	531,110	106,010	637,120

(b) Total cash outflow for leases

Amounts included in the consolidated statement of cash flows for leases comprise the following:

	Year ended 31 December 2024 HK$'000	Year ended 31 December 2023 HK$'000
Within operating cash flows	1,070	617

34. Related Party Transactions

(a) The remuneration of directors and other members of key management personnel during the year:

	Year ended 31 December 2024 HK$'000	Year ended 31 December 2023 HK$'000
Basic salaries and allowances	493	1,200

(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:

	Year ended 31 December 2024 HK$'000	Year ended 31 December 2023 HK$'000
Sales of finished goods to related parties	–	189,756
Sales of finished goods to fellow subsidiaries	566,783	280,075
Sales of finished goods to an intermediate holding company	5,300	302
Purchase of raw materials from fellow subsidiaries	46,691	–
Management fee to a related party	–	175
Management fee to a fellow subsidiary	250	125
Finance cost to a related party	–	10,246
Finance cost to a fellow subsidiary	9,538	7,319
Finance cost to an intermediate holding company	9,826	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.

35. Principal Subsidiaries

Particulars of the Groups' major subsidiaries of 31 December 2024 and 2023 are set as follow:

Name	Place of incorporation/ establishment	Issued and paid up capital/ registered capital	Percentage of ownership interest/ voting power/ profit sharing 2024	2023	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 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:

	2024 HK$'000	2023 HK$'000
Property, plant and equipment	11,915	2,960

37. Events after the Reporting Period

On 5 March 2025, UPPSD entered into an undertaking agreement with Xiamen C&D Paper & Pulp. Xiamen C&D Paper & Pulp will provide continuing financial support in the form of assisting UPPSD to obtain sufficient loans from banks in Mainland China, extending the repayment period for the loan of RMB501,000,000 and offering additional loan if required for the operations of UPPSD.

Subsequent to the reporting period, the Group has further drawn down approximately HK$9,541,000 (equivalent to RMB9,000,000) of the unutilised facilities.

Financial Summary

Condensed Consolidated Statement of Comprehensive Income

	For the year ended 31 December 2024 HK$'000	For the year ended 31 December 2023 HK$'000	For the nine months ended 31 December 2022 HK$'000	For the year ended 31 March 2022 HK$'000	For the year ended 31 March 2021 HK$'000 (Re-presented)
Revenue from continuing operations	1,331,437	1,372,077	1,044,390	1,229,456	549,988
Gross (loss)/profit	(13,267)	(20,111)	(54,824)	97,070	(54,726)
Profit/(Loss) from operations	48,179	(108,106)	(138,469)	479,287	(1,446,463)
Profit/(Loss) for the year/period	24,595	(128,798)	(150,875)	2,558,902	(4,024,589)
Profit/(Loss) attributable to equity owners of the Company	24,595	(128,798)	(150,875)	2,558,902	(3,768,764)

Condensed Consolidated Statement of Financial Position

	As at 31 December			As at 31 March	
	2024 HK$'000	2023 HK$'000	2022 HK$'000	2022 HK$'000	2021 HK$'000
Total current assets	254,373	256,470	323,926	480,544	912,553
Total non-current assets	839,364	916,470	993,083	1,096,257	184,811
Total assets	1,093,737	1,172,940	1,317,009	1,576,801	1,097,364
Total current liabilities	432,832	367,998	459,332	829,263	3,217,843
Total non-current liabilities	463,270	625,499	541,888	238,683	57,715
Total liabilities	896,102	993,497	1,001,220	1,067,946	3,275,558
Equity attributable to equity owners of the Company	197,635	179,443	315,789	508,855	(2,180,599)
Non-controlling interests	–	–	–	–	2,405
Total equity/(capital deficiency)	197,635	179,443	315,789	508,855	(2,178,194)