建發新勝

C&D Newin Paper & Pulp Corporation Limited

(Formerly known as "Samson Paper Holdings Limited")

(Incorporated in Bermuda with limited liability)

(Stock Code : 0731)

ANNUAL REPORT 2022

(For the nine months ended 31 December 2022)

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Corporate Information

Board of Directors

Executive Directors
Mr. Shi Yaofeng *(Chief Executive Officer)*
Ms. Shi Chenye *(Vice Chief Executive Officer)*
Mr. Huang Tiansheng

Non-executive Directors
Mr. Cheng Dongfang *(Chairman of the Board)*
Mr. Li Shengfeng
Mr. Choi Wai Hong, Clifford

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

Audit Committee

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

Remuneration Committee

Mr. Zhao Lin *(Chairman)*
Mr. Cheng Dongfang
Mr. Lam John Cheung-wah

Nomination Committee

Mr. Zhao Lin *(Chairman)*
Mr. Cheng Dongfang
Mr. Lam John Cheung-wah

Joint Company Secretaries

Dr. Wong Chi Ho, Raymond
Ms. Li Jing

Authorised Representatives

Mr. Cheng Dongfang
Dr. Wong Chi Ho, Raymond

Registered Office

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

Head Office and Principal Place of Business in Hong Kong

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

Principal Share Registrar and Transfer Office

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

Hong Kong Branch Share Registrar and Transfer Office

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

Principal Bankers

Industrial and Commercial Bank of China,
Xuecheng District Sub-branch
Bank of China, Xuecheng District Sub-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 period from 1 April 2022 to 31 December 2022 HK$'000	For the year ended 31 March 2021 HK$'000
Revenue from continuing operations	1,044,390	1,229,456
Operating (loss)/profit from continuing operations	(138,469)	479,287
Finance costs from continuing operations	12,422	7,516
(Loss)/profit before tax from continuing operations	(150,891)	471,771
(Loss)/profit attributable to owners of the Company	(150,875)	2,558,902

Consolidated Statement of Financial Position

	As at 31 December 2022 HK$'000	As at 31 March 2022 HK$'000
Non-current assets	993,083	1,096,257
Current assets	323,926	480,544
Current liabilities	459,332	829,263
Shareholders' funds	315,789	508,855
Non-current liabilities	541,888	238,683

Share Statistics

	For the period from 1 April 2022 to 31 December 2022	For the year ended 31 March 2022
(Loss)/profit per share — basic from continuing operations	HK(10.7) cents	HK138.1 cents
(Loss)/profit per share — diluted from continuing operations	HK(10.7) cents	HK138.1 cents
Dividends per share	HK Nil cents	HK Nil cents
Net asset/(liability) value per ordinary share	HK22.3 cents	HK148.7 cents

Dear shareholders and investors,

On behalf of the board (the "**Board**") of directors (the "**Director(s)**") of C&D Newin Paper & Pulp Corporation Limited (the "**Company**"), I am pleased to present the annual report of the Company and its subsidiaries (collectively, the "**Group**") for the period from 1 April 2022 to 31 December 2022 (the "**Period**").

It is fortunate that with the support from different parties and the unremitting efforts and dedications of all our staff and professional advisers, the shares of the Company have successfully resumed trading on the Main Board of The Stock Exchange of Hong Kong Limited on 26 January 2022. The name of the Company was changed from "SAMSON PAPER HOLDINGS LIMITED" to "C&D Newin Paper & Pulp Corporation Limited" in the second half of 2022, marking a new chapter in the development of the Company. As disclosed in the announcement of the Company dated 30 June 2022, the Board also resolved to change the financial year end date of the Company from 31 March to 31 December. This change has resulted in a shorter reporting period of nine months (i.e. 1 April 2022 to 31 December 2022).

In 2022, under the dual influence of the domestic macroeconomic downturn and the pandemic prevention and control, the overall domestic economic situation continued to be sluggish. The overall packaging paper market was stagnant, high inventory and low circulation affected the whole year. The consumer market was sluggish with the lower purchasing power. The rigid demand decreased, the price of finished paper continued to fall, and the cost pressure was huge. In response to this wave of impacts, the management of the Company actively responded by improving operating costs and enhancing financial performance through production capacity improvement, quality and efficiency enhancement, market development and adjustment of sales model etc.. During the Period, the Company achieved sales revenue of approximately HK$1,044 million.

The winter of the paper manufacturing industry has not passed. Looking forward, the Company will continue to explore its potential and improve its costs. Under the leadership of the management team, the Group will leverage on its strong sales network, comprehensive product innovation capabilities and precise market positioning to explore new business growth points. In the meantime, the Group will closely align with the national energy strategy and the "dual-carbon" goal to seek improvement of new energy structure, plan a new development platform for the long-term development of the Group, and bring development confidence and returns to the shareholders.

Finally, on behalf of the Board, I would like to express my sincere gratitude to the Group's staff for their endeavor and dedication, and to our shareholders, customers, suppliers and other business partners for their continued support to the development of the Company in the past year.

Mr. Cheng Dongfang
Chairman of the Board

Hong Kong, 27 March 2023

Business Review

In 2022, there are still many unstable and uncertain factors in the domestic and international situation, and the situation is becoming more complicated and severe. From the perspective of external situation, global inflation, supply chain shortage, international situation and other issues are unlikely to be fully solved in the short term, while economic recovery and growth still face uncertainties. From the perspective of internal situation, the domestic economic development is under the pressure of shrinking demand, supply shock and expected weakening etc., and the economic situation is not optimistic.

Affected by the internal and external economic downturn and the multiple outbreaks of the pandemic throughout the year, the overall driving force of economic development was insufficient, domestic enterprises were lack of vitality, and the downward pressure on the economy continued to increase. As a result, the paper manufacturing industry, especially the packaging paper industry, suffered a greater impact with continued high inventory level and low circulation throughout the year. During the Period, total revenue of the Company was approximately HK$1,044.4 million, with a total production volume of approximately 270,000 tonnes and a net loss of approximately HK$150.9 million, which was mainly due to the influences of the downward pressure on the domestic paper manufacturing industry, the overall weak sales market and the impact of regional pandemic control and logistics disruption, resulting in a loss of the Group during the Period.

In view of the continuous downturn of the macro-economy, the continuous deepening of energy policies and power reform, coupled with the impact of pandemic prevention and control policies, the year of 2022 is a tough period for the paper manufacturing industry. In addition, due to the impact of current policies and changes in supply and demand, the Company adjusted its business ideas and actively responded to the impact. Internally, the Company actively developed new products, explored for new production processes, reduced energy consumption and the production cost, and optimised production efficiency; externally, the Company actively exploited the market, increased the proportion of direct sales customers, expanded customers in the markets of south of the Yangtze River region, Beijing and Tianjin, endeavoured to enhance profitability by the increase of market share, increased market recognition and kept up with the policy trend, so as to become a green enterprise and create a new profile for green paper manufacturing.

Change of Company Name

Our Shareholders at the special general meeting of the Company held on 2 September 2022 approved, among other things, the change of name of the Company from "SAMSON PAPER HOLDINGS LIMITED" to "C&D Newin Paper & Pulp Corporation Limited".

The Board believes that the change of Company name would provide the Company with a fresh corporate image and identity which would benefit the Group's future business development and is in the interests of the Company and the Shareholders as a whole.

Details of the change of name of the Company were set out in the circular of the Company dated 25 July 2022 and the announcements of the Company dated 25 July 2022, 2 September 2022 and 19 October 2022, respectively.

Financial Review

Change of Financial Year End Date

The Board has resolved to change the financial year end date of the Company from 31 March to 31 December. Accordingly, this annual report has been prepared for the period of nine months from 1 April 2022 to 31 December 2022.

As disclosed in the announcement of the Company dated 30 June 2022, the change of the financial year end date of the Company is to align the financial year end date of the Company with (i) that of the indirect controlling shareholder of the Company, being Xiamen C&D Inc. (廈門建發股份有限公司), the shares of which are listed on the Shanghai Stock Exchange (stock code: 600153.SH), and (ii) that of the principal operating subsidiary of the Company, being Universal Pulp & Paper (Shandong) Co. Ltd.* (遠通紙業(山東)有限公司) ("**UPPSD**"), which is statutorily required to fix its financial year end date at 31 December in the People's Republic of China. The Board considers that the change of the financial year end date will better facilitate the preparation of the consolidated financial statements of the Group.

Revenue from continuing operations

During the Period, the revenue was generated from the manufacturing and selling of paper products of approximately HK$1,044.4 million (for the year ended 31 March 2022: HK$1,229.5 million).

Costs of sales and gross (loss)/profit from continuing operations

During the Period, the cost of sales was approximately HK$1,099.2 million (for the year ended 31 March 2022: HK$1,132.4 million).

The gross loss for the Period was approximately HK$54.8 million (for the year ended 31 March 2022: gross profit of approximately HK$97.1 million). This is mainly attributable the decrease in the cost of major raw materials being slower than the drop in the products' selling price during the Period which imposed pressure on the production cost control and resulted in a squeeze in gross margin.

Selling expenses

During the Period, the selling expenses was approximately HK$1.6 million (for the year ended 31 March 2022: HK$2.2 million), which was mainly attributable to staff costs expenses of approximately HK$1.2 million (for the year ended 31 March 2022: HK$1.0 million).

Administrative expenses

During the Period, the administrative expenses was approximately HK$89.6 million (for the year ended 31 March 2022: HK$109.8 million), which was mainly attributable to staff costs expenses of approximately HK$21.3 million, depreciation and amortization of approximately HK$18.6 million and research and development expenses of approximately HK$31.2 million (for the year ended 31 March 2022: HK$13.3 million, HK$11.6 million and HK$28.2 million respectively).

Finance costs from continuing operations

During the Period, the finance costs was approximately HK$12.4 million (for the year ended 31 March 2022: HK$7.5 million), which was mainly attributable to the finance costs incurred from bank loan and other borrowings during the Period.

Financial Review (continued)

Income tax expense
No provision for Hong Kong Profits Tax is required since the Group has no assessable profit during the Period (for the year ended 31 March 2022: Nil).

The Company's PRC subsidiaries are subject to the PRC corporate income tax rate of 25% except as follows. UPPSD, a PRC subsidiary of the Company, was entitled to the preferential tax rate of 15% from years 2016 to 2018, being accredited as a High and New Technology Enterprise ("HNTE") according to the PRC Corporate Income Tax Law and its relevant regulations. As UPPSD renewed the qualification of HNTE and the renewal was approved on 28 November 2019 with an effective period of three years starting from 2019. UPPSD is in progress to renew its qualification of HNTE, the Directors are in the opinion that UPPSD has fulfilled the requirement of HNTE according to relevants rules and regulations, and therefore the tax rate used to recognise deferred tax assets and liabilities as at 31 December 2022 was 15% (31 March 2022: 15%).

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

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

(Loss)/profit for the period/year for continuing operations
The Group recorded loss for the Period for continuing operations, which amounted to approximately HK$150.9 million for the Period as compared to profit for the year for continuing operations of approximately HK$472.5 million for the year ended 31 March 2022.

Such change was mainly due to (i) the absence of the one-off gain on re-consolidation of a deconsolidated subsidiary of approximately HK$466 million during the Period, (ii) the unexpected and prolonged overhaul and downtime of production equipment caused by the regional epidemic control, which lasted about one-third of the scheduled production period of the Group's paper manufacturing business during the Period, and thereby adversely affected both production and sales of the Group; (iii) the frequent sporadic outbreak of COVID-19 in China during the Period, which weakened the domestic market demand; and (iv) the decrease in the cost of major raw materials being slower than the drop in the products' selling price during the Period which imposed pressure on the production cost control and resulted in a squeeze in gross margin.

Liquidity, Financial Resources and Capital Structure

Bank loans and other borrowings
As at 31 December 2022, the Group's bank loans and other borrowings were approximately HK$469.3 million, representing an increase of approximately 49.0% as compared with approximately HK$315.0 million as at 31 March 2022. All bank loans and other borrowings were denominated in RMB.

Details of interest rates and repayment schedules are set out in Note 31 to the consolidated financial statements of the Company.

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

As at 31 December 2022, the carrying amount of property, plant and equipment of approximately HK$89.5 million (31 March 2022: Nil) was pledged as security for the Group's bank borrowings of approximately HK$79.0 million (31 March 2022: Nil).

Liquidity, Financial Resources and Capital Structure (continued)

Gearing ratio
As at 31 December 2022, our gearing ratio was 59.1% as compared with that of 37.8% as at 31 March 2022. The gearing ratio is calculated by net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings) less bank and cash balances. Total capital is calculated as total equity plus net debt.

Current ratio
As at 31 December 2022, our current ratio was 0.71 times as compared with that of 0.58 times as at 31 March 2022. The current ratio is calculated by current assets divided by current liabilities.

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

Employees, Staff Costs and Training

As at 31 December 2022, we had a total of 830 employees excluding directors (31 March 2022: 837 employees). For the Period, the Group incurred staff costs (excluding directors' remuneration) of approximately HK$66.3 million (for the year ended 31 March 2022: HK$68.0 million). The remuneration payable to our employees may include salaries and bonuses. Their salaries are determined with reference to, among other things, their respective position, qualification and experience. Their bonuses are generally determined with reference to, among other things, their respective position, term of service and performance. The remuneration package provided to our employees are reviewed on a regular basis from time to time. Training for various levels of staff is also undertaken depending on the needs and actual circumstances of the Group.

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

There was no material acquisition or disposal of subsidiaries, associates and joint venture by the Group during the Period. As at 31 December 2022, we did not hold any significant investment.

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 2022, affected by the pandemic and the macro-economy, the domestic economic development is facing pressure such as shrinking demand and expected weakening etc., and issues such as insufficient economic development momentum. Under the dual impact of economic environment and the epidemic, the Company's operating results have been affected, and accurately grasping the national macroeconomic policies and industrial policies will be the focus of the Company's next development. The management of the Company will continue to strive for the support of national industrial policies, accurately grasp the strategic positioning and market positioning, improve the product radiation capacity, grow in size and strength, and at the same time strictly control production costs, broaden sources of income and reduce expenditure to maintain the Company's competitiveness in the paper manufacturing industry.

Customers' credit risk
The Group is exposed to credit risk under its business operations. The Group's business, financial position and results of operations may be adversely affected by material payment delays or defaults by customers.

Principal Risks and Uncertainties (continued)

Customers' credit risk (continued)
With a view to minimising the credit risk, management of the Group has delegated a team to be responsible for determination of credit limits, credit approvals and other monitoring procedures. Credit shall only be extended to customers based on careful evaluation of the customers' financial conditions and credit history. Follow-up action is to be taken to recover overdue debts. The Group also reviews the recoverable amount of debt at the end of the reporting period to ensure that adequate impairment losses are recognised for irrecoverable amounts.

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

Liquidity risk
In order to manage liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed sufficient by management to finance the Group's operations and reduce the effects of fluctuations in cash flows. The management also monitors the utilisation of bank and other borrowing(s) and ensures compliance with the relevant loan covenant(s), where applicable.

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

Foreign exchange risk
The Group's transaction currencies are principally denominated in Renminbi and Hong Kong dollars. The management closely monitors foreign exchange exposure and the Group will hedge foreign currency exposure when considered necessary.

Prospects

In 2023, the prevention and control of the COVID-19 pandemic is entering a new stage. China will accelerate the pace of economic recovery and stimulate consumption policies, which will play a positive role in the development of enterprises. The Group will continue to pay close attention of the market conditions, monitor its operation and make timely adjustments to its business strategy. The Group is applying various measures to enhance its profitability and refine the control and management of various operating costs and expenses, amongst others, (i) the Group will continue to develop new products, explore for new production processes, save energy and reduce consumption in order to optimise its product mix and production efficiency; and (ii) the Group has been actively exploiting new market opportunities, increasing the proportion of direct sales customers, and expanding customer bases in the markets of Yangtze River region, Beijing and Tianjin in order to enhance its profitability through the increase of market share. The Group will further improve its market recognition and keep up with the policy trend in China, so as to become a green enterprise and create a new profile for green paper manufacturing. Further to the adjustment of pandemic prevention policy and the overall economic recovery in China and leveraging on the abundant resources and industry experience of the controlling shareholders, the Group has confidence in future development.

Subsequent Events after the Period

On 4 January 2023, UPPSD entered into a loan agreement with Shandong Bairun Paper Co. Ltd. ("Shandong Bairun"), which is under the common control of the shareholders of NCD Investment Holding Limited (being a controlling shareholder of the Company), for a loan facility of approximately HK$56,405,000 (equivalent to RMB50,000,000) which is repayable within 18 months from the date of the relevant drawdown. The loan facility was fully drawn on 11 January 2023 for supporting its daily operations.

On 23 March 2023, UPPSD entered into extension agreements with Shandong Bairun to extend the borrowings in an aggregate amount of approximately HK$446,728,000 (equivalent to RMB396,000,000) to 31 January 2025.

Save as disclosed above, the Group has no significant events occurred from 1 January 2023 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. Shi Yaofeng (施姚峰), aged 47, is an executive Director and the chief executive officer of the Company, director of Greater Paper Development Limited ("**SPV1**"), executive director and general manager of Greater Paper (Shenzhen) Paper Development Company Limited* (偉紙(深圳)紙業發展有限公司) ("**SPV2**"), the executive director of UPPSD and executive director of Shandong Yuantong Renewable Resources Recycling Company Limited* (山東遠通再生資源回收有限公司) ("**SDYTRRR**"). Each of SPV1, SPV 2, UPPSD and SDYTRRR is a wholly-owned subsidiary of the Company. He joined the Group on 26 January 2022.

Mr. Shi has over 20 years of experience in supply chain operation and management in the paper and pulp industry. Mr. Shi graduated from the Ningbo University (寧波大學) in July 1997 with a major in economics management. From August 1997 to July 1998, Mr. Shi joined Ningbo Boyang Textile Co., Ltd Changsha Office* (寧波博洋紡織有限公司長沙辦事處), and from August 1998 to November 2003, he worked at Hangzhou Jinguang Paper Co., Ltd.* (杭州金光紙業有限公司). In December 2003, Mr. Shi joined Xiamen C&D Paper & Pulp Co., Ltd.* (廈門建發紙業有限公司) ("**Xiamen C&D Paper**") , and was later promoted to the position of deputy general manager, where he is responsible for overseeing the company's paper business.

Ms. Shi Chenye (施晨燁), aged 39, is an executive Director and the vice chief executive officer of the Company. She joined the Group on 26 January 2022.

Ms. Shi has over 13 years of experience in sales and marketing in different industries including the manufacturing industry. From January 2016 to present, she has been the president of the Zhejiang Xinshengda Group. Ms. Shi obtained a bachelor degree of management from Macao Polytechnic Institute in July 2006.

Mr. Huang Tiansheng (黃田勝), aged 42, is an executive Director and a supervisor of each of SPV2, UPPSD and SDYTRRR. He joined the Group on 26 January 2022.

Mr. Huang has over 15 years of experience in managing the supply chain of paper industry. Mr. Huang joined Xiamen C&D Paper in August 2002, where he has been responsible for the management of the supply of paper products in Guangdong Province and Zhejiang Province of the PRC. He was promoted to assistant general manager of Xiamen C&D Paper in January 2016, deputy general manager of Xiamen C&D Paper's paper business in January 2021, and latterly deputy general manager (presiding over the work) of Xiamen C&D Paper's paper business in March 2023. He is currently responsible for the operation of Xiamen C&D Paper's paper business.

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

Non-executive Directors

Mr. Cheng Dongfang (程東方), aged 44, is a non-executive Director, the chairman of the Board, a member of each of the nomination committee of the Board and the remuneration committee of the Board, and an authorised representative of the Company. He joined the Group on 26 January 2022.

Mr. Cheng has over 20 years of operational and management experience in the paper and pulp industry. In 2000, Mr. Cheng joined Xiamen C&D Inc. as a business salesperson and was promoted to the position of assistant general manager of Xiamen C&D Paper (previously known as Xiamen C&D Packaging Co.* (廈門建發包裝有限公司)), responsible for overseeing the operation and management of the company's paper manufacturing business. In January 2014, Mr. Cheng was promoted to the position of general manager of Xiamen C&D Paper, and was responsible for the company's strategic planning, business development, company operations etc. In April 2022, he was further promoted to the position of vice general manager of Xiamen C&D Inc.

Mr. Cheng graduated from Nanjing University of Science & Technology (南京理工大學) in July 2000. He was also the vice chairman of China Paper Association (中國造紙協會) and the honorary chairman of Xiamen Printing Association (廈門印刷協會).

Mr. Li Shengfeng (李勝峰), aged 43, is a non-executive Director. He joined the Group on 26 January 2022.

Mr. Li has around 17 years' experiences in the paper manufacturing industry. In 2003, Mr. Li founded and acted as the general manager of Hangzhou Fuyang Shengda Paper Co., Ltd.* (杭州富陽勝大紙業有限公司). In over 10 years' time, Mr. Li has, both in his own name and through Zhejiang Xinshengda Holding Group Co., Ltd.* (浙江新勝大控股集團有限公司) ("**Zhejiang Xinshengda**"), acquired 12 companies, including Hangzhou Fengda Paper Co., Ltd.* (杭州豐達紙業有限公司), Hangzhou Fuyang Hualong Paper Co., Ltd.* (杭州富陽華隆紙業有限公司) and Zhejiang Wenfeng Paper Co., Ltd.* (浙江文豐紙業有限公司). Mr. Li also became the shareholder of seven companies, including Hangzhou Fuyang Maohong Paper Co., Ltd.* (杭州富陽茂宏紙業有限公司), Hangzhou Fuyang Tiandi Paper Manufacturing Co., Ltd.* (杭州富陽天地造紙實業有限公司) and Hangzhou Fengshou Paper Co., Ltd.* (杭州豐收紙業有限公司). In 2016, Mr. Li founded Zhejiang Xinshengda, a company that integrates, amongst others, paper manufacturing, chemical engineering, import and export trade. Mr. Li is also the controlling shareholder of Zhejiang Xinshengda. Mr. Li currently serves as the legal representative, executive director and general manager of Zhejiang Xinshengda. Mr. Li was appointed as the executive committee member of Hangzhou Fuyang District Federation of Industry and Commerce (杭州市富陽區工商聯合會) in 2016 and the chairman of the Chunjiang Chamber of Commerce of Hangzhou Fuyang District (杭州市富陽區春江商會) in December 2017. In 2018, Mr. Li established a paper manufacturing industrial park in Malaysia, realising the strategy of domestic and international dual-track operation.

Non-executive Directors (continued)

Mr. Choi Wai Hong, Clifford (蔡偉康), aged 65, is a non-executive Director and a member of the audit committee of the Board.

He 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's degree in economic and social studies from The Victoria University of Manchester, United Kingdom, in 1982. Mr. Choi is a member of each of (i) The Hong Kong Institute of Certified Public Accountants; (ii) The Institute of Chartered Accountants in England and Wales; (iii) The Association of Chartered Certified Accountants; and (iv) The Taxation Institute of Hong Kong; and a Certified ESG Planner of the International Chamber of Sustainable Development. Mr. Choi currently holds the HKICPA Practising Certificate.

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

Mr. Choi served as an executive director and an authorised representative of Arta TechFin Corporation Limited (formerly known as Freeman FinTech Corporation Limited), a company listed on the Main Board of the Stock Exchange (stock code: 279) from 19 November 2020 to 29 October 2021, and also served as a non-executive director of Silk Road Logistics Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 988) from 4 June 2021 to 14 December 2021. Mr. Choi served as an independent non-executive director of Bolina Holding Co., Ltd (former stock code: 1190), which was incorporated in the Cayman Islands with limited liability and was delisted from the Main Board of the Stock Exchange on 10 March 2021, from 29 January 2021 to 10 March 2021.

Mr. Choi is currently (i) 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; (ii) 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; (iii) 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, and (iv) an independent non-executive director of EcoGreen International Group Limited, a company listed on the Main Board of the Stock Exchange (stock code: 2341), from 8 November 2022.

Independent Non-executive Directors

Mr. Wong Yiu Kit, Ernest (黃耀傑), aged 55, 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 20 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 February 2017 to August 2019, he was an independent non-executive director of China Regenerative Medicine International Limited, a company whose shares are listed on GEM of the Stock Exchange (stock code: 8158). From July 2014 to July 2020, he was an independent non-executive director of HongDa Financial Holding Limited (now known as China Wood International Holding Co., Limited), a company whose shares are listed on the Main Board of the Stock Exchange (stock code: 1822). From October 2011 to June 2022, he was an independent non-executive director of RENHENG Enterprise Holdings Limited, a company whose shares are listed on the Main Board of the Stock Exchange (stock code: 3628).

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

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

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

Independent Non-executive Directors (continued)

Mr. Lam John Cheung-wah (藍章華), aged 68, is an independent non-executive Director and a member of each of the audit committee, remuneration committee and nomination committee of the Board. He joined the Group in May 2022 and is responsible for overseeing the Group's management independently and providing independent advice to the Board.

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

Mr. Lam was a non-executive director of Hong Kong Aerospace Technology Group Limited, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1725), from October 2021 to July 2022. He is currently (i) an independent non-executive director of Wing Lee Property Investments Limited, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 864), since February 2013, (ii) an independent non-executive director of Blue River Holdings Limited, the shares of are listed on the Main Board of the Stock Exchange (stock code: 498), since August 2022, and (iii) an independent non-executive director of Oshidori International Holdings Limited, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 622), since August 2022.

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

Mr. Zhao Lin (趙琳), aged 59, 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 36 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 head engineer 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. Lu Zhiwen (盧志文), aged 45, is the chief financial officer of the Company since 26 January 2022. Mr. Lu has over 20 years of experience in financial management. He joined the Xiamen C&D Group in August 2000, where he took the position of chief financial officer for a number of members of the Xiamen C&D Group, including Xiamen C&D Logistics Co., Ltd. (廈門建發物資有限公司), Xiamen C&D Metal Co., Ltd. (廈門建發金屬有限公司), Cheongfuli (Xiamen) Co., Ltd. (昌富利(廈門)有限公司). From 2018 to March 2023, Mr. Lu acted as the chief financial officer of Xiamen C&D Paper. Since March 2023, Mr. Lu has acted as the chief financial officer of Xiamen C&D Inc.'s agricultural products group. Mr. Lu graduated from the accounting major of Hunan University in June 2000. He obtained the senior accountant qualification in August 2016.

Joint Company Secretaries

Dr. Wong Chi Ho, Raymond (黃志豪), aged 51, 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 36, is a joint company secretary of the Company. Ms. Li joined Xiamen C&D Paper 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. 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 14 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 nine months ended 31 December 2022, 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 nine Directors, of which three are executive Directors, three are non-executive Directors and three are independent non-executive Directors. The members of the Board are listed as follows:

Executive Directors
Mr. Shi Yaofeng *(chief executive officer)*
Ms. Shi Chenye *(vice chief executive officer)*
Mr. Huang Tiansheng

Non-executive Directors
Mr. Cheng Dongfang *(chairman of the Board)*
Mr. Li Shengfeng
Mr. Choi Wai Hong, Clifford

Independent non-executive Directors
Mr. Wong Yiu Kit, Ernest
Mr. Lam John Cheung-wah (appointed with effect from 20 May 2022)
Mr. Zhao Lin
Ms. Cho Mei Ting (resigned with effect from 20 May 2022)

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

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

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

Since 26 January 2022, the position of chairman has been held by Mr. Cheng Dongfang and chief executive officer has been held by Mr. Shi Yaofeng, which is in compliance with the Code Provision.

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

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

Board of Directors (continued)

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

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

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

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

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

The Board reviewed the aforementioned mechanisms and considered that the same was implemented and effective for the nine months ended 31 December 2022.

Appointment and re-election of Directors
Save for Mr. Lam John Cheung-wah who entered into a service contract with the Company on 20 May 2022 for an initial period from 20 May 2022 to 25 January 2025, each of the existing executive Directors, non-executive Directors and independent non-executive Directors has entered into a service contract with the Company dated 28 December 2021 for an initial term of three years commencing on the date of resumption of trading of the Company's shares (i.e. 26 January 2022) subject to termination by either party giving three months' written notice and the terms set out therein.

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

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

Pursuant to the Bye-Laws, Mr. Cheng Dongfang, Mr. Li Shengfeng and Mr. Wong Yiu Kit, Ernest 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 of Directors (continued)

Board meetings

For the nine months ended 31 December 2022, 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 September 2022;

iii. reviewed and approved the audited annual results of the Group for the year ended 31 March 2022;

iv. discussed and approved the change of financial year end date from 31 March to 31 December;

v. discussed and approved the change of Company name from "Samson Paper Holdings Limited" to "C&D Newin Paper & Pulp Corporation Limited";

vi. reviewed and approved the adoption of new Bye-Laws in compliance with the revised Appendix 3 to the Listing Rules which took effect on 1 January 2022; and

vii. 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 nine months ended 31 December 2022 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. Shi Yaofeng(Note 1)	√	√
Ms. Shi Chenye(Note 1)	√	√
Mr. Huang Tiansheng(Note 1)	√	√
Non-executive Directors		
Mr. Cheng Dongfang(Note 2)	√	√
Mr. Li Shengfeng(Note 2)	√	√
Mr. Choi Wai Hong, Clifford(Note 3)	√	√
Independent non-executive Directors		
Mr. Wong Yiu Kit, Ernest(Note 4)	√	√
Mr. Lam John Cheung-wah(Note 5)	√	√
Mr. Zhao Lin(Note 4)	√	√
Ms. Cho Mei Ting(Note 4)	N/A	N/A

Notes:

1. Mr. Shi Yaofeng, Ms. Shi Chenye and Mr. Huang Tiansheng were appointed as executive Directors with effect from 26 January 2022.

2. Mr. Cheng Dongfang and Mr. Li Shengfeng were appointed as non-executive Directors with effect from 26 January 2022.

3. Mr. Choi Wai Hong, Clifford was re-designated from independent non-executive Director to executive Director with effect from 21 May 2021 and from executive Director to non-executive Director with effect from 26 January 2022.

4. Mr. Wong Yiu Kit, Ernest, Mr. Zhao Lin and Ms. Cho Mei Ting were appointed as independent non-executive Directors with effect from 26 January 2022. Ms. Cho Mei Ting resigned from her position as an independent non-executive Director with effect from 20 May 2022.

5. Mr. Lam John Cheung-wah was appointed as an independent non-executive Director with effect from 20 May 2022.

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.

With effect from 26 January 2022 and prior to Ms. Cho Mei Ting's resignation with effect from 20 May 2022, the Audit Committee 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. Cho Mei Ting. 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, was the chairman of the Audit Committee.

Following Ms. Cho Mei Ting's resignation and Mr. Lam John Cheung-wah's appointment with effect from 20 May 2022, the Audit Committee currently comprises three members, including one non-executive Director and two independent non-executive Directors, namely Mr. Choi Wai Hong, Clifford, Mr. Wong Yiu Kit, Ernest and Mr. Lam John Cheung-wah. Mr. Wong Yiu Kit, Ernest remains as 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 nine months ended 31 December 2022, the Audit Committee held two (2) meetings and performed the following major duties, among other things:

i. reviewed the interim report for the six months ended 30 September 2022, the unaudited interim results of the Group for the six months ended 30 September 2022 and relevant accounting principles and practices adopted by the Group;

ii. reviewed the annual report for the year ended 31 March 2022, including the corporate governance report, the environmental, social and governance report, directors' report and financial statements;

iii. reviewed the audited annual results of the Group for the year ended 31 March 2022 and relevant accounting principles and practices adopted by the Group;

iv. 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;

Board Committees (continued)

Audit Committee (continued)

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

vi. 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 nine months ended 31 December 2022 are in compliance with the relevant accounting standards, rules and regulations, and appropriate disclosures have been duly made.

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.

With effect from 26 January 2022 and prior to Ms. Cho Mei Ting's resignation with effect from 20 May 2022, the Remuneration Committee comprised three members, including one non-executive Director and two independent non-executive Directors, namely Mr. Cheng Dongfang, Mr. Zhao Lin and Ms. Cho Mei Ting. Mr. Zhao Lin was the chairman of the Remuneration Committee.

Following Ms. Cho Mei Ting's resignation and Mr. Lam John Cheung-wah's appointment with effect from 20 May 2022, the Remuneration Committee currently comprises three members, including one non-executive Director and two independent non- executive Directors, namely Mr. Cheng Dongfang, Mr. Zhao Lin and Mr. Lam John Cheung-wah. Mr. Zhao Lin remains as the chairman of the Remuneration Committee.

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

During the nine months ended 31 December 2022, the Remuneration Committee held two (2) meetings 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 nine months ended 31 December 2022 are set out in Note 15(a) to the consolidated financial statements in this annual report.

Board Committees (continued)

Remuneration Committee (continued)
Pursuant to Code Provision E.1.5, the remuneration payable to members of senior management (including Directors) by band for the nine months ended 31 December 2022 is set out as follows:

Remuneration bands	Number of individuals
HK$0 to HK$250,000	7
HK$250,001 to HK$500,000	4

For further details of the remuneration for the nine months ended 31 December 2022, 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.

With effect from 26 January 2022 and prior to Ms. Cho Mei Ting's resignation with effect from 20 May 2022, the Nomination Committee comprised three members, including one non-executive Director and two independent non-executive Directors, namely Mr. Cheng Dongfang, Mr. Zhao Lin and Ms. Cho Mei Ting. Mr. Zhao Lin was the chairman of the Nomination Committee.

Following Ms. Cho Mei Ting's resignation and Mr. Lam John Cheung-wah's appointment with effect from 20 May 2022, the Nomination Committee currently comprises three members, including one non-executive Director and two independent non- executive Directors, namely Mr. Cheng Dongfang, Mr. Zhao Lin and Mr. Lam John Cheung-wah. Mr. Zhao Lin remains as the chairman of the Nomination Committee.

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 nine months ended 31 December 2022, the Nomination Committee held two (2) meetings, 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 Company's shareholders and other stakeholders. The board diversity policy sets out the basic principles to be followed to ensure that the Board has the appropriate balance of skills, experience, knowledge and diversity of perspectives necessary to enhance the effectiveness of the Board and to maintain high standards of corporate governance.

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

The Board currently consists of one female Director and eight male Directors with a balanced mix of knowledge and skills. It has achieved and maintained the objective as set out in the board diversity policy of having at least one female Director on the Board during the nine months ended 31 December 2022, and has satisfied with the requirement of gender diversity by the Stock Exchange.

The Board also recognises the importance of diversity at the workforce level. As at 31 December 2022, the gender ratio in the workforce (including senior management) was approximately 24.4 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 nine months ended 31 December 2022, 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 10 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 nine months ended 31 December 2022, the Company held seven (7) Board meetings, two (2) Audit Committee meetings, two (2) Remuneration Committee meetings, two (2) Nomination Committee meetings 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.

The attendance records of each Director at the aforesaid meetings of the Company held during the nine months ended 31 December 2022 are set out below:

	Attendance/number of meeting(s) held				
Name of Directors	**Board meeting(s)**	**Audit Committee meeting(s)**	**Remuneration Committee meeting(s)**	**Nomination Committee meeting(s)**	**General meeting(s)**
Executive Directors					
Mr. Shi Yaofeng(Note 1)	7/7	N/A	N/A	N/A	2/2
Ms. Shi Chenye(Note 1)	7/7	N/A	N/A	N/A	2/2
Mr. Huang Tiansheng(Note 1)	7/7	N/A	N/A	N/A	2/2
Non-executive Directors					
Mr. Cheng Dongfang(Note 2)	5/7	N/A	2/2	2/2	2/2
Mr. Li Shengfeng(Note 2)	7/7	N/A	N/A	N/A	2/2
Mr. Choi Wai Hong, Clifford(Note 3)	7/7	2/2	N/A	N/A	2/2
Independent non-executive Directors					
Mr. Wong Yiu Kit, Ernest(Note 4)	7/7	2/2	N/A	N/A	2/2
Mr. Lam John Cheung-wah(Note 5)	2/2	2/2	1/1	1/1	2/2
Mr. Zhao Lin(Note 4)	5/7	N/A	2/2	2/2	2/2
Ms. Cho Mei Ting(Note 4)	1/5	N/A	1/1	1/1	N/A

Notes:

1. Mr. Shi Yaofeng, Ms. Shi Chenye and Mr. Huang Tiansheng were appointed as executive Directors with effect from 26 January 2022.

2. Mr. Cheng Dongfang and Mr. Li Shengfeng were appointed as non-executive Directors with effect from 26 January 2022.

3. Mr. Choi Wai Hong, Clifford was re-designated from independent non-executive Director to executive Director with effect from 21 May 2021 and from executive Director to non-executive Director with effect from 26 January 2022.

4. Mr. Zhao Lin, Mr. Wong Yiu Kit, Ernest and Ms. Cho Mei Ting were appointed as independent non-executive Directors with effect from 26 January 2022. Ms. Cho Mei Ting resigned from her position as independent non-executive Director with effect from 20 May 2022.

5. Mr. Lam John Cheung-wah was appointed as an independent non-executive Director with effect from 20 May 2022.

Apart from the above meetings, the chairman of the Board has held at least one meeting with independent non-executive Directors during the nine months ended 31 December 2022 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 nine months ended 31 December 2022.

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 nine months ended 31 December 2022, 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 nine months ended 31 December 2022. 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 10 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 nine months ended 31 December 2022.

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 nine months ended 31 December 2022.

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 nine months ended 31 December 2022 is set out in the section headed "Independent Auditor's Report" in this annual report.

External Auditor and Auditor's Remuneration

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

Special general meeting of the Company was held on 25 August 2021, during which the ordinary resolution to appoint RSM Hong Kong as the auditor of the Company was duly passed by the Shareholders by way of poll. RSM Hong Kong has been re-appointed as the auditor of the Company with effect from 2 September 2022.

The total fee paid/payable to the external auditor of the Company, RSM Hong Kong, for the nine months ended 31 December 2022 is set out below:

Categories of services	**Fee paid/payable** HK$'000
Audit services	
— audit fee for the nine months ended 31 December 2022	1,200
Non-audit services for the nine months ended 31 December 2022	Nil

Authorised Representatives

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

Mr. Cheng Dongfang and Dr. Wong Chi Ho, Raymond have been appointed as the authorised representatives of the Company with effect from 26 January 2022. For further details, please see the announcement of the Company dated 26 January 2022.

Joint Company Secretaries

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

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

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

Joint Company Secretaries (continued)

During the nine months ended 31 December 2022, each of Dr. Wong and Ms. Li 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 nine months ended 31 December 2022, the Company held an AGM on 2 September 2022. Notice of the meeting was sent to the Shareholders on 25 July 2022.

On 2 September 2022, the executive Directors, namely Mr. Shi Yaofeng, Ms. Shi Chenye and Mr. Huang Tiansheng; the non-executive Directors, namely Mr. Cheng Dongfang (being the chairman of the Board), Mr. Li Shengfeng and Mr. Choi Wai Hong, Clifford; and the independent non-executive Directors, namely Mr. Wong Yiu Kit, Ernest (being the chairman of the Audit Committee), Mr. Lam John Cheung-wah and Mr. Zhao Lin (being the chairman of the Remuneration Committee and the Nomination Committee); and a representative of the external auditor attended the AGM and were available to respond to questions raised by the Shareholders.

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

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

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

Contact: (852) 2153 1688

Fax: (852) 3020 5058

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

The Board conducted a review of the implementation and effectiveness of the shareholders' communication policy. Having considered the multiple channels of communication in place as disclosed above, the Board is satisfied that the shareholders' communication policy has been properly implemented and effective for the nine months ended 31 December 2022.

Shareholders' Rights

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

Procedures for Shareholders to convene special general meeting

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

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

Procedures for shareholders to propose a person for election as a director

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

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

Shareholders' Rights (continued)

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

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

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

Address: Rooms 2306B & 2307, 23/F, 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 nine months ended 31 December 2022, the proposed resolution to approve amendments to the then existing Bye-Laws and adoption of the new Bye-Laws for the purposes of, among others, conforming to the core shareholder protection standards as set out in the revised Appendix 3 to the Listing Rules which took effect on 1 January 2022 was duly passed as a special resolution by the Shareholders by way of poll at the special general meeting of the Company held on 2 September 2022. For further details, please refer to the announcements of the Company dated 25 July 2022 and 2 September 2022 and the circular of the Company dated 25 July 2022.

Save as disclosed above, no other changes were made to the Bye-Laws for the nine months ended 31 December 2022. 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 nine months ended 31 December 2022.

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 nine months ended 31 December 2022 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 pages 9 to 10 of this annual report. These discussions form part of this Directors' report.

Subsidiaries

Particulars of the Company's subsidiaries are set out in Note 39 to the consolidated financial statements of the Company.

Results

The results of the Group for the nine months ended 31 December 2022 are set out in the consolidated financial statements on pages 83 to 84 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 176 of this annual report. This summary does not form part of the audited consolidated financial statements.

Annual General Meeting and Closure of Register of Members

The AGM of the Company will be held on Monday, 22 May 2023. 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, 17 May 2023 to Monday, 22 May 2023, 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, 16 May 2023.

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 nine months ended 31 December 2022 (for the year ended 31 March 2022: Nil).

Tax Relief and Exemption

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

Relationships with Stakeholders

Employees
As at 31 December 2022, we had a total of 830 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 nine months ended 31 December 2022 and up to the date of this annual report.

Relationships with Stakeholders (continued)

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

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

Major Customers and Suppliers

For the nine months ended 31 December 2022, the Group's sales to its five largest customers, which include 浙江建發紙業有限公司 (Zhejiang C&D Paper Co., Ltd.*) ("**Zhejiang C&D Paper**") and 青島建發紙業有限公司 (Qingdao C&D Paper Co., Ltd.*) ("**Qingdao C&D Paper**"), accounted for approximately 52.9% of the Group's total revenue and the largest customer accounted for approximately 16.9% of the Group's total revenue.

For the nine months ended 31 December 2022, purchases from the Group's five largest suppliers accounted for approximately 40.3% of the Group's total purchases and the largest supplier accounted for approximately 13.3% of the Group's total purchases.

Zhejiang C&D Paper is a company established in the PRC with limited liability and is owned as to 90% and 10% by Xiamen C&D Paper 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), respectively. Mr. Cheng Dongfang is the legal representative and executive director of Zhejiang C&D Paper; whereas, Mr. Huang Tiansheng is the manager of Zhejiang 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 and Xiamen Paper Source, respectively. Mr. Cheng Dongfang is the legal representative, executive director and manager of Qingdao C&D Paper. For further details, please refer to the sections headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures", "Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares" and "Directors' and Controlling Shareholders' 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 nine months ended 31 December 2022 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 nine months ended 31 December 2022 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 2022 are set out in Note 31 to the consolidated financial statements of the Company.

Charitable Donations

The Group donated funds and supplies of approximately HK$nil during the nine months ended 31 December 2022.

Share Capital

As at 31 December 2022, 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 nine months ended 31 December 2022 are set out in Note 33 to the consolidated financial statements of the Company.

Reserves

Details of movements in the reserves of the Company during the nine months ended 31 December 2022 are set out on page 87 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 34(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 nine months ended 31 December 2022 are set out in Note 19 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 nine months ended 31 December 2022, 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 nine months ended 31 December 2022 and up to the date of this annual report are set out below:

Name	Position(s) in the Company
Directors	
Mr. Shi Yaofeng	Chief Executive Officer and Executive Director
Ms. Shi Chenye	Vice Chief Executive Officer and Executive Director
Mr. Huang Tiansheng	Executive Director
Mr. Cheng Dongfang	Chairman of the Board, Non-executive Director and Authorised Representative
Mr. Li Shengfeng	Non-executive Director
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 (appointed with effect from 20 May 2022)
Ms. Cho Mei Ting	Independent non-executive Director (resigned with effect from 20 May 2022)
Senior management	
Mr. Lu Zhiwen	Chief Financial Officer
Dr. Wong Chi Ho, Raymond	Company Secretary and Authorised Representative
Ms. Li Jing	Company Secretary

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

In accordance with Bye-Law 99, Mr. Cheng Dongfang, Mr. Li Shengfeng and Mr. Wong Yiu Kit, Ernest 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 11 to 16 of this annual report.

Directors' Service Agreements

Save for Mr. Lam John Cheung-wah who entered into a service contract with the Company on 20 May 2022 for an initial period from 20 May 2022 to 25 January 2025, each of the existing executive Directors, non-executive Directors and independent non-executive Directors has entered into a director's service contract with the Company dated 28 December 2021 for an initial term of three years commencing on the date of resumption of trading of the Company's shares (i.e. 26 January 2022) subject to termination by either party giving three months' written notice and the terms set out therein.

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

Independence of Independent Non-executive Directors

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

Remuneration of Directors and Five Highest Paid Individuals

For the nine months ended 31 December 2022, as determined by the Remuneration Committee with reference to the Directors' position, level of responsibilities and remuneration policy of the Company as well as the prevailing market conditions,

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

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

Details of the emoluments of the Directors and five highest paid individuals for the nine months ended 31 December 2022 are set out in Notes 15 and 14 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 2022, the interests and short positions of the Directors and the chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had been 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 recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Interests in Shares and underlying Shares of the Company

Name of Director	Capacity/Nature of interest	Total number of Shares/underlying Shares held(Note 1)	Approximate percentage of shareholding interest in the Company (%)(Note 1)
Mr. Li Shengfeng(Note 2)	Interest of controlled corporation	990,220,583 (L)	70.00

Notes:

1. As at 31 December 2022, 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 Investment Holding Limited ("**NCD**") on 26 January 2022. NCD is owned as to 45% by XSD Investment Holding Limited ("**XSD**") and 55% by Glenfor Investment Holding Limited ("**Glenfor**").

   XSD is direct wholly-owned by XSD International Pte. Ltd. ("**XSD International**"), which is in turn direct wholly-owned by 浙江新勝大實業有限公司 (Zhejiang Xinshengda Industrial Co., Ltd.*) ("**Zhejiang Xinshengda Industrial**"). Zhejiang Xinshengda Industrial is direct wholly-owned by 浙江新勝大控股集團有限公司 (Zhejiang Xinshengda Holding Group Co., Ltd.*) ("**Zhejiang Xinshengda Holding**"), which is in turn owned as to 99% by Mr. Li Shengfeng (being the non-executive Director) and 1% by Ms. Lu Chengying.

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

   As at the latest practicable date prior to the issue of this annual report, (i) Mr. Shi Yaofeng, being the executive Director and chief executive officer of the Company, is a director of NCD and Glenfor as well as the vice general manager of Xiamen C&D Paper; (ii) Ms. Shi Chenye, being an executive Director, is a director of XSD and XSD International as well as a supervisor of Zhejiang Xinshengda Industrial; (iii) Mr. Huang Tiansheng, being an executive Director, is the deputy general manager (presiding over the work) of Xiamen X&D Paper's paper business; (iv) Mr. Li Shengfeng, being a non-executive Director, is a director of NCD, XSD and XSD International as well as an executive director and general manager of each of Zhejiang Xinshengda Industrial and Zhejiang Xinshengda Holding; and (v) Mr. Cheng Dongfang, being a non-executive Director and chairman of the Board, is a director of each of NCD, Glenfor and Hong Kong Paper Sources, a director and general manager of Xiamen C&D Paper as well as the vice general manager of Xiamen C&D Inc.

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

Save as disclosed above, as at 31 December 2022, 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 2022, 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(Note 2)	Beneficial owner	990,220,583 (L)	70.00
Glenfor Investment Holding Limited(Note 2)	Interest of controlled corporation	990,220,583 (L)	70.00
Hong Kong Paper Sources Co. Limited(Note 2)	Interest of controlled corporation	990,220,583 (L)	70.00
廈門建發紙業有限公司(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
XSD Investment Holding Limited(Note 2)	Interest of controlled corporation	990,220,583 (L)	70.00
XSD International Pte. Ltd.(Note 2)	Interest of controlled corporation	990,220,583 (L)	70.00
浙江新勝大實業有限公司(Note 2)	Interest of controlled corporation	990,220,583 (L)	70.00
浙江新勝大控股集團有限公司(Note 2)	Interest of controlled corporation	990,220,583 (L)	70.00
Strong Determine Limited(Note 3)	Beneficial owner	155,242,142 (L)	10.97
Quinselle Holdings Limited(Note 4)	Beneficial owner	73,059,817 (L)	5.16
Lee Seng Jin(Note 4)	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 4)	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 2022, 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 owned as to 45% by XSD and 55% by Glenfor.

   XSD is direct wholly-owned by XSD International, which is in turn direct wholly-owned by Zhejiang Xinshengda Industrial. Zhejiang Xinshengda Industrial is direct wholly-owned by Zhejiang Xinshengda Holding, which is in turn owned as to 99% by Mr. Li Shengfeng (being the non-executive Director) and 1% by Ms. Lu Chengying.

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

   As at the latest practicable date prior to the issue of this annual report, (i) Mr. Shi Yaofeng, being the executive Director and chief executive officer of the Company, is a director of NCD and Glenfor as well as the vice general manager of Xiamen C&D Paper; (ii) Ms. Shi Chenye, being an executive Director, is a director of XSD and XSD International as well as a supervisor of Zhejiang Xinshengda Industrial; (iii) Mr. Huang Tiansheng, being an executive Director, is the deputy general manager (presiding over the work) of Xiamen X&D Paper's paper business; (iv) Mr. Li Shengfeng, being a non-executive Director, is a director of NCD, XSD and XSD International as well as an executive director and general manager of each of Zhejiang Xinshengda Industrial and Zhejiang Xinshengda Holding; and (v) Mr. Cheng Dongfang, being a non-executive Director and chairman of the Board, is a director of each of NCD, Glenfor and HK Paper Sources, a director and general manager of Xiamen C&D Paper as well as the vice general manager of Xiamen C&D Inc.

3. On 26 January 2022, the Company issued 240,482,142 Shares to Strong Determine Limited pursuant to the ListCo Scheme for the benefit of scheme creditors. As at 31 December 2022, (i) 155,242,142 Shares were owned by Strong Determine Limited; (ii) each of Ho Kwok Leung Glen, Kam Chung Hang and Lai Kar Yan, being administrators of the ListCo Scheme, was deemed to have an interest in 155,242,142 Shares.

4. As at 31 December 2022, 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 2022, 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 nine months ended 31 December 2022, 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 nine months ended 31 December 2022.

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 nine months ended 31 December 2022.

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 nine months ended 31 December 2022.

Directors' and Controlling Shareholders' Interests in Competing Businesses

NCD was established on 10 May 2021 for the sole purpose of holding the equity interests of the Company upon completion of the Restructuring. It is indirectly owned as to 55% by Xiamen C&D Paper and 45% by Zhejiang Xinshengda. The Group is principally engaged in the paper manufacturing business. Therefore, there is clear delineation between the business of NCD and the Group.

Shandong Bairun is a company established in the PRC with limited liability and is owned by Xiamen C&D Paper and 山東和潤控股集團有限公司 ("**Shandong Herun**") as to 55% and 45%, respectively. The directors of Shandong Bairun are Mr. Cheng Dongfang, Mr. Shi Yaofeng, Mr. Li Shengfeng, Ms. Shi Chenye, Mr. Zhou Wei, Mr. Huang Tiansheng and Mr. Chen Hongbo. Shandong Herun is a company established in the PRC with limited liability and is wholly-owned by Mr. Li Shengfeng, the majority ultimate beneficial owner of Zhejiang Xinshengda. The sole director of Shandong Herun is Mr. Li Shengfeng.

Directors' and Controlling Shareholders' Interests in Competing Businesses (continued)

Details of delineation of business (i) between Xiamen C&D Paper and the Group; (ii) between Zhejiang Xinshengda and the Group; and (iii) between Shandong Bairun and the Group are set out as follows:

Delineation of business between Xiamen C&D Paper and the Group

(i) while the Group only engages in the production and sales of coated duplex board and kraft linerboard as an upstream paper manufacturer, Xiamen C&D Paper operates as a downstream distributor who provides a much wider scope of value-added services. Xiamen C&D Paper is regarded as one of the largest distributors in the paper and pulp industry in China and is able to provide "one-stop" full supply chain services comprising supply of raw materials, distribution of paper and pulp products, warehousing and processing, logistics and delivery, sales settlement, risk management, financial leasing services and provision of industry information. These services are not provided by UPPSD;

(ii) while the Group only sells coated duplex board and kraft linerboard, Xiamen C&D Paper's product offering covers a much wider variety of forest products, including (a) paper (such as coated paper, white cardboard, double offset paper, white board (which is similar to the coated duplex board of the UPPSD), kraft linerboard), (b) pulp (such as bleached softwood pulp, bleached hardwood pulp, brown pulp, chemi-mechanical pulp), (c) wood chips, and (d) paper products (such as household paper, printing and wrapping paper). Among the different kinds of paper distributed by Xiamen C&D Paper, coated duplex board and kraft linerboard are not the core products;

(iii) while the customers of UPPSD primarily comprised of forest product distributors (such as Xiamen C&D Paper), the majority of customers of Xiamen C&D Paper are end-users (such as printing house, packaging manufacturers, publishers and food manufacturers); and

(iv) while the operation and production facilities of the Group are located in Zaozhuang City, Shandong Province, Xiamen C&D Paper has established subsidiaries or representative offices in more than 45 cities across different provinces in China and overseas to serve its over 5,000 local and foreign customers.

Despite the fact that the Group and Xiamen C&D Paper both sell coated duplex board and kraft linerboard products, the Group and Xiamen C&D Paper are not competitors but business allies because:

(i) Xiamen C&D Paper does not have production facilities and machineries designated for the manufacturing of coated duplex board and kraft linerboard products, it relies on paper manufacturers such as UPPSD to supply goods for it to resell to end-users. It is crucial for Xiamen C&D Paper to maintain a list of reliable paper manufacturing suppliers capable of timely delivery of quality products, so that it could fulfil the needs of its end-user customers;

(ii) while paper manufacturers normally prefer selling in bulk, receiving payment before commencement of production or delivery or customer pickup, end-users normally prefer purchasing as-needed, on credit, and delivered at place. Distributors such as Xiamen C&D Paper is able to integrate and match the different needs and demands of paper manufacturers and end-users by purchasing goods from paper manufacturers in bulk and allocating the goods to a wide network of end-users with value-added services such as financing lease, warehousing and logistics. Xiamen C&D Paper communicates with its suppliers (including UPPSD) from time to time to formulate a purchase plan matching and integrating the production plan of the suppliers and the needs of the customers in terms of types of products, price, time requirements, etc. Compared with direct sales to end-users, dealing with distributors such as Xiamen C&D Paper allows UPPSD to maximise its production capacity, increase sales turnover, enhance customer penetration, strengthen cash flow, limit risk of bad debt and reduce warehousing and delivery costs; and

Directors' and Controlling Shareholders' Interests in Competing Businesses (continued)

Delineation of business between Xiamen C&D Paper and the Group (continued)

(iii) UPPSD and Xiamen C&D Paper have entered into a paperboard sales framework agreement pursuant to which UPPSD shall sell the paperboard products to Xiamen C&D Paper on a non-exclusive basis and on normal commercial terms to, similar to transactions with other distributor customers of UPPSD, leverage on the industry leading position, comprehensive value-added services and extensive sales network of Xiamen C&D Paper. The interests of the Group and Xiamen C&D Paper are aligned and the said framework agreement is able to facilitate a stable and mutually beneficial business relationship between the Group and Xiamen C&D Paper. For further details, please refer to the section headed "Continuing Connected Transactions" in this Report of the Directors.

Delineation of business between Zhejiang Xinshengda and the Group

Zhejiang Xinshengda is conducting its business through its wholly-owned subsidiary XSD International Paper Sdn. Bhd. in Malaysia. Zhejiang Xinshengda has completed building a manufacturing plant in Kedah State, Malaysia. Zhejiang Xinshengda currently principally manufactures and sells recycled paper, paper board, double coated paper, coated duplex board with grey back and waste paper pulp. Zhejiang Xinshengda used to conduct paper manufacturing and trading business in the PRC but such business had been completely ceased since April 2020.

The business model of Zhejiang Xinshengda is substantially different and can be delineated from the business model of the Group in terms of operation region and customer coverage:

(i) while the operation and production facilities of the Group are located in Zaozhuang City, Shandong Province to cover its customers in China, Zhejiang Xinshengda has gradually relocated its paper and pulp manufacturing and trading business from China to Malaysia since 2018. All of its production facilities in China have ceased to operate; and

(ii) while the customers of the Group are located in China, the targeted customers of Zhejiang Xinshengda are located in the South East Asia market.

Delineation of business between Shandong Bairun and the Group

Shandong Bairun was established for the sole purpose of carrying out the paper manufacturing business for UPPSD during the entrusted operation period. Following the approval of the UPPSD Bankruptcy Reorganisation Plan by the PRC Court on 1 August 2021, UPPSD had gradually resumed its independent operation and Shandong Bairun has ceased to sell coated duplex board and kraft linerboard products on behalf of UPPSD. After completion of the Restructuring, Shandong Bairun does not carry the business which competes or likely to compete, either directly or indirectly, with the business of the Group.

Since there is clear delineation of business between NCD, Xiamen C&D Paper, Zhejiang Xinshengda, Shandong Bairun on the one hand and the Group on the other hand, and considering that (a) the Group's operations are independent from and do not rely on that of NCD, Xiamen C&D Paper, Zhejiang Xinshengda, Shandong Bairun, Mr. Li Shengfeng, Ms. Lu Chengying and parties acting in concert with any of them (the "**Concert Party Group**"), (b) the Group has an independent financial system, and (c) the day-to-day management of the Group are conducted by a team of senior management while the day-to-day management of the Concert Party Group is carried out by separate professional management teams which operate independently from the management of the Group, the Directors consider that Group is capable of carrying out its business independently of and at arms length from the business of the Concert Party Group and there is no existing and potential business competition between the Group and the Concert Party Group. For further details, please refer to the circular of the Company dated 31 December 2021.

Save as disclosed in this annual report, to the best knowledge of the Board, none of the Directors, their associates or the controlling shareholders had any interests in any business which competes or is likely to compete, directly or indirectly, with the business of the Group for the nine months ended 31 December 2022.

Continuing Connected Transactions

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

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

For the year ended 31 March 2023, the proposed cap for the transaction amount under the Framework Agreement was RMB420,000,000. The actual transaction amount under the Framework Agreement for the nine months ended 31 December 2022 was approximately RMB275,299,000.

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

Listing Rules implications
As disclosed in the announcement of the Company dated 28 December 2021, as NCD, which is indirectly owned as to 55% and 45% by Xiamen C&D Paper and Zhejiang Xinshengda, respectively, has become the controlling shareholder of the Company upon completion of all transactions under the Restructuring Agreement and become interested in approximately 70% and 70.66% of the issued share capital of the Company (in the case all the Preference Shares have been converted and none of the Preference Shares have been converted), Xiamen C&D Paper or any of its subsidiaries, each of which being an associate of NCD, has become a connected person of the Company upon completion of all transactions under the Restructuring Agreement. As such, the transactions contemplated under the Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

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

Continuing Connected Transactions (continued)

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

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

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

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

Related Party Transactions

Details of the related party transactions carried out in the normal course of business are set out in Note 38 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 nine months ended 31 December 2022 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 nine months ended 31 December 2022.

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

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

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

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

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

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

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

Share Option Scheme (continued)

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 nine months ended 31 December 2022, 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 nine months ended 31 December 2022.

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 nine months ended 31 December 2022, 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 nine months ended 31 December 2022 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 nine months ended 31 December 2022.

The View of the Management of the Company, the Audit Committee and the Board on the Auditor's Opinion

As disclosed in the section headed "Opinion" from the independent auditor's report on the Group's consolidated financial statements for the Period on page 78 of this annual report, the auditor issued an unqualified opinion on the consolidated financial statements of the Group for the Period, except for the possible effects on the corresponding comparative figures of the year ended 31 March 2022 (the "**Comparative Period**") in relation to the matters described in the "Basis of Qualified Opinion" section of the independent auditor's report (the "**Audit Qualifications**").

It should be emphasised that the Audit Qualifications were related to the financial information on or before the Group restructuring which completed on 26 January 2022.

As advised by the auditor, the Group's financial information of the Comparative Period was required to be disclosed as comparative figures in the consolidated financial statements of the Group for the Period. Since the relevant comparative figures will not be reflected in the consolidated financial statements for the year ending 31 December 2023, the Audit Qualifications will be removed in respect of the Group's consolidated financial statements for the year ending 31 December 2023.

Based on the above-mentioned information, the management of the Company, the Audit Committee and the Board agree with the view of the auditor that the Group's affairs on or before completion of the Group's restructuring which led to the Audit Qualifications have no on-going effect on the Group's consolidated financial information in future reporting periods.

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 nine months ended 31 December 2022, and considers that the consolidated financial statements of the Company for the nine months ended 31 December 2022 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 nine months ended 31 December 2022 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 2022.

By order of the Board
Mr. Cheng Dongfang
Chairman of the Board

Hong Kong, 27 March 2023

About the ESG Report

C&D Newin Paper & Pulp Corporation Limited (the "Company") and its subsidiaries (collectively, the "Group" or "we" or "us") are pleased to present our Environmental, Social and Governance Report (the "ESG Report") for the nine months ended 31 December 2022 (the "Reporting Period") in accordance with Appendix 27 — Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guide") to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). In this report, the Group has strictly complied with the mandatory disclosure requirements and the "comply or explain" provisions set out in the ESG Reporting Guide to disclose the ESG issues during the Reporting Period.

Governance Structure

The board of directors (the "Board") of the Company has overall responsibility for the Group's ESG strategy and reporting. The Board is responsible for overseeing ESG-related issues and matters that may affect the Group's business or operations, the interests of shareholders and other stakeholders, identifying and evaluating the risks that may arise in the governance process, so as to formulate the Group's overall ESG-related goals and operational objectives. It also supervises the Group's senior management to continuously optimize the governance structure, promotes the implementation of ESG measures, and regularly reviews the ESG report for ensuring that the Group has established an appropriate and effective ESG risk management and internal control supervision system.

The Group is committed to pursuing high standards of corporate governance. The Group has established a management structure with clear rules and regulations and an effective ESG internal control system. The Group will also seek professional independent third-party institutions every year to conduct comprehensive risk assessment and internal audit for the Group, report risk management and internal audit reports to the audit committee and adopt reasonable risk management measures to provide comprehensive information covering environmental, social and governance risks to the Board. The Group is committed to embedding ESG concepts including environmental protection, human resources development, supply chain management and community investment into our cultural system and conveying the concept of green and sustainable development to employees. The Group recognises the importance of good corporate governance to the healthy and sustainable development of the Group and firmly believes that the green and sustainable development of an enterprise does not only involve striving to create maximum interests for various stakeholders, but also involves creating long-term value. It is the operating principle of the Group to be a responsible enterprise. The Group has always aimed to strike a balance between business development and corporate social responsibility. For this reason, the Group's paper manufacturing business ("paper manufacturing business") in Shandong Province, China, sales business and other business have been strictly observing the relevant laws and regulations, employment ordinances and environmental protection policies of various local governments.

Reporting Principles

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

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

2. Quantitative: ESG targets identified by the Group shall be measurable to ensure comparability to previous years, competitors and industry standards.

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

4. Consistency: The assumptions and calculations used for any key performance indicator shall be consistent with those of previous years to ensure comparability of relevant data. Any changes to the relevant assumptions or calculations shall be clearly disclosed for the information of stakeholders.

Reporting Boundary and Reporting Period

The information presented in this ESG Report covers the period from 1 April 2022 to 31 December 2022 (the "Reporting Period"). The information in this report was gathered and compiled through various channels, including but not limited to the internal control policies of the Group, the factual evidence of the implementation of ESG-related initiatives, the key performance indicators ("KPIs") set out in the ESG Reporting Guide, and the annual performance quantitative data of the Group in respect of its business operations and ESG management. This report covers the operations of the Group's business units at its headquarters in Hong Kong, the PRC and Universal Pulp and Paper (Shandong) Co., Ltd. in Shandong Province.

Stakeholder Engagement

The Group believes that the expectations and demands of interested parties continue to give momentum to sustainable development. As such, the Group attaches great importance to the engagement of stakeholders. Through the establishment of diversified and uninterrupted communication channels, the Group actively maintains close contact and communication with stakeholders to understand and respond to their expectations and demands on the Group's internal and external interested parties, so as to formulate the Group's current and future sustainable development strategies, identify the Group's ESG risks and opportunities, strive to create lasting value for interested parties, and help the Group to achieve sustainable development while improving its operational efficiency.

Stakeholder Engagement		**Key Concerns**	**Major 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 health and safe working environment • Career development and training opportunities	• Regular meetings and training • Performance appraisals • Team building activities
External stakeholders	Customers	• Quality products and services • Protection of customers' privacy and rights • Business ethics	• Customer service hotline and email • Face-to-face meetings and site visits • Customer satisfaction surveys
	Suppliers	• Fair, open and impartial procurement • Win-win cooperation • Environment protection	• Open tenders • Standard procurement processes • Face-to-face meetings and site visits • Industry seminars
	Professional institutions	• Environment protection and social responsibilities • Regulated employee conduct and business practice	• Questionnaires and online engagement • 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 related laws and regulations • Routine reports and tax payments

ESG Materiality Assessment

To unceasingly optimise the performance of its sustainable development work, the Group continued to conduct an annual review and materiality assessment during the Reporting Period. Through stakeholders' participation in a substantive assessment survey, their key concerns over and main interests in ESG issues were identified. With reference to the influence and dependence of internal and external stakeholders on the Group, certain internal and external stakeholders (including senior management, employees and suppliers) participated in the materiality assessment conducted by the Group for this report. Selected stakeholders were invited to take part in an electronic survey to determine their views on the Group's key ESG issues and conduct a substantive assessment of the Group, which will help to understand the changes in interested parties' concerns and demands more accurately and objectively and further promote the Group's sustainable business strategies.

Identification of Matters of Materiality

- According to the review on the related ESG reports from domestic and international peers, actual business development of the Company, feedback from stakeholders and relevant laws and regulations, 28 major ESG issues were identified.

Stakeholders Questionnaire

- Certain internal and external stakeholders of the Group were invited to participate in an anonymous electronic survey to understand the achievements of the Group in managing the 28 major ESG issues and their opinions and expectations in relation to ESG.

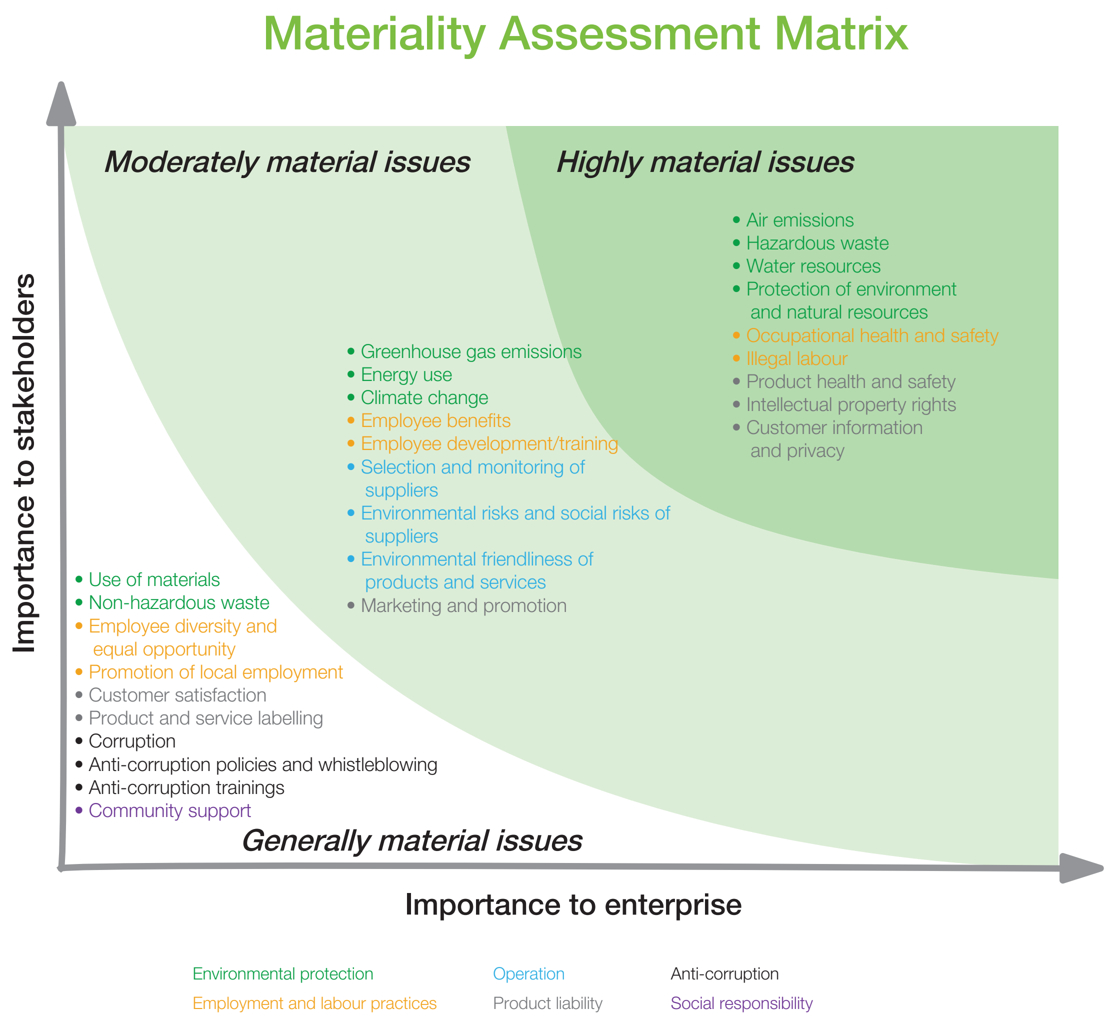
Assessment of Matters of Materiality

- Based on the results of the survey completed by internal and external stakeholders, the materiality of the 28 ESG issues were determined. The results were compiled in the matrix of ESG issues. Those positioned in the top right quadrant of the graph are more important according to stakeholders. This matrix can effectively assist the Group in optimising the development direction of ESG management to meet the demands of different stakeholders.

The following table lists out the key issues of this assessment:

Item	ESG issue	Item	ESG issue
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 provided to directors and staff
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 environment and natural resources	24.	Use of materials (e.g. paper, packaging, raw materials)
11.	Greenhouse gas emissions	25.	Promotion of local employment
12.	Air emissions	26.	Community support (e.g. donation, volunteering)
13.	Employee diversity and equal opportunity	27.	Observing and protecting intellectual property rights
14.	Employee development and training and promotion	28.	Marketing and promotion (e.g. advertisement)

The following graph shows the results of this materiality assessment:



According to the materiality matrix, the ESG issues at the top right corner of the matrix are considered to be relatively important to the Group and external stakeholders. At present, air emissions, greenhouse gas emissions, hazardous waste, energy use, employee diversity and equal opportunity, employee benefits, occupational health and safety, illegal labour, customer information and privacy, and corruption are identified as issues of high importance to the Group. The above issues are classified as the main drivers for the Group's sustainable business and are further elaborated in the sections below.

Stakeholders' Feedback

Investors and the public can access the latest business information on the website of the Group (https://www.cndnewin.com). The Group welcomes stakeholders' feedback on its identified issues of the key ESG matters. You are welcomed to provide your suggestions or share your views with the Group through any channel below:

Email: info@cndnewin.com
Website: https://www.cndnewin.com
Phone: (852)2185 6694

Environment

The Group actively responds to the national carbon neutrality goals, adheres to green development, and operates in an environmentally friendly manner to reduce emissions and improve resource efficiency. It has strictly complied with the national environmental protection policies to achieve scientific pollution control and a sustainable development circular economy model for the business.

The principal business of the Group is paper manufacturing and mainly produces high-grade coated duplex board, kraft cardboard and kraft linerboard. The Group has three paper production lines and has built a self-provided thermal power plant and a sewage treatment plant. The Group advocates sustainable development and operation, strictly complies with relevant environmental protection rules and regulations, including Environmental Protection Law of the People's Republic of China, Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution, Water Pollution Prevention and Control Law of the People's Republic of China, Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes, Law of the People's Republic of China on Noise Pollution Prevention and Control, Regulation on the Administration of Permitting of Pollutant Discharges and Management Measures for Environmental Emergencies, the Regulation on Groundwater Management, the Measures for the Administration of Emergency Environmental Accidents etc.. It implements various environmental protection rules and facilities in all production processes, and continuously improves existing environmental management policies, mechanisms and measures. The Group vigorously implemented energy-saving transformation and improved energy-saving measures. In addition, the Group upgraded and transformed the paper production lines, improved the matching adjustment, production process and production capacity, continuously strengthened the treatment of environmental pollution, and prudently controlled pollution emissions and resource consumption. During the Reporting Period, the Group was not aware of any violation of laws and regulations related to environmental protection, and will continue to strictly comply with relevant environmental protection rules and regulations in its daily operations.

Emissions Management

- **Greenhouse Gas Emissions Management**

  The Group attaches great importance to the related work of climate change. In order to achieve the goal of year-on-year reduction in emissions and strive to promote the realization of carbon neutrality, according to 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)* (《生態環境部辦公廳關於加強企業溫室氣體排放報告管理相關工作的通知》(環辦氣候[2021]9號)), we have formulated a greenhouse gas emission accounting and reporting management system to effectively strengthen energy management. The Group's greenhouse gas emission management adheres to national laws, regulations and policies, with the aim of controlling greenhouse gas emissions and achieving low-carbon development. The Group established a greenhouse gas emission accounting and verification team, and appointed dedicated personnel to be responsible for greenhouse gas emissions accounting. It formulated annual greenhouse gas emission monitoring plan, managed greenhouse gas data and records to ensure accurate, timely and effective collection and collation of monitoring data and information. This helps strengthened energy management, reduced greenhouse gas emissions, and improved energy efficiency.

For the effective promotion of energy saving and carbon reduction, the Group's self-provided power supply system is equipped with power supply devices that meet the requirements of ultra-low emissions, which not only optimizes the emission indicators but also helps to reduce production costs. The coal warehouses in the power plant are fully enclosed and equipped with standard fire prevention and safety facilities to avoid dust pollution in loading and unloading, storage and transportation of coal as well as potential water pollution during rainy days. The Group is committed to reducing energy consumption at source. In addition to effectively burning all types of coal, the boiler in thermal power plant is undergone by low-NOx combustion, SNCR denitrification, bag filtering, limestone wet desulfurization and wet electric dust removal, which reduce the exhaust gas emission to a certain extent. In term of micro-dust in boiler exhaust gas, the Group disposes of the particulate matter by performing bag filtering and wet electric dust removal.

The Group promotes green transportation. As the use of private cars and trucks is the main source of the Group's air emissions, the Group encourages its employees to adopt green transportation which conserve energy, reduce pollution, and is beneficial to health with efficiency. Meanwhile, the Group cooperates with Shandong Zaozhuang Public Traffic Company to arrange shuttles for the Group's employees, which can greatly reduce the driving frequency by employees and greenhouse gas emissions resulted therefrom. In the future, the Company will also gradually replace with electric vehicles to reduce greenhouse gas emission in a more effective manner to make contributions to environmental protection.

During the Reporting Period, the detailed gas emission indicators of the Group are as follows:

Emission Category	**Key Performance Indicator (KPI)**	**Unit**	**2022.4.1–2022.12.31 Amount**	**Intensity[1] (Per 10,000 tonnes)**
Air Emissions[2]	SOx	Kg	4.34	0.16
	NOx	Kg	6,292.63	230.08
	PM	Kg	623.59	22.80
Greenhouse Gas Emissions	Scope 1 (Direct Emissions)[3]	tCO_2e	222,925.11	8,150.83
	Scope 2 (Energy Indirect Emissions)[4]	tCO_2e	76,040.46	2,780.27
	Scope3 (Other Indirect Emissions)[5]	tCO_2e	1,143.77	41.82
	Total (Scope 1 & 2 & 3)	tCO_2e	**300,109.35**	**10,972.92**

1. The intensity calculation method is to divide the air, greenhouse gas and other emissions during the Reporting Period by the Group's nine-month paper production of 273,500 tonnes;

2. Air emission is the waste gas pollution caused by the use of private cars and trucks;

3. Scope 1 mainly represents the greenhouse gas emissions generated from the coal combustion in boilers for the Group's paper manufacturing business;

4. Scope 2 mainly represents the greenhouse gas emissions (energy indirect emissions) caused by the electricity purchased externally by the Group;

5. Scope 3 (other indirect emissions) includes the exhaust emissions from paper waste disposed of in landfills and the greenhouse gas emissions from electricity used for processing fresh water and sewage by government departments.

The methodology adopted for reporting on greenhouse gas emissions set out above is based on "How to Prepare an ESG Report — Appendix 2: Reporting Guidance on Environmental KPIs" issued by The Stock Exchange of Hong Kong Limited.

- **Sewage Management**

  The Group adheres to green development in the course of operation and continuously improves the environmental management system to ensure that resources consumption and pollutant emissions are effectively reduced and various pollutants are properly treated. The Group is equipped with a self-provided thermal power plant and a sewage treatment plant, and is equipped with a 24-hour automatic real-time environmental monitoring system to ensure compliant discharge of pollutants.

  At present, the sewage in the production workshop is filtered through an inclined network and enters a primary sedimentation tank for primary sedimentation, and then enters the anaerobic system for treatment. After entering the aerobic system for treatment, the sewage is discharged into the secondary sedimentation tank for sedimentation. The treated sewage is discharged into the Beijing Enterprises Urban Sewage Treatment Plant through pipelines for treatment. In order to reduce the odor generated during the sewage treatment process and further improve the gas emission index after sewage treatment, the Group has upgraded the deodorizing equipment, sealed the odor source, and sent the odor to chemical washing, ion deodorizing and other purification systems for treatment. Furthermore, a small amount of sludge and biogas are generated during the sewage treatment process. For sludge, the Group not only uses the boilers of the self-provided thermal power plant for incineration treatment, but also entrusts Zaozhuang Jianyang Thermal Power Company Limited*(棗莊市建陽熱電有限公司) and Zaozhuang Zhongke Environmental Power Company Limited*(棗莊中科環保電力有限公司) for incineration, and biogas will be utilized as fuel for the self-provided thermal power plant.

  The Group strictly complies with the relevant national and regional laws and regulations on resources. Currently, the emission indicators of major pollutants discharged to the public are in compliance with the national environmental protection emission standards or better than the national environmental protection emission standards, including the "Wastewater Quality Standards for Discharge to Municipal Sewers", "Discharge Standard of Wastewater from Limestone-Gypsum Flue Gas Desulfurization System in Fossil Fuel Power Plants" and "Comprehensive Discharge Standards for Water Pollutants in River Basins".

- **Waste Control**

  The Group attaches great importance to treatment of wastes, strives to improve the waste management mechanism and fully abides by the national laws and regulations on the treatment and definition of hazardous and non-hazardous wastes such as Law of the People's Republic of China on Promoting Clean Production. Due to the special nature of the Group's paper manufacturing business, hazardous wastes include waste mineral oil and oil drums and asbestos waste, while non-hazardous wastes are mainly fly ash, paper waste, waste residue pulp, etc.. The Group places emphasis on recycling and emission reduction. Based on their availability, the wastes will be collected and reused, and sold to qualified entities for the use of construction materials or other raw materials, so as to minimize the burden of waste management. Non-hazardous waste such as domestic wastes generated from daily office activities will be directly disposed of by the property management after proper classification, and eventually collected and treated by the municipal waste treatment centre.

  The Group has established a dedicated hazardous waste warehouse and a hazardous waste record to store different types of waste at designated locations and handle them properly and separately. Meanwhile, the Group has entrusted the qualified hazardous waste disposal companies to properly dispose of the hazardous wastes generated from the paper manufacturing business, such as waste mineral oil and oil drums, laboratory waste liquid, waste lead-acid batteries, asbestos waste, waste catalysts, etc.

On the reduction of solid wastes, in order to reduce wastes at source, the Group has continuously improved waste reduction policies and measures, including the addition of slant net in the paper making workshop, the recycling of waste paper pulp for the pulp production system, which successfully reduced fibre loss and sludge. The Group has further improved the standard of waste paper recycling, improved the impurity content of waste paper and reduced the generation of waste plastics.

During the Reporting Period, the detailed data of hazardous wastes and non-hazardous wastes produced by the Group is as follows:

Waste Category	Unit	2022.4.1–2022.12.31
Hazardous wastes	Tonnes	10.46
Non-hazardous wastes	Tonnes	77,255.05

Use of Resources

With the successive implementation of the dual-control policies for energy consumption in various regions, the Group has formulated energy management policies and procedures for energy use, including the Energy Management System, the Energy Conservation Target Management System, the Energy Procurement Management System and the Energy Statistics Management System, to regulate the use of resources. Every year, in accordance with the national laws and regulations on energy conservation and the completion of the energy conservation target of the previous year, the Group formulates the targets for the year and prompts all departments to strictly implement the energy conservation target and strive to achieve the energy conservation target, thereby effectively improving the efficiency of energy use and increasing the adoption of energy conservation measures.

The Group's business operations have been operating in strict compliance with relevant environmental rules and regulations, and have passed a number of international assessments and obtained certifications and qualifications, including "ISO9001 Quality Management System", "ISO14001 Environmental Management System", "OHSAS18001 Occupational Health and Safety Management System", "FSC Certification for Supervision Chain on Manufacturing and Marketing" and "ISO50001 Energy Management System Certification". It has also won the recognition of Carbon Care Asia for consecutive years. All resources are strictly and centrally managed and allocated, and the production process, production equipment and recycling technology are continuously improved to reduce resource consumption during the production process. The Group has continuously improved production process and equipment, and vigorously implemented energy-saving transformation, such as the transformation of the condensate water system of PM3 unit, the transformation of the energy-saving steam and 1# pulping core system, the addition of rotary drum pulper and the upgrading and transformation of the PM3/PM5 transmission system. The energy-saving transformation of production equipment helps improving efficiency and reducing power consumption, downtime, paper loss rate, etc., and therefore energy consumption is greatly reduced.

Worldwide Recognition of our Effective Control over the Use of Resources

ISO9001 Quality Management System

ISO14001 Environmental Management System

OHSAS18001 Occupational Health and Safety Management Systems

FSC Certification for Supervision Chain on Manufacturing and Marketing

ISO50001 Energy Management System Certification

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

Energy	Unit	2022.4.1–2022.12.31
Total consumption		
Diesel fuel	Litre (L)	258,567.12
Unleaded gasoline	Litre (L)	11,784.00
Coal	Tonne (t)	87,923.08
Electricity (Purchased)	Kilowatt hour (KWh)	88,357,500.00
Water	Cubic metre (m^3)	2,637,872.00
Intensity (Per 10,000 tonnes)[1]		
Diesel fuel	Litre (L)/per 10,000 tonnes	9,454.01
Unleaded gasoline	Litre (L)/per 10,000 tonnes	430.86
Coal	Tonne (t)/per 10,000 tonnes	3,214.74
Electricity (Purchased)	Kilowatt hour (KWh)/per 10,000 tonnes	3,230,621.57
Water	Cubic metre (m^3)/per 10,000 tonnes	96,448.70

1. The intensity calculation method is to divide the amount of exhaust gas, greenhouse gas and other emissions during the Reporting Period by the Group's 9-month paper production of 273,500 tonnes.

During the Reporting Period, the packaging materials used in manufacturing the finished products are shown below:

Packaging materials	Unit	Total consumption (2022.4.1–2022.12.31)	Intensity (Per 10,000 tonnes)[1]
Stretch film	Tonne	28.95	1.06
Kraft liner cover	Slice	231,685.00	8,471.12
Paper roll	Metre	260,134.48	9,511.32
Tape	Roll	18,476.00	675.54
PET steel band	Tonne	13.71	0.50
Multi-layer plywood	Piece	14.00	0.51
Labelling paper	Roll	22.00	0.80
Angle bead	Piece	800.00	29.25
Wax ribbon	Roll	36.00	1.32
Heat shrinkable bag	Set	1,032.00	37.73
Up-and-down membrane	Tonne	4.78	0.17
Double-sided tape	Roll	1,153.00	42.16
Copper plate label	Roll	230.00	8.41
Circle membrane	Tonne	9.54	0.35

1. The intensity calculation method is to divide the amount of exhaust gas, greenhouse gas and other emissions during the Reporting Period by the Group's 9-month production volume of paper of 273,500 tonnes.

■ **Energy Conservation Management**

The Group adheres to the management of high standards of energy conservation and complies with the Energy Conservation Law of the People's Republic of China and the Administrative Measures for Industrial Energy Conservation. The Group has also formulated the Environmental Management System, Hazardous Waste Management System, Emergency Plan for Environmental Emergencies and other relevant management systems, and established an emergency leading group to strengthen energy management effectively and reduce material consumption.

In order to be better than last year's energy and water saving targets and strengthen the management of energy-saving targets, the Group has formulated the Energy Conservation Target Management System, including the establishment of a sound energy-saving management organization, the establishment of energy-saving management positions and energy-saving working mechanism, the preparation of medium and long-term energy-saving plans and annual work plans, as well as the annual evaluation and assessment of the responsibility of energy-saving targets for each department and irregular spot checks. In the meantimes, the Group also actively promotes new energy-saving technologies and new facilities, and regularly carries out energy-saving education to improve employees' awareness of energy conservation. In addition, in order to encourage employees' enthusiasm for energy conservation, the Group vigorously carries out planned energy consumption and energy conservation, seeks to increase production and increase efficiency through energy conservation, and has formulated the Energy Management Reward and Punishment System based on the specific situation of the Group. During the Reporting Period, the Group did not encounter any issue in sourcing water that is fit for purpose.

	Energy Management Measures
Electricity saving	• 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 starting and shutting down of the machines • Use advanced electrical appliances currently suggested by the National Energy Administration of the PRC that can reduce electricity consumption • Increase overall pulp supply capacity of paper machines and core pulp to reduce electricity consumption per ton of paper • The operation mode of the thermal power station was changed from self-provided units to public units to reduce energy consumption and coal consumption • Provide regular training and education to enhance employees' awareness of daily electricity conservation
Steam saving	• Improve the conveying pipelines and production process and reasonably allocate the steam-to-electricity ratio with the self-provided power plant co-generation mechanism • Strengthen the protection, maintenance and heat preservation of conveying pipelines, drying cylinders and related equipment

	Energy Management Measures
Oil saving	• 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 • Ignition technology with using small diameter oil gun is commonly adopted to reduce the amount of oil used for boiler ignition. • Strengthen the management of motor vehicle fuel consumption and repairment and maintenance of in-plant vehicles to eliminate motor vehicles with high fuel consumption • Standardize motor vehicle management, optimize vehicle operating routes, and avoid detour and repeated dumping • Prohibit the use of vehicles for purposes other than dumping and transportation
Water saving	• Management of water-saving plans, formulating water-saving indicator plans every year, and implementing water-saving measures • 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 educating scientific knowledge of water conservation, and raising the awareness of water conservation among all employees

Environment and Natural Resources

Green Corporate Culture

The Group is committed to promoting green sustainable development in order to respond to the global trend of energy conservation and emission reduction. The Group has optimized the environmental management system continuously, formulated systems such as the Energy Management System and the Energy Conservation Target Management System to actively advocate the recycling of resources and conduct continuous recommendation of energy efficiency management. In order to further help achieving the goal of carbon neutrality, the Group has also established a greenhouse gas emission accounting and reporting management system and a greenhouse gas emission accounting and verification team, arranged dedicated greenhouse gas emission accounting personnel, formulated a greenhouse gas emission monitoring plan on an annual basis, conducted greenhouse gas data recording management, and advocated energy use efficiency and emission reduction. The Group persists in incorporating environmental protection into the development of corporate culture, practices the green and low-carbon production office environment, improves employees' awareness of energy conservation goals and responsibilities, and implants green and low-carbon concept into the Company and continues to strive for sustainable development.

Management on Recycling of Resources

Energy Management

The sewage treatment plant is equipped with professional Fenton technology and anaerobic system, CH4 (methane) generated in the course of sewage treatment is sent to the thermal power plant's incinerator for incineration after being pressurised by blowers. The heat value generated is supplied to the thermal power plant for power generation. If the power plant is in normal operation, about 7 tonnes of standard coal can be saved each day.

Water Management

The Group is equipped with a wastewater reuse system. Pulp and paper manufacturing sewage, boiler sewage, domestic sewage and initial rainwater are collected and treated, including production wastewater and domestic sewage. The sewage is collected and being treated in the sewage treatment station of the Company, and the treated wastewater is partially used for pulp manufacturing and other production processes. The water resources can thus be recycled.

Green Working Environment

The Group advocates the use of recycled paper and recycling of waste paper, turning off idle lighting equipment and electrical appliances. In addition, the Group is implementing the national unified computer document processing system by stages, which is expected to substantially reduce the amount of paper for office use. Meanwhile, the Group adopts advanced energy-saving lamps and renovate the lighting system to further reduce electricity and energy consumption.

Climate Change

Climate change is a global issue of high concern. The Group pays close attention to the impact of climate change on its business development and operations, and believes that addressing climate change challenges can not only effectively avoid risks, but also bring more opportunities to enterprises. The Group therefore supports the recommendations of the Task Force on Climate-related Financial Disclosures under the Financial Stability Board and also recognizes the importance of climate-related disclosures.

In order to mitigate the impact of climate change, the Group's management identifies climate-related risks and opportunities that may have a significant impact on the Group's business, and regularly evaluates the potential risks that may be caused by climate change in production and operation, and adopts preventive and contingency measures. The Group implements risk assessment practices to identify and mitigate climate-related risks, including physical risks and transition risks, in accordance with the reporting framework developed by the Task Force on Climate-related Financial Disclosures ("TCFD").

- **Physical Risks**
  Increased frequency and severity of extreme weather events, such as typhoons, rainstorms, storms and extreme cold or hot weather events, may pose acute and chronic physical risks to the Group's business operations. In order to cope with the potential impact of physical risks, the Group has formulated a comprehensive emergency plan. In the event of extreme weather, the power grid or communication infrastructure may be damaged, which may affect logistics interruptions. Therefore, the emergency leading group can immediately activate the emergency response mechanism, establish an emergency material ledger, and reasonably adjust the production plan to ensure the normal operation of raw materials and auxiliary materials transportation and facilities, further reduce the damage of facilities under extreme weather events, and thus improve business stability.

  The Group's self-provided system helps to ensure continuous and stable production and operation, reduce the risk of suspension due to regional power outages, and effectively reduce the direct impact of some climate changes on the Group. At the same time, the Group regularly organizes flood prevention emergency drills for employees to improve their alertness and disaster response capabilities, and ensure the safety of employees.

- **Transition Risks**
  In order to achieve the vision of global carbon neutrality, the Group expects that climate change will lead to the evolution of regulatory, technological and market landscape, such as the preference to shift towards more environmentally friendly operations and the use of renewable and low-carbon technologies, and the government and regulatory authorities may implement more stringent environmental laws, regulations and policies in the future, which may increase compliance costs; therefore, the Group will pay close attention to the changes in relevant domestic and foreign policies and regulations and industry trends and make timely adjustments.

Social

B1 Employment

The Group believes that employee is the Group's most valuable asset and the core of competition advantages. It upholds the corporate culture of "people-oriented" and is committed to providing each employee with diversified training and development opportunities, building a platform for growth, creating a healthy and safe working environment for the employees, safeguarding the interest of the employees and promoting the common development of the Company and employees. The Group has always complied with relevant employment laws and regulations, such as the Labour Law of the People's Republic of China, the Employment Ordinance and the Mandatory Provident Fund Schemes Ordinance of Hong Kong to commit to building a harmonious labour relations. The Group advocates the corporate culture of diversity and inclusiveness and believes that the diversity of employees could bring more benefit to the Group. It respects the principle of "Everyone is equal", strengthens democratic management and strictly abides by the laws related to anti-discrimination, including the Sex Discrimination Ordinance, the Race Discrimination Ordinance, the Disability Discrimination Ordinance, and the Family Status Discrimination Ordinance. All discrimination on gender, ethnic background, religion and colour are prohibited.

The Group is committed to building a diversified and close working team and believes that talents can provide the driving force for continuous innovation. In order to further promote the strategy of strengthening the enterprise with talents, the Group constantly reviews and improves the existing human resources management system. At present, the Group has established a good employee rights supervision and protection system, including human resources policies such as the Employee Handbook, to attract and retain talents. The Group fully protects the rights and interests of employees and continuously improves the employee compensation and benefits system, including the salary assessment system, a sound salary increment system, and a sales commission system. The Group also provides additional subsidies and benefits, and distributes bonuses based on employees' performance and the Group's profits, so that the value of employees' contribution to the Group is more directly reflected. The Group also has a long service award to recognize and thank employees for their long-term contribution to the Group. The Group is committed to providing employees with room of career development and abundant development resources, and becoming the best partner in the process of employee growth.

- ***Caring for Employees***

  The Group actively advocates work-life balance and strives to create an open, true and warm working atmosphere. Meanwhile, we hope to enrich employees' spare time and reflect the Company's care for employees. The Group arranges employees' working hours and leaves on statutory holidays in accordance with local laws, and the production department of the paper manufacturing business implements a three-shift system to allow employees to have sufficient rest time. The Group regularly carries out group-wide or regional cultural, sports and entertainment competitions, organizes employees to travel and play, and holds relevant recreational and sports gala and sports events during holidays, so as to continuously enhance the enthusiasm, sense of belonging and team cohesion among employees, and help them to communicate with and integrate with each other.

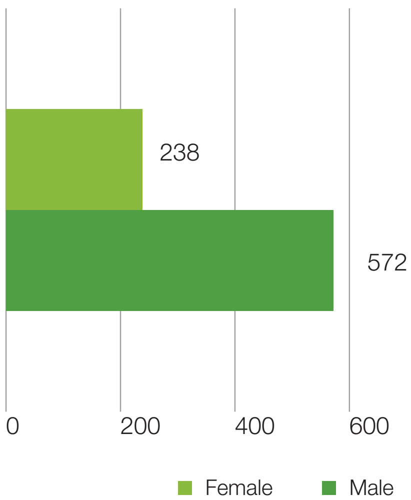
Furthermore, in order to provide employees with a more comfortable working and living environment, the Group not only provides free accommodation for employees living in remote areas, but also arranges free shuttle bus services for employees living in nearby urban areas. It also provides free working meals for employees, which helps improving employees' work efficiency and enhancing corporate culture and their sense of belonging.

In addition, the Group pays attention to the physical and mental development of employees, and has built basketball courts, table tennis and other functional areas in the factory area to provide employees with diversified physical and mental relaxation activities, promote work-life balance, encourage employees to combine work and rest, maintain a healthy attitude, and at the same time promote employees to communicate in their spare time, increase team cohesion, and lay a foundation for the long-term development of individuals and enterprises.

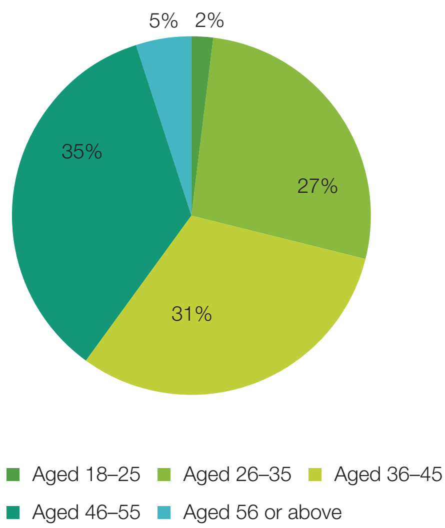
■ ***Data of current and resigned employees***

As of 31 December 2022, the number of full-time employees employed by the Group was 810 employees in total and this Report only disclosed those employees in Mainland China with the category details as follow:

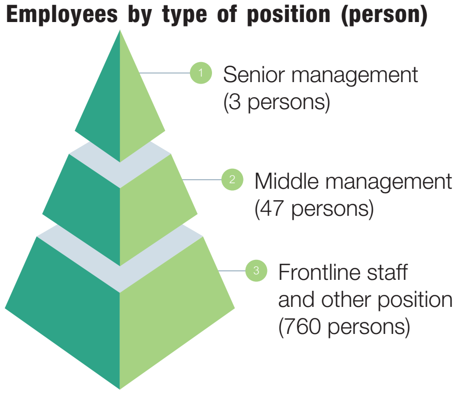
Employees by gender (person)



Employees by age groups (person)

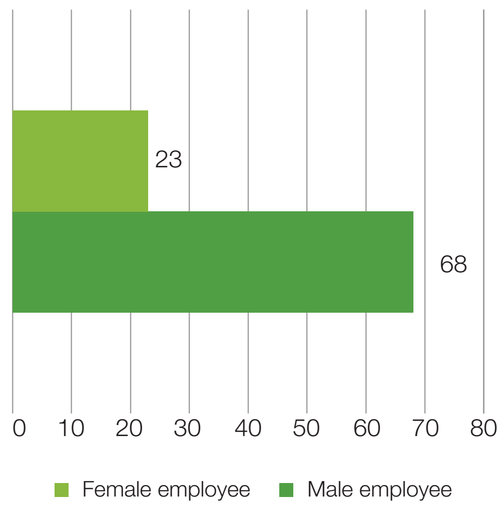


Employees by type of position (person)



The Group respects the personal choice of employees. When an employee resigns, he/she shall go through the resignation procedures in accordance with the law. From 1 April 2022 to 31 December 2022, the data of resigned employees is as follows:

Turnover of employees (by age) (person)



B2 Health and Safety

Adhering to the people-oriented principle, the Group has always attached importance to the health and work safety of its employees, and believes that health and safety is an integral part of its overall business performance. In order to strengthen the supervision and management of safe production and effectively prevent and reduce production safety accidents, the Group has established and improved the safety management system in accordance with national laws and regulations, implemented effective safety management, and continuously strived to improve health and safety performance and culture through systematic improvement measures, training, learning and transparent reporting.

Safety Management Training

In order to strengthen and standardize safety training, improve the safety quality of employees, prevent casualties and reduce occupational hazards, the Group organizes, formulates and implements the Group's safety production education and training programs 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. All employees must receive safety training, be familiar with the relevant production safety rules and regulations and safety operation procedures, possess the necessary production safety knowledge, master the safety operation skills of the position, and enhance the ability to prevent accidents, control occupational hazards and emergency response. At the same time, the Group has also established a sound safety training file to record the training and assessment of employees in detail and accurately.

Safety Management Measures

In order to ensure that employees can work in a safe environment, the Group strictly implements the labour protection system. Employees are required to wear labour protection supplies provided by the Group that meet the job requirements, including earplugs, safety shoes, insulated gloves, etc. High-temperature subsidies and heatstroke prevention drugs are also distributed to employees in need. The environmental safety of the production workshop, including the testing results of on-line noise, dust concentration, high production temperature, etc., are also published in visible places. In addition, ventilation vents and air conditioners are set up in some areas to ensure proper gas exchange. In order to strengthen fire safety management, we conduct regular fire safety inspections, and strengthen maintenance of fire-fighting facilities to ensure that the facilities are in good condition and timely eliminate hidden dangers. The Group strictly conducts occupational health examinations for employees on a regular basis to ensure effective health management of employees.

Safety Production Responsibility System

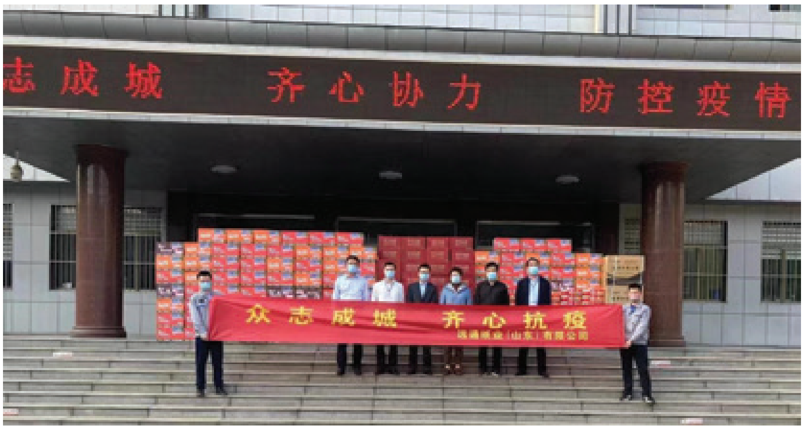
The Group has established a safe production responsibility system in accordance with national laws and regulations. Departments at all levels work together to implement safe production policies and achieve safety management objectives. Adhering to the principle of "production management must be in charge of safety", they are committed to "being responsible to the superior, the employees and themselves", and jointly promote and improve the Company's hierarchical risk control, hidden danger investigation and management, and the construction of a dual prevention system. The Group has established a sound safety management system and set up a safety production committee established by the management of each department to ensure the safety of functional departments, engineering technicians and operators during the production process.

Duties of the Work Safety Committee

- Carry out policies, laws, standards and codes in respect of safe production of the State and local government and the Company's safety production system
- Establish the safe production management system and safety standardisation
- Review and determine the safe production and safety standardization policy, safe production responsibility system and management system, and emergency rescue plan
- Convene the regular meetings of the Work Safety Committee, study and resolve major issues of the enterprise's safe production work
- Study the plans for hidden material accident hazards and environmental pollution problems
- Establish a reward and punishment system for work safety, and review the assessment results of work safety of functional departments and units
- Review and report the accident report and accident investigation report of safety production accidents

■ ***Proactive Response to Novel Coronavirus***

In 2022, the COVID-19 pandemic continued. The Group followed the government's guidelines and responded to the national anti-pandemic direction. The Group strictly implemented pandemic prevention and control measures to care for the health and safety of employees. During the severe period of the pandemic, the Group cooperated with the community to prevent and control the pandemic, and stopped production for more than 80 days. In addition, the Group has set up pandemic control leading group to formulate an effective emergency plan for pandemic prevention and control, to avoid the impact of the pandemic on logistics and transportation, and stored sufficient pandemic prevention materials to reduce the impact of the pandemic on the Group. The Group has paid close attention to the development of the pandemic and remained vigilant, actively evaluated the potential impact of the pandemic on the health and safety of the Group's employees, and improved employees' awareness of pandemic prevention and control; the Group improved the hygiene standard of its operations and ensured the health and safety of the working environment, and also implemented a number of prevention and control measures, including setting up temperature screening checkpoints at the gates and providing sufficient hand sanitizer and pandemic prevention supplies for the office. The Group also visited the pandemic prevention and control personnel during the pandemic prevention and control period to strengthen the nationwide and the Group's determination to fight the pandemic together.



■ ***Establishment of Corporate Safety Culture***

As a result of the Group's emphasis on building a corporate safety culture and proactive efforts to carry out safety cultural exchanges, the paper manufacturing business was named as "A Production Safety Advanced Work Unit in Xuecheng District for 2017" (2017年度薛城區安全生產先進單位) by Xuecheng District Government, and was awarded the title of "Worker Pioneer" (工人先鋒) by Xuecheng District General Union. Our paper manufacturing business has also passed the "OHSAS18001 Occupational Health and Safety Management System" Certification.

As the Group places emphasis on production safety, there was no work-related fatality in each of the past three years including the Reporting Period. During the Reporting Period, the Group had no work-related injury, and thus there was no work days lost due to work-related injury.

B3 Development and Training

The Group is committed to cultivating a talent team, promoting continuous professional development, providing employees with necessary learning and training opportunities to improve their skills and develop their careers, and continuously cultivating and delivering excellent talents for various positions, so that employees can grow together with the Company. In order to build a growth platform and career promotion channels for employees, the Group continuously optimizes the existing human resources management system and provides diversified training and education.

The Group has formulated the Training Management System in accordance with the requirements of laws and regulations, and designed an annual training plan based on the annual performance appraisal of employees and the training requirements and business strategies proposed by various departments, to ensure that the training content is regularly updated and closely follows the changes in laws and regulations, the market and the product trends, and conducted training as planned to meet the training needs of employees. In order to enable new employees to integrate into the workforce as soon as possible, the Group provides pre-employment training to help new employees to understand and master the Company's business objectives, various guidelines, policies, and rules and regulations, and master the work requirements as soon as possible. At the same time, the Group arranges one to two on-the-job training sessions for employees every month. The training contents include fire protection training, 8 categories with 20 innovative measures, big learning training and exam activities, safety training for all employees, and first class training, etc., to improve professional skills and quality, enhance the work quality and efficiency of employees, increase the job skills and safety awareness of employees, let employees create work enthusiasm and team spirit, and build a good working environment and working atmosphere.

In order to continuously promote the improvement of training course resources, training assessment, effectiveness evaluation and feedback survey will also be conducted after the completion of training, which will help the Company to formulate more comprehensive and specific training plans and systematically improve the professional capabilities of employees. In addition to engaging external lecturers to provide training for employees and arranging cross-training among various departments, the Group also actively cultivates experienced employees with long length of service within the Group as internal lecturers to continuously improve the quality of talent training. Meanwhile, employees are assigned to study and communicate externally, thereby broadening employees' horizons and bringing new culture to the Group.

The Group believes that nurturing talents can enhance the personal ability and job satisfaction of employees, which is conducive to the development of employees. Therefore, the Group has established an employee training subsidy scheme to help employees in need. At the same time, in order to motivate employees, priority will be given to internal promotion when there is a job vacancy within the Group. The selection criteria are based on the performance of the candidates rather than their qualifications, creating an external environment of equal competition for employees, and promoting the common progress of employees and the Company. Due to the pandemic during the Reporting Period, the total training hours of the Group increased by approximately 11,000 hours as compared with last year. The paper manufacturing business of the Group has achieved 100% training for all employees. The statistics of average training hours of employees are as follows:

Training and Development Data	**2022.4.1–2022.12.31**
Total duration	14,580.00
Average training hours per employee	18.00
By gender	
Male	10,296.00
Average training hours per male employee	18.00
Female	4,284.00
Average training hours per female employee	18.00
By type	
Senior management	54.00
Average training hours per senior management	18.00
Middle management	846.00
Average training hours per middle management	18.00
Frontline and other employees	13,680.00
Average training hours per frontline and other employee	18.00

B4 Labour Standards

The Group upholds the standard of legal and compliant employment and strictly complies with the Labour Contract Law of the People's Republic of China, the Labour Law of the People's Republic of China, the Employment Ordinance (Chapter 57 of the Laws of Hong Kong) and other applicable employment laws and regulations, and prohibits and resists any form of child labour and forced labour.

With a comprehensive recruitment process and employment procedures, the Group prohibits employment of child labour or forced labour at source. The Group clearly lists the recruitment requirements and job requirements during the recruitment process. Applicants are selected in strict accordance with the principles of fairness, justice and openness, based on their respective functional reviews, and through a combination of tests and interviews to recruit the best, and ensure that all employees work on a voluntary basis. The Group also conducts strict qualification review and background check on the personal information about job applicants to ensure that the applicants have reached the legal age for employment and are qualified for employment, and do not violate the relevant laws and regulations. It resolutely refuses the use of child labour and forced labour. In addition, the Group will enter into labour contracts with all official employees, which must be signed by both employees and the Group as a safeguard against child labour or forced labour.

As of 31 December 2022, the Group has not identified any material non-compliance with relevant laws and regulations in respect of the prevention of child labour or forced labour that would result in material impact to the Group.

B5 Supply Chain Management

In order to ensure the effective management of procurement, the Group has established a comprehensive supplier evaluation system to reduce the environmental and social risks involved in procurement, while controlling procurement costs and improving procurement performance. For ensuring that the purchased products or services meet the requirements of the Group and the relevant environmental and social laws and regulations, the Group has also formulated the Qualified Suppliers List. During the procurement process, the Group has established supplier files for all suppliers that meet the local government policies and environmental protection requirements, and continuously organizes annual evaluation, and regularly reviews whether the suppliers' delivery time, quality, service, production safety and environmental protection meet the standards, so as to reduce the relevant risks brought by suppliers to the Group. In addition, before establishing cooperation with new suppliers, the Group will also conduct strict supplier investigation and collect their relevant legal qualifications, and then include qualified new suppliers into the "Qualified Supplier List", and currently there are over 160 qualified suppliers in the list and all of them locate in the PRC. The Group maintains good relationship and communication with major suppliers to ensure product quality and timely supply.

The procurement control procedure clearly stipulates the responsibilities of the Group's procurement department and other departments. Reasonable and effective procurement management is conducted when purchasing raw materials for production to ensure the normalization and standardization of procurement. After understanding the production capacity, quality system, environmental certification and environmental protection of each supplier, the procurement team will then select the supplier for relevant on-site evaluation and inspection. At the same time, we require the suppliers to provide appropriate samples and assign the technical department to test the samples to ensure that the purchased raw materials are of stable and reliable quality and meet the relevant national production safety and environmental protection standards.

The Group understands that environmental protection is increasingly important to the public. Therefore, when evaluating suppliers, the Group gives priority to suppliers who have quality environmental and occupational health and safety management system or have obtained the third-party quality environmental and occupational health and safety management system certification such as ISO9001/ISO14001/ISO45001, and advocates suppliers to fulfill environmental and social responsibilities, including reducing pollutant generation, protecting the environment, fulfilling social responsibilities, using more clean energy, saving energy and reducing emissions.

B6 Product Responsibility

The Group mainly produces high-grade coated duplex board, kraft cardboard and kraft linerboard with annual production capacity over 400,000 tonnes, and is equipped with thermal power plant and sewage treatment station. The Group promoted the improvement of quality management with the upgrading of concepts, carried out refined management of the whole process, actively introduced scientific management model, vigorously promoted the construction of enterprise standardization, and successfully passed the "ISO9001 Quality Management System" Certification, which helped improving the Company's core competitiveness and giving full play to the fundamental and decision-making role of quality in enterprise development.

- ***Strict Control on Product Quality***

  The Group formulated the Product Monitoring and Measurement Control Procedures in accordance with the Product Quality Law of the People's Republic of China and other laws, regulations and standards on product safety and quality, to ensure that the products meet quality and safety standards. Each production line has dedicated personnel to test the quality of raw materials, semi-finished products and finished products with analysis report based on the test data and relevant standards, and to test whether products contain harmful substances. No sales of products will be allowed once these products fail to comply with the quality standard of the plant. We gave high priority to the product quality by ensuring that product quality is being maintained.

- ***Professional Customer Service Team***

  The Group attaches great importance to service quality, thus formulated the Customer Complaint Handling Process Regulations. A professional after-sales service team will follow up on relevant product issues raised by customers, standardize the problem handling time and follow-up process, and maintain close contact with customers. In case of any customer's concern about product quality, the Group will arrange relevant personnel to travel on site to conduct quality verification, and arrange recall or compensation as appropriate. The responsible departments will regularly review and formulate corrective and preventive measures, and at the same time arrange supervision of corrective and preventive measures. We hope to continuously improve relevant processes to enhance customer satisfaction. In 2022, there were no recalls of products due to health and safety issues or no complaints received against the Group's products and services.

- ***Data Privacy and Intellectual Property Rights Protection***

  The Group is well aware of the concerns of stakeholders on data privacy and understands that it is essential to maintain confidence and prevent customer loss. Therefore, the Group is committed to protecting data privacy and strictly prohibits all leakage of customer privacy to protect corporate interests and strictly comply with relevant laws and regulations. The Group also outlines data privacy requirements and confidentiality obligations in corporate governance, internal control policies, employee handbooks and employee contracts. Employees are required to strictly follow and carefully manage corporate confidential information. Meanwhile, the Group has implemented a number of privacy protection measures, such as setting up restricted access areas and locking up and keeping customer files.

The Group respects intellectual property rights, including design and development of control procedures, to ensure that the developed products and new processes, new raw materials, new technologies and other product improvements can satisfy the customers and meet the regulatory requirements relating to intellectual property laws, trade secrets, confidentiality procedures and contract terms, and also provide legal protection for the intellectual property rights of the Group. During the Reporting Period, our products and services did not involve any violations related to intellectual property rights.

B7 Anti-Corruption

The Group adheres to the core values of honesty and integrity, firmly opposes any form of corruption and bribery, and upholds the business philosophy of maintaining integrity and fairness. Since its establishment, the Group has strictly complied with local laws and regulations, continued to establish a sound and honest internal control management system, strictly implemented the system process, and continuously optimized the management to prevent, control and combat all kinds of fraud.

The Group believes that effective monitoring and supervision can help the prevention and elimination of corruption and other fraudulent practices at source. Therefore, the Group regulates the responsibilities and obligations of departments and responsible personnels in daily operations, strengthens the integrity constraints on management personnel, and improves the alertness of self-integrity and self-discipline of employees. Supervisors are required to provide guidance on business ethics and integrity to their subordinates. They also supervise their business operations, review and conduct spot checks on work processes and transactions to ensure that the process is in compliance with established policies and procedures and to eliminate fraud. If violations are found, they should be reported through appropriate channels for follow-up actions.

In response to the above requirements, the Group has formulated relevant policies and provisions of anti-corruption. In addition to conducting regular daily management and operation reviews and related special reviews, the Group regularly organises anti-corruption education and training for directors and employees at the same time, so as to enhance the management's and employees' awareness on ethics and corruption issues. The procurement, sales and other external functional departments are required to sign an integrity agreement with relevant units to prevent the occurrence of illegal matters, while healthy and close construction of cooperative relations could be assured.

In addition, comprehensive whistleblowing channels have been established for ensuring that all employees report any relevant suspicious matters in a safe, reliable and confidential manner. The Group adopts a multi-control approach to ensure that the internal control system can effectively identify non-compliance incidents and take preventive and prohibiting measures in a timely manner. The Group also regularly reviews relevant policies on combating corrupt practices. The Group has established sound organizational structure and policies for maintaining high standards of corporate governance and maintaining an ethical corporate culture.

For the Reporting Period, the Group had no corruption complaint cases.

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

B8 Community Investment

The Group actively fulfills its social responsibilities and regards public welfare and community services as an important way to create social value. We encourage employees to participate in public welfare and charity activities and carry out diversified volunteer service activities, so as to demonstrate important forces for fulfilling social responsibility and creating social value. The Group attaches great importance to the connection between local communities and its own business operations. In combination with the needs of local communities, the Group is committed to social responsibility. During the Reporting Period, the Group supplied heating to Yizhiyuan Community (藝之源社區) and Pan Long Community (潘龍社區), with coverage of 140,000 square meters, thereby bringing warmth to people's homes and passing love to the community. During the pandemic, the Group also fulfilled its social responsibilities by supporting surrounding villages and towns to carry out pandemic prevention and control work, and donating anti-pandemic supplies such as masks, drinking water and daily necessities to the sub-districts and surrounding villages to assist local communities tide over the difficult times of the pandemic.

In terms of tax payment and taxation, the Group leveraged comprehensive utilisation of resources in a timely manner. During the Reporting Period, the Group obtained tax refund and employment stabilization subsidies, and fulfilled its responsibility to pay taxes for the country.

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

- Advanced Enterprise of Safe Production in Shandong Province
- Advanced Enterprise of Energy Conservation in Shandong Province
- Advanced Collective of Water Diversion from South to North in Shandong Province
- Qualified Enterprise of Clean Production
- Charity and Love Enterprise of Zaozhuang City

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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 83 to 175, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and the consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the nine months then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects on the corresponding figures of the matters described in the Basis of Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the nine months then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance.

Basis of Qualified Opinion

The consolidated financial statements for the year ended 31 March 2022 which form the basis for the comparative figures presented in the consolidated financial statements for the period ended 31 December 2022, included a disclaimer of opinion on the profit and loss and on the cash flows of the Group as the accounting records of certain former subsidiaries of the Group were insufficient or unavailable as explained in the sections "Paper trading segment", "Property development and investment ("PID") segment" and "Others segment" in note 2 "Basis of Preparation" to the consolidated financial statements.

Material Uncertainty Related to Going Concern

As disclosed in note 2 to the consolidated financial statements, as at 31 December 2022, the Group's current liabilities exceeded its current assets by approximately HK$135,406,000. Current portion of the Group's borrowings and amounts due to related parties amounted to approximately HK$78,967,000 and HK$52,255,000 respectively while its cash and cash equivalents amounted to approximately HK$12,898,000. These conditions indicate that material uncertainties exist which may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters we identified are:

Key Audit Matter	How our audit addressed the Key Audit Matter

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

Refer to notes 19 and 21 to the consolidated financial statements.

At 31 December 2022, the Group has PPE of approximately HK$794,996,000 (31 March 2022: HK$873,520,000) and ROU assets of approximately HK$197,916,000 (31 March 2022: HK$222,550,000).

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

The Group sustained a gross loss and net loss with net operating cash outflow during the nine months ended 31 December 2022, which management considered to be an indicator of potential impairment that the carry 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;

— 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 internal valuation specialists, the impairment assessment methodology adopted by management with reference to the requirements of the prevailing accounting standards;

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

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

Key Audit Matter	How our audit addressed the Key Audit Matter

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

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

No impairment loss has been provided during the period.

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

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

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

2. Valuation of inventories

Refer to notes 24 to the consolidated financial statements.

At 31 December 2022, the Group has inventories of approximately HK$238,689,000 (net of allowance for HK$46,259,000) (31 March 2022: HK$352,634,000 (net of allowance for HK$29,395,000).

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 mater.

Our procedures included:

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

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

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

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

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

Other Information

The directors are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Audit Committee for the Consolidated Financial Statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee assists the directors in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

RSM

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Yu Kwok Keung.

RSM Hong Kong
Certified Public Accountants

27 March 2023

Consolidated Statement of Profit or Loss

For the nine months ended 31 December 2022

	Note	For the nine months ended 31 December 2022 HK$'000	For the year ended 31 March 2022 HK$'000
Continuing operations			
Revenue	8	1,044,390	1,229,456
Cost of sales		(1,099,214)	(1,132,386)
Gross (loss)/profit		(54,824)	97,070
Other gains and income, net	9	7,420	14,958
Selling expenses		(1,631)	(2,185)
Administrative expenses		(89,564)	(109,848)
Reversal of/(allowance of) impairment losses of financial assets, net		130	(1,067)
Release of financial guarantee liabilities		—	14,460
Gain on re-consolidation of a deconsolidated subsidiary	37(g)	—	465,899
(Loss)/profit from operations		(138,469)	479,287
Finance costs	11	(12,422)	(7,516)
(Loss)/profit before tax		(150,891)	471,771
Income tax credit	12	16	720
(Loss)/profit for the period/year from continuing operations	13	(150,875)	472,491
Discontinued operations			
Profit for the year from discontinued operations	16	—	2,086,411
(Loss)/profit for the period/year attributable to owners of the Company		(150,875)	2,558,902
(Loss)/earnings per share	18		
From continuing and discontinued operations			
Basic and diluted (HK cents)		(10.7)	747.9
From continuing operations			
Basic and diluted (HK cents)		(10.7)	138.1

Consolidated Statement of Comprehensive Income

For the nine months ended 31 December 2022

	For the nine months ended 31 December 2022 HK$'000	For the year ended 31 March 2022 HK$'000
(Loss)/profit for the period/year	(150,875)	2,558,902
Items that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	(42,191)	138,675
Exchange reserves reclassified to profit or loss on disposal and deconsolidation of subsidiaries	—	(163,957)
Other comprehensive income for the period/year, net of tax	(42,191)	(25,282)
Total comprehensive income for the period/year attributable to owners of the Company	(193,066)	2,533,620

Consolidated Statement of Financial Position

As at 31 December 2022

	Note	As at 31 December 2022 HK$'000	As at 31 March 2022 HK$'000
Non-current assets			
Property, plant and equipment	19	794,996	873,520
Investment properties	20	—	—
Right-of-use assets	21	197,916	222,550
Other intangible assets	22	171	187
		993,083	1,096,257
Current assets			
Properties under development	23	—	—
Inventories	24	238,689	352,634
Accounts and other receivables and prepayments	25	59,172	122,636
Amounts due from related parties	29	13,167	—
Bank and cash balances	26	12,898	5,274
		323,926	480,544
Total assets		1,317,009	1,576,801
Current liabilities			
Accounts and other payables	27	326,336	334,563
Contract liabilities	28	1,595	37,035
Amounts due to related parties	29	52,255	122,778
Amount due to ultimate holding company	29	179	179
Provision	30	—	19,732
Borrowings	31	78,967	314,976
		459,332	829,263
Net current liabilities		(135,406)	(348,719)
Total assets less current liabilities		857,677	747,538

Consolidated Statement of Financial Position

As at 31 December 2022

	Note	As at 31 December 2022 HK$'000	As at 31 March 2022 HK$'000
Non-current liabilities			
Accounts and other payables	27	129,398	212,410
Amounts due to related parties	29	2,589	4,246
Borrowings	31	390,323	—
Deferred tax liabilities	32	19,578	22,027
		541,888	238,683
NET ASSETS		315,789	508,855
Equity			
Share capital	33	70,730	70,730
Reserves	35	245,059	438,125
TOTAL EQUITY		315,789	508,855

Approved by the Board of Directors on 27 March 2023 and are signed on its behalf by:

Mr. SHI Yaofeng **Mr. HUANG Tiansheng**

Consolidated Statement of Changes in Equity

For the nine months ended 31 December 2022

	Note	Attributable to owners of the Company										
		Share capital	Share premium HK$'000	Asset revaluation reserve HK$'000	Contributed surplus HK$'000 (note 35 (b)(iv))	Capital reserve HK$'000 (note 35 (b)(i))	Exchange reserve HK$'000 (note 35 (b)(ii))	Statutory reserve HK$'000 (note 35 (b)(iii))	Retained earnings/ (Accumulated losses) HK$'000	Total HK$'000	Non-controlling interests HK$'000	(Capital deficiency)/ total equity HK$'000
At 1 April 2021		127,315	161,262	8,922	–	201,994	37,841	12,395	(2,730,328)	(2,180,599)	2,405	(2,178,194)
Total comprehensive income for year		–	–	–	–	–	(25,282)	–	2,558,902	2,533,620	–	2,533,620
Deconsolidation/deregistration of subsidiaries		–	–	(8,922)	–	(201,994)	–	(12,395)	223,311	–	(2,405)	(2,405)
Capital Reduction	35(d)	(108,403)	–	–	–	108,403	–	–	–	–	–	–
Share Premium Cancellation	34(b)(i)	–	(161,262)	–	161,262	–	–	–	–	–	–	–
Conversion of preference shares	35(e)	(12,546)	12,546	–	–	–	–	–	–	–	–	–
Subscription	35(f)	49,511	70,361	–	–	–	–	–	–	119,872	–	119,872
Placement	35(g)	2,829	4,021	–	–	–	–	–	–	6,850	–	6,850
Issue of shares	35(h)	12,024	17,088	–	–	–	–	–	–	29,112	–	29,112
Change in equity for the year		(56,585)	(57,246)	(8,922)	161,262	(93,591)	(25,282)	(12,395)	2,782,213	2,689,454	(2,405)	2,687,049
At 31 March 2022		70,730	104,016	–	161,262	108,403	12,559	–	51,885	508,855	–	508,855
At 1 April 2022		70,730	104,016	–	161,262	108,403	12,559	–	51,885	508,855	–	508,855
Total comprehensive income for period		–	–	–	–	–	(42,191)	–	(150,875)	(193,066)	–	(193,066)
Change in equity for the period		–	–	–	–	–	(42,191)	–	(150,875)	(193,066)	–	(193,066)
At 31 December 2022		70,730	104,016	–	161,262	108,403	(29,632)	–	(98,990)	315,789	–	315,789

Consolidated Statement of Cash Flows

For the nine months ended 31 December 2022

	For the nine months ended 31 December 2022 HK$'000	For the year ended 31 March 2022 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/profit before tax		
Continuing operations	(150,891)	471,771
Discontinued operations	—	2,086,419
	(150,891)	2,558,190
Adjustments for:		
Depreciation of property, plant and equipment	45,207	43,276
Depreciation of right-of-use assets	5,597	12,016
Amortisation of intangible assets	32	28
Loss/(gain) on disposal/written-off of property, plant and equipment	15	(1,138)
(Reversal of)/Allowance of impairment losses of financial assets, net	(130)	117,679
Provision/(reversal) for impairment losses on inventories	16,864	(4,920)
Finance costs	12,422	7,610
Interest income	(579)	(432)
Release of financial guarantee liabilities	—	(14,460)
Gain on re-consolidation of a deconsolidated subsidiary	—	(465,899)
Gain on disposal/deconsolidation/deregistration of subsidiaries	—	(2,286,095)
Operating loss before working capital changes	(71,463)	(34,145)
Decrease/(increase) in inventories	96,482	(334,323)
Decrease/(increase) in accounts and other receivables	63,937	(82,127)
Decrease in accounts and other payables	(91,239)	(180,152)
Decrease in provision	(19,732)	—
(Decrease)/increase in contract liabilities	(35,440)	37,035
Cash used in operations	(57,455)	(593,712)
Income taxes paid	(562)	—
Interest on lease liabilities	—	(94)
Net cash used in operating activities	(58,017)	(593,806)

	Note	For the nine months ended 31 December 2022 HK$'000	For the year ended 31 March 2022 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(41,120)	(58,318)
Purchase of intangible assets		(32)	—
Proceeds from disposal of property, plant and equipment		—	16,224
Proceeds from disposal of financial assets at FVTOCI		—	1,831
Re-consolidation of a deconsolidated subsidiary	37(g)	—	1,566
Disposal/deconsolidation/deregistration of subsidiaries	37	—	(178,508)
Interest received		579	432
Net cash used in investing activities		(40,573)	(216,773)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment to related parties		(85,347)	—
Other borrowings raised		109,719	424,637
Bank borrowings raised		80,004	—
Repayment of other borrowings		—	(121,325)
Principal elements of lease payment		—	(3,240)
Increase in amount due to ultimate holding company		—	179
Increase in amounts due to related parties		—	126,064
Issue of shares		—	126,722
Interest paid		(12,422)	—
Net cash generated from financing activities		91,954	553,037
NET DECREASE IN CASH AND CASH EQUIVALENTS		(6,636)	(257,542)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD/YEAR		5,274	195,066
EFFECT OF CHANGES IN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS		14,260	67,750
CASH AND CASH EQUIVALENTS AT END OF PERIOD/YEAR		12,898	5,274
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Bank and cash balances		12,898	5,274

1. General Information

The Company was incorporated in Bermuda with limited liability. The address of its registered office is Victoria Place, 31 Victoria Street, Hamilton HM10, Bermuda. The address of its principal place of business is Room 2306B & 2307, 23/F, 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 39 of the consolidated financial statements.

In the opinion of the directors of the Company (the "Directors"), NCD Investment Holding Limited ("NCD"), a company incorporated in the British Virgin Islands, is the ultimate parent.

2. Basis of Preparation

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

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

Change of financial year end date

Pursuant to a resolution of the Board dated 30 June 2022, the Company's financial year end date has been changed from 31 March to 31 December commencing from the financial period from 1 April 2022 to 31 December 2022 in order to be in line with the financial year end date of its controlling shareholder of the Company. Accordingly, the comparative figures presented for the audited consolidated statement of profit or loss, audited consolidated statement of comprehensive income, audited consolidated statement of change in equity, audited consolidated statement of cash flows and related notes cover the audited figures of the financial year from 1 April 2021 to 31 March 2022 which may not be comparable with the amounts shown for the current period.

2. Basis of Preparation (continued)

Going Concern

As at 31 December 2022, the Group's current liabilities exceeded its current assets by approximately HK$135,406,000. Current portion of the Group's bank borrowings and amounts due to related parties amounted to approximately HK$78,967,000 and HK$52,255,000 respectively while its cash and cash equivalents amounted to approximately HK$12,898,000. These conditions indicate that material uncertainties exist which may cast significant doubt on the Group's ability to continue as a going concern and therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Group's ability to continue as a going concern largely depends on the sufficiency of financial resources available to the Group. The Directors are of the view 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 2022, based on the following considerations:

- The Directors expect the Group to be profitable and to generate operating cash inflows from its future business operations;

- As at 31 December 2022, the Group has drawn down bank borrowings of approximately HK$78,967,000 (equivalent to RMB70,000,000) and has undrawn loan facilities of approximately HK$33,843,000 (equivalent to RMB30,000,000). The Directors are of the opinion that the Group will be able to renew its existing bank borrowings and utilise the undrawn loan facilities in 2023 if needed;

- In January 2023, the Group has obtained approximately HK$56,405,000 (equivalent to RMB$50,000,000) borrowings from Shandong Bairun Paper Co. Ltd. ("Shandong Bairun"), which is under the common control of the shareholders of NCD, being a controlling shareholder of the Company. The borrowings shall be repayable within eighteen months from the date of the borrowings (i.e. July 2024), which have subsequently been extended, details of which are as discussed below;

- On 23 March 2023, Universal Pulp & Paper (Shandon) Co., Ltd ("UPPSD") (遠通紙業(山東)有限公司), has entered into extension agreements with Shandong Bairun to extend the borrowings in the amounts of approximately HK$282,025,000, HK$108,298,000 and HK$56,405,000 (equivalent to RMB250,000,000, RMB96,000,000 and RMB50,000,000 respectively) to 31 January 2025; and

- An undertaking has been provided by NCD, that NCD will first procure Shandong Bairun to further extend the term of the loan of approximately HK$282,025,000 (equivalent to RMB250,000,000), if considered insufficient, NCD will provide further loans required for the operation of UPPSD, until other bank financing becomes available.

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.

2. Basis of Preparation (continued)

Listing status of the Company

By way of letters dated 21 July 2020, 26 November 2020 and 11 June 2021, the Stock Exchange imposed the following resumption guidance (the "Resumption Guidance") for the Company:

1. Address all audit issues raised by the former auditors (the "Audit Issues");

2. Conduct an appropriate independent investigation into the Audit Issues, announce the findings and take appropriate remedial actions;

3. Publish all outstanding financial results required under the Listing Rules and address any audit modifications;

4. Have the winding-up petition (or winding-up order, if made) against the Company withdrawn or dismissed;

5. Announce all material information for the Company's shareholders and investors to appraise the Company's position;

6. Demonstrate its compliance with Rule 13.24 of the Listing Rules;

7. Conduct an independent internal control review and demonstrate adequate internal control systems being put in place to meet the obligations under the Listing Rules; and

8. Re-comply with Rules 3.05, 3.10(1), 3.21 and 3.25 of the Listing Rules.

For details, please refer to the announcement made by the Company dated 23 July 2020, 27 November 2020, 18 June 2021 and 25 January 2022.

Under Rule 6.01A(1) of the Listing Rules, the Stock Exchange may cancel the listing of any securities that have been suspended from trading for a continuous period of 18 months. In the case of the Company, the 18-month period expires on 1 January 2022 (the "Delisting Deadline"). If the Company fails to remedy the issue(s) causing its trading suspension, fully comply with the Listing Rules to the Stock Exchange's satisfaction and resume trading in its shares by 1 January 2022, the Listing Division would have recommend the Listing Committee to proceed with the cancellation of the Company's listing. Under Rules 6.01 and 6.10 of the Listing Rules, the Stock Exchange also has the right to impose a shorter specific remedial period, where appropriate.

The Group has fulfilled the Resumption Guidance imposed by the Stock Exchange on 26 January 2022. Trading in the Shares on the Stock Exchange resumed on the same date.

For details, please refer to the announcement made by the Company dated 26 January 2022.

2. Basis of Preparation (continued)

Restructuring of the Group

On 13 April 2021, the Company, Lai Kar Yan (Derek) and Ho Kwok Leung (Glen), both of Deloitte Touche Tohmatsu, and Rachelle Ann Frisby of Deloitte Ltd. (collectively, the "JPLs"), Xiamen C&D Paper & Pulp Co., Ltd.* ("Xiamen C&D Paper") and Zhejiang Xinshengda Holding Group Co., Ltd.* ("Zhejiang Xinshengda") entered into the term sheet in relation to the restructuring of the Group ("Term Sheet"). For details, please refer to the announcement made by the Company dated 13 April 2021.

On 30 July 2021, the Company, the JPLs, Xiamen C&D Paper, Zhejiang Xinshengda, NCD (the "Investor") (a company incorporated in the British Virgin Islands owned by Xiamen C&D Paper as to 55% and Zhejiang Xinshengda as to 45%) and Shandong Bairun (background of which is set out in the paragraphs under the section headed "UPPSD Bankruptcy Reorganisation" below) entered into a restructuring agreement (as amended by a supplemental restructuring agreement dated 22 November 2021) (the "Restructuring Agreement") in relation to the restructuring of the Group (the "Proposed Restructuring") involving, inter alia, (i) the Capital Reorganisation; (ii) the Subscription; (iii) the Group Reorganisation; (iv) the Placement; (v) the ListCo Scheme; (vi) the UPPSD Bankruptcy Reorganisation; and (vii) the Resumption.

Details of the Restructuring Agreement were announced in an announcement of the Company dated 22 November 2021.

(1) Capital Reorganisation

The Board proposes to implement, subject to the approval by the shareholders, the capital reorganisation (the "Capital Reorganisation"), which comprises of:

(a) the reduction of the issued capital of the Company by cancelling the paid up capital to the extent of HK$0.095 on each of the issued ordinary shares in the issued capital of the Company before the Capital Reorganisation becoming effective (the "Existing Shares") such that the par value of each of the Existing Shares shall be reduced from HK$0.10 to HK$0.005 (the "Capital Reduction");

(b) the cancellation of the authorised but unissued ordinary share capital of the Company in its entirety upon the Capital Reduction becoming effective (the "Authorised Share Capital Diminution");

(c) the cancellation of entire amount standing to the credit of the share premium account of the Company (the "Share Premium Cancellation") of approximately HK$161,000,000, being the aggregate amount subscribed for the Existing Shares in excess of such Existing Shares' par value at that time, and credit the amount cancelled to the contributed surplus reserve account of the Company;

(d) the consolidation of every ten issued and unissued shares of HK$0.005 each into one new ordinary share of the Company of HK$0.05 (the "New Shares") upon the Capital Reduction, the Authorised Share Capital Diminution and the Share Premium Cancellation becoming effective (the "Share Consolidation"); and

(e) the increase in authorised share capital — upon the Capital Reduction, the Authorised Share Capital Diminution, the Share Premium Cancellation and the Share Consolidation becoming effective, the Company's authorised ordinary share capital increased from approximately HK$5,710,000 divided into 114,107,582 New Shares of HK$0.05 each to HK$100,000,000 divided into 2,000,000,000 New Shares of HK$0.05 each.

2. Basis of Preparation (continued)

Restructuring of the Group (continued)

(2) Subscription

The Company issued and alloted, and the Investor subscribed for 990,220,583 New Shares (the "Subscription Shares"), representing 70% of the enlarged ordinary share capital of the Company upon the completion of the Capital Reorganisation and the issue and allotment of the Subscription Shares, Creditors' Shares (as defined below) and Placement Shares (as defined below) and assuming all issued preference shares of the Company have been converted into ordinary shares of the Company, at the subscription price of HK$0.121056 per share (the "Subscription Price") for a total consideration of HK$119,872,142 (the "Subscription Proceeds"). The Subscription Proceeds were used for settling the costs and expenses for implementing the Restructuring and discharging debts of the Company under the ListCo Scheme.

(3) Group Reorganisation

Pursuant to the Restructuring Agreement, the group reorganisation (the "Group Reorganisation") involve:

(a) the incorporation of Greater Paper Development Limited ("SPV1"), a company incorporated in Hong Kong with limited liability, owned as to 100% by the Company;

(b) the incorporation of Greater Paper (Shenzhen) Paper Limited ("SPV2"), a company incorporated in the People's Republic of China (the "PRC") with limited liability and owned as to 100% by SPV1;

(c) SPV2 becoming the sole registered shareholder of UPPSD through the UPPSD Bankruptcy Reorganisation;

(d) upon the completion of all the transactions under the Restructuring Agreement (the "Closing"), to effectuate the transfer of the subsidiaries of the Group other than SPV1, SPV2 and UPPSD (the "Excluded Subsidiaries") to the SchemeCo (as defined below) for the benefit of Scheme Creditors (as defined below) pursuant to the terms of the ListCo Scheme by transferring the entire equity interests of Samson Paper (BVI) Ltd (being the holding company of the Excluded Subsidiaries and a directly wholly-owned subsidiary of the Company) held by the Company to the SchemeCo at a nominal consideration of HK$1.0. The Retained Group comprised of the Company, SPV1, SPV2 and UPPSD and has been principally engaged in manufacturing of paper product;

(e) provision of a loan not less than RMB80,000,000 by Shandong Bairun to SPV2 which was used in the daily business operations of UPPSD (which formed part of the loan of not less than RMB250,000,000 to be provided by Shandong Bairun to SPV2 under the UPPSD Bankruptcy Reorganisation, the remaining RMB170,000,000 of which was used for the first instalment payment under the UPPSD Bankruptcy Reorganisation plan);

(f) the completion of the implementation of the UPPSD Bankruptcy Reorganisation plan; and

(g) the above-mentioned loan was secured by charge over the shares of SPV1, SPV2 and UPPSD and the appropriate assets of UPPSD created in favour of the Investor or Shandong Bairun (as the case may be) by way of a first priority fixed charge, which have been discharged upon the completion of the Group Reorganisation.

2. Basis of Preparation (continued)

Restructuring of the Group (continued)

(4) Placement

Pursuant to the Restructuring Agreement, the Company entered into a placing agreement with the Investor and a placing agent (the "Placing Agent for Placement"), pursuant to which the Placing Agent for Placement undertook to place, on fully underwritten basis, 56,584,032 placement shares (the "Placement Shares") to no less than six placees at HK$0.121056 per Placement Share (the "Placement").

The gross proceeds from the Placement was approximately HK$6,849,837, and was used for discharging debts of the Company under the ListCo Scheme.

(5) ListCo scheme

The Company restructured its indebtedness by ListCo Scheme under Hong Kong Law involving:

(a) upon the ListCo Scheme become effective, the scheme administrators incorporated a special purpose vehicle (the "SchemeCo") to hold and realise assets of the SchemeCo for distribution to the creditors of the Company with unsecured claims admitted by the scheme administrators in accordance with the terms of the ListCo Scheme (the "Scheme Creditors") and settle the costs and expenses arising from the implementation of the ListCo Scheme in accordance with the terms of the ListCo Scheme;

(b) all the claims against the Company was fully and finally discharged under ListCo Scheme by way of the SchemeCo accepting and assuming an equivalent liability in place of the Company in respect of the claims of the creditors of the Company. In return, the Scheme Creditors were entitled to receive dividends from the realisation of the assets of the SchemeCo pursuant to the ListCo Scheme in full and final settlement of their claims against the SchemeCo;

(c) the assets of the SchemeCo to be realised for the benefit of the Scheme Creditors included:

(i) the remaining balance of the gross Subscription Proceeds of approximately HK$119,872,142 after deducting the costs of implementing the Restructuring;

(ii) 240,482,142 New Shares to be issued and allotted by the Company to the SchemeCo (the "Creditors' Shares") for the benefit of the Scheme Creditors, representing approximately 17% of the issued ordinary share capital of the Company after the completion of the Capital Reorganisation and as enlarged by the issue and allotment of the Subscription Shares, Placement Shares and Creditors' Shares and assuming all preference shares have been converted, subject to the right to dispose the Creditors' Shares as detailed in paragraph (viii) below;

(iii) gross proceeds from the Placement of approximately HK$6,849,837;

(iv) the shares and/other assets of the Excluded Subsidiaries;

(v) the inter-company account receivables due from the Excluded Subsidiaries to the Retained Group in the amount of approximately HK$300 million;

2. Basis of Preparation (continued)

Restructuring of the Group (continued)

(5) ListCo scheme (continued)

(c) the assets of the SchemeCo to be realised for the benefit of the Scheme Creditors included: (continued)

(vi) the cash, bank deposits and account receivables of the Company as at the effective date of the ListCo Scheme (apart from the account receivables due from the Retained Group);

(vii) all claims or litigations and all potential claims or litigation rights against third parties raised by the Retained Group (to the extent transferrable under the applicable law and approved by the relevant party);

(viii) a right to the SchemeCo exercisable by the scheme administrators in their absolute discretion (for the benefit of the Scheme Creditors other than the Scheme Creditors who elected to hold the Creditors' Shares in their own names or through CCASS) to dispose the Creditors' Shares on behalf of the relevant Scheme Creditors, either (i) in the open market at the market price; or (ii) instructing a placing agent (the "Placing Agent for Placing Out") at one or more times during the 12 months from the Closing to place such number of the Creditors' Shares to independent placees at price(s) procured by the Placing Agent for Placing Out on a best effort basis (the "Placing Price for Placing Out") and, given the guarantee by the Investor (the "Price Protection") to pay the shortfall between the Placing Price for Placing Out and the issue price of the Creditors' Shares (i.e. HK$0.121056 per share) should the Placing Price for Placing Out be lower than the issue price of the Creditors' Shares, to realise such Creditors' Shares at a price not less than the issue price of the Creditors' Shares, thereby offering a certain minimum realisation from the Creditors' Shares in exchange for the relevant Scheme Creditors releasing their admitted claims against the Company.

On 30 September 2021, the Company held a meeting of the creditors of the Company (the "Scheme Meeting") pursuant to the order dated 1 September 2021 granted by the Hong Kong Court. The resolution to approve the ListCo Scheme was duly passed. Subsequently, the ListCo Scheme was sanctioned by the Hong Kong Court on 28 October 2021.

(6) UPPSD bankruptcy reorganisation

Upon completion of the Restructuring, the Retained Group shall continue to be engaged in paper manufacturing business conducted through UPPSD.

As set out in the Company's announcement dated 22 November 2021, due to the then liquidity shortage of the Group and the eventual suspension of production of UPPSD in late September 2020, in order to provide and ring-fence working capital to resume UPPSD's operation so as to preserve its operational value, UPPSD, Xiamen C&D Paper and Shandong Herun Holding Group Co., Ltd.* ("Shandong Herun") (a PRC company wholly owned by Mr. Li Shengfeng, the majority ultimate beneficial owner of Zhejiang Xinshengda) entered into the an agreement dated 24 October 2020 (the "Entrusted Operation Agreement"), pursuant to which, Xiamen C&D Paper and Shandong Herun formed their joint venture Shandong Bairun (owned by Xiamen C&D Paper as to 55% and owned by Shandong Herun as at 45%) in November 2020 to operate the paper manufacturing facility of UPPSD (the "Entrusted Assets") on an entrusted basis (the "Entrusted Operation").

2. Basis of Preparation (continued)

Restructuring of the Group (continued)

(6) UPPSD bankruptcy reorganisation (continued)

The resumption of manufacturing operations of UPPSD was funded by Shandong Bairun on the bases that UPPSD was paid/reimbursed the costs of its staff and Shandong Bairun would pay all operating expenses (including raw material and maintenance costs). Shandong Bairun would not, however, bear liabilities (trade or otherwise) that arose prior to the commencement of the Entrusted Operation. Shandong Bairun would not be entitled to any increase in value of the Entrusted Assets and the operations of UPPSD. Also, Shandong Bairun would not bear any risk of deterioration in value of the Entrusted Assets and risks of seizure of the Entrusted Assets (e.g. Shandong Bairun could terminate the Entrusted Operation Agreement if major assets of UPPSD were under bankruptcy proceedings or enforcement action such that it became impractical for Xiamen C&D Paper, Shandong Herun and Shandong Bairun to continue production in accordance to the terms of the Entrusted Operation Agreement).

The Company/UPPSD also retained control over UPPSD/the Entrusted Assets, including but not limited to selling assets of and/or interests in UPPSD and rights to reject any proposed addition/upgrade to the Entrusted Assets.

In view of the above, the Company is of the view that there is no impact on the accounting treatment of UPPSD in the Company's consolidated financial statements after entering into the Entrusted Operation Agreement.

On 23 December 2020, UPPSD received the notice from the People's Court of Xuecheng District, Zaozhuang City, Shandong Province (the "Shandong Court"), informing that a creditor of UPPSD had filed a bankruptcy application against UPPSD (the "UPPSD Bankruptcy Application"). Despite the objection filed by UPPSD to the Shandong Court, UPPSD received a civil judgement issued by the Shandong Court, advising that the UPPSD Bankruptcy Application was accepted and that a bankruptcy administrator (the "UPPSD Bankruptcy Administrator") was appointed on 30 December 2020. UPPSD Bankruptcy Administrator had taken custody of UPPSD's assets and company seal in accordance to the relevant rules and regulations. Accordingly, the Company lost control over UPPSD and financial results and position of UPPSD were deconsolidated from the Group with effect from 31 December 2020 in accordance with the requirements of HKFRS 10 Consolidated Financial Statements.

Following the execution of the Term Sheet, UPPSD submitted an application to the Shandong Court and the UPPSD Bankruptcy Administrator to seek for a conversion of the bankruptcy proceedings of UPPSD into a bankruptcy reorganisation, which was approved by the Shandong Court with effect from 20 April 2021.

On 29 July 2021, the UPPSD Bankruptcy Administrator convened the second meeting of creditors of UPPSD for the purpose of considering and approving the UPPSD Bankruptcy Reorganisation plan as summarised below:

(a) UPPSD shall become a wholly-owned subsidiary of the Company (through SPV1 and SPV2) through the UPPSD Bankruptcy Reorganisation;

(b) settlement of four creditors' priority claims with an aggregate amount of RMB4,960,533.58 in one lump sum payment by cash in priority to other creditors with unsecured claims, with their unsecured claims totalling RMB1,084,101,760.80 settled in the method as provided in (d), (e) and (f) below;

(c) settlement of two creditors' verified tax claims with an aggregate amount of RMB48,333,787.65 in one lump sum payment by cash;

2. Basis of Preparation (continued)

Restructuring of the Group (continued)

(6) UPPSD bankruptcy reorganisation (continued)

(d) settlement of each creditor's unsecured claims with principal amount of RMB200,000 (inclusive) or below in full by way of cash;

(e) 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;

(f) the settlement of the inter-company debts due by UPPSD to the Excluded Subsidiaries in the total sum of RMB741,989,908.38 as recognised by the UPPSD Bankruptcy Administrator in one lump sum payment of RMB50,000,000;

(g) upon the completion of UPPSD Bankruptcy Reorganisation, UPPSD shall forfeit its all accounts receivables, prepayments and other receivables due by the Group to UPPSD, which amounted to RMB156,943,268.36 based on the liquidation audit on UPPSD commissioned by the UPPSD Bankruptcy Administrator; and

(h) termination of the Entrusted Operation Agreement.

The UPPSD Bankruptcy Reorganisation was approved by its creditors and the Shandong Court on 29 July 2021 and 31 July 2021 respectively and the UPPSD Bankruptcy Administrator was discharged with effect from 1 August 2021. The Entrusted Operation Agreement has also been terminated with effect from 1 August 2021 and UPPSD resumed its self-operation. Financial results and position of UPPSD were consolidated into those of the Group in accordance with the requirements of HKFRS 10 Consolidated Financial Statements with effect from 1 August 2021.

On 11 October 2021, following the first instalment payment by UPPSD in accordance to the UPPSD Bankruptcy Reorganisation plan, the Shandong Court handed down a judgment confirming that the UPPSD Bankruptcy Reorganisation has been successfully implemented and ordered the termination of the UPPSD's bankruptcy reorganisation proceedings.

(7) Resumption

To satisfy the Resumption Guidance as imposed by the Stock Exchange before the Delisting Deadline, the details of which are set out in the preceding paragraph.

The Restructuring was completed upon taking effect of the ListCo Scheme and the withdrawal of the Petition. Completion of the Capital Reorganisation, the Subscription, the Group Reorganisation, the Placement, and the taking effect of the ListCo Scheme all took place on 26 January 2022. Accordingly, on 26 January 2022, the Company simultaneously issued to (i) the Investor the Subscription Shares, (ii) the Placees the Placement Shares; and (iii) the SchemeCo the Creditors' Shares.

For details, please refer to the announcement made by the Company dated 26 January 2022.

2. Basis of Preparation (continued)

Basis of consolidation
The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the nine months ended 31 December 2022. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

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

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

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

Paper trading segment
The Group's paper trading business was primarily carried out by Samson Paper Company Limited ("SMHK") (an indirectly wholly-owned subsidiary of the Company incorporated in Hong Kong) and its subsidiaries; Samson Paper (China) Company Limited ("SMC") (an indirectly wholly-owned subsidiary of the Company incorporated in the Hong Kong) and its subsidiaries in the PRC (the "PRC Paper Trading Subsidiaries") and indirectly wholly-owned subsidiaries of the Company incorporated in the South East Asia (e.g. Malaysia).

The paper trading business of the Group was most severely and immediately impacted by the withdrawal of banking facilities and acceleration of repayment obligations by certain creditors of the Group as a result of the suspension of trading in shares of the Company with effect from 2 July 2020, in particular, it was unable to make new purchases for maintaining normal trading operations. Some employees of the paper trading segment left the Group in light of the disruptions and uncertainty surrounding the Group's operation. The Board and the JPLs decided to wind down or dispose the paper trading business in view of its substantial working capital requirement and the Group's then liquidity position and its vulnerability against business interruption.

2. Basis of Preparation (continued)

Paper trading segment (continued)

SMHK was the principal borrower of the Group with most of its indebtedness being guaranteed by the Company. Some of the SMHK's creditors had issued proceedings in the Hong Kong court against SMHK. On 10 August 2020, SMHK received a demand letter from a supplier demanding an immediate payment of approximately US$355,000 and HK$623,586,000.

With a view to protecting interests of all unsecured creditors of SMHK and to maintain the prospect of an holistic approach to the restructuring of the Company's indebtedness, the sole shareholder of SMHK passed a special resolution on 14 August 2020 to put SMHK into creditors' voluntary liquidation because it could not, by reason of its liabilities, continue in business. Messrs. Lai Kar Yan (Derek) and Ho Kwok Leung, Glen of Deloitte Touche Tohmatsu were appointed as the joint and several liquidators of SMHK (the "SMHK Liquidators") and their appointment was subsequently confirmed at a creditors' meeting on 25 August 2020. Upon the commencement of its liquidation, SMHK laid off all remaining employees with immediate effect but re-employed a small number of sales personnel on a short-term basis to facilitate the collection of accounts receivable.

Similarly, the PRC Paper Trading Subsidiaries had been wound down since September 2020. Most staff were made redundant and a limited number of staff were re-employed on a short-term basis to assist with the winding down. Following the cessation of business of the PRC Paper Trading Subsidiaries, SMC was put into creditors' voluntary liquidation on 30 June 2021. Messrs. Lai Kar Yan (Derek), Ho Kwok Leung, Glen and Kam Chung Hang (Forrest) of Deloitte Touche Tohmatsu were appointed as the joint and several liquidators of SMC (the "SMC Liquidators") and their appointment was confirmed at a creditors' meeting on 9 July 2021.

Upon appointment of the SMHK Liquidators and the SMC Liquidators, the Group lost control over SMHK and SMC. SMHK and its subsidiaries (the "Deconsolidated Group A") and SMC and its subsidiaries (the "De-consolidated Group B") were therefore deconsolidated from the consolidated financial statements of the Group with effect from 15 August 2020 and 1 July 2021 respectively in accordance with the requirements of HKFRS 10 Consolidation Financial Statements.

The SMHK Liquidators, SMC Liquidators and the Directors of the Company had taken all reasonable steps to preserve and maintain the books and records of the De-consolidated Group A and De-consolidated Group B respectively that were left behind by the former management and accounting departments of the De-consolidated Group A and De-consolidated Group B, including but not limited to management accounts, ledgers and sub-ledgers account, vouchers, bank statements, agreements and documentation (collectively referred to as the "Basic Records"). However, despite the SMHK Liquidators, the SMC Liquidators and the Directors of the Company used their best endeavours to locate (i) certain supporting documents, such as invoices, receipts and purchaser orders, regarding certain business transactions; (ii) detailed explanations on the journal entries (collectively referred to as the "Specific Records"), they were unable to access the Specific Records as a result of the resignation or redundancy of the relevant senior management and accounting staff. The Company was unable to determine whether these Specific Records were absent in the first place or they were updated due to the departure of the former management and the accounting staff.

2. Basis of Preparation (continued)

Paper trading segment (continued)

Apart from those in De-consolidated Group A and De-consolidated Group B, certain subsidiaries of the Company were disposed during the year ended 31 March 2021. The books and records of these subsidiaries available to the Group at the material time which were retained by the Group upon the disposal were not found to be of a sufficient level for audit purposes. Despite the Directors of the Company have taken all reasonable steps and have used their best endeavours to resolve the matter, including but not limited to repeated verbal and written requests to the disposed subsidiaries, the Company has been unable to access to the complete set of books and records of these subsidiaries and detailed explanations on the accounting records and is unable to determine whether the records retained by the Group upon disposal was updated.

Other than the subsidiaries mentioned above, certain subsidiaries have been deregistered during the year ended 31 March 2022 and transferred to the SchemeCo upon the completion of the Group Restructuring during the year ended 31 March 2022 following staff redundancy and the cessation of business, the books and records of these subsidiaries available to the Group at the material time which were retained by the Group were not found to be of a sufficient level for audit purposes.

Set out below the financial results for the year ended 31 March 2022 and financial positions of paper trading segment of the Group:

Statement of profit or loss

	For the year ended 31 March 2022 HK$'000
Revenue	23
Cost of sales	(438)
Gross loss	(415)
Other gains and income, net	1,548
Selling expenses	(524)
Administrative expenses	(12,586)
Impairment losses of financial assets	(116,644)
Other operating expenses	(34,984)
Loss from operations	(163,605)
Finance costs	(94)
Loss before tax	(163,699)
Income tax credit	1
Loss for the year	(163,698)
Gain on deconsolidation/disposal/deregistration of subsidiaries	1,974,290
Profit for the year from discontinued operations (attributed to owners of the Company)	1,810,592

2. Basis of Preparation (continued)

Property development and investment ("PID") segment

The Group was also engaged in the PID business including (i) the development of Nantong Business Park through subsidiaries of Seng Jin Group Limited ("SJ Limited"), namely SJ (China) Company Limited ("SJ (China)") and Jordan Property (Nantong) Co Ltd ("Jordan Nantong"); (ii) investment in warehouses and offices in the PRC for rental income through certain PRC subsidiaries of SJ Limited.

Following the financial turmoil experienced by the Group in July 2020, SJ (China) has had limited access to working capital from the Group and defaulted payments to its creditors. Creditors have since taken action to freeze land and buildings owned by SJ (China) in Nantong Business Park, causing suspension in construction and certain phases of the development to be suspended from sale. There was increasing pressure from the local government on SJ (China) to resume construction. Certain management of the Group overseeing the operations of SJ (China) have departed the Group. The local management and staff were distressed by the disruptions to SJ (China)'s operation and uncertainties over its prospect and appealed to the Group to resolve the indebtedness of SJ (China) and maintain job stability.

On 16 September 2021, the shareholder of SJ Limited passed a qualifying resolution to wind up SJ Limited by way of an insolvent liquidation. Messrs. Lai Kar Yan (Derek) and Kam Chung Hang (Forrest) of Deloitte Touche Tohmatsu and Mr. Ryan Jarvis of Deloitte Ltd. were appointed as the joint and several liquidators of SJ Limited (the "Seng Jin Liquidators").

Upon appointment of the Seng Jin Liquidators, the Group lost control over SJ Limited (including SJ (China) and Jordon Nantong). Financial results and positions of SJ Limited and its subsidiaries (the "De-consolidated Group C") were therefore deconsolidated from the Group with effect from 17 September 2021 in accordance with the requirements of HKFRS 10 Consolidated Financial Statements.

The Company had maintained limited books and records of the De-consolidated Group C. Despite the repeated requests from the Company and its auditors during the course of the audit of the Group's consolidated financial statements for the year ended 31 March 2021 and up to the date of deconsolidation, the local management and the staff of the De-consolidated Group C, in view of the disruptions surrounding the operations of SJ (China), did not provide sufficient supporting documents and detailed explanations for the accounting entries to the auditors of the Company. The Seng Jin Liquidators and the Directors of the Company consider that it was impracticable to provide the complete accounting records of the De-consolidated Group C given (i) the supporting documents were kept in the local PRC office where the remaining staff and management were not supportive in view of the crisis of the Group and SJ (China); (ii) the Seng Jin Liquidators and the Directors of the Company were unable to determine whether those records were being updated in the first place; and (iii) the Seng Jin Liquidators and the Directors of the Company had no other access to such records despite the fact that the Seng Jin Liquidators and Directors of the Company have taken all reasonable steps and have used their best endeavours to access such records.

2. Basis of Preparation (continued)

Property development and investment ("PID") segment (continued)
Set out below the financial results for the year ended 31 March 2022 and financial positions of the PID segment of the Group:

Statement of profit or loss

	For the year ended 31 March 2022 HK$'000
Revenue	1,634
Cost of sales	(1,180)
Gross profit	454
Other gains and income, net	520
Selling expenses	(205)
Administrative expenses	(1,874)
Loss from operations and before tax	(1,105)
Income tax expense	—
Loss for the year	(1,105)
Loss on deconsolidation of subsidiaries	(64,902)
Loss for the year from discontinued operations (attributable to owners of the Company)	(66,007)

Others segment
Following the Suspension and the defaults of the Group, there was limited working capital available to fund the overheads of other business. In the circumstances, the Group disposed its marine vessels repair business in Singapore which was carried out by Hypex International Pte Ltd ("Hypex International") and its subsidiaries (the "De-Consolidated Group D") in September 2020.

The books and records of the De-consolidated Group D available to the Group at the material time which were retained by the Group were not found to be of a sufficient level for audit purposes. Despite the directors have taken all reasonable steps and have used their best endeavours to resolve the matter, including repeated requests to Hypex International, the Company has been unable to access to the complete set of books and records of these subsidiaries and is unable to determine whether the records retained by the Group upon disposal was updated and complete.

2. Basis of Preparation (continued)

Others segment (continued)
Other than Hypex International, certain subsidiaries were disposed or deregistered during the year ended 31 March 2021 or 31 March 2022 and were transferred to the SchemeCo upon the completion of the Group Restructuring during the year ended 31 March 2022. Due to the resignation of the former management and majority of the accounting staff, the Company was unable to determine whether these Specific Records of these subsidiaries were absent in the first place nor was it able to access the Specific Records of these subsidiaries for audit purposes.

Certain other subsidiaries which form part of the others segment were held under the De-consolidated Group A and the De-consolidated Group B. Due to the reasons set out above in the paper trading segment, the Company was unable to obtain access to the Specific Records at these subsidiaries in the others segment.

Set out below the financial results for the year ended 31 March 2022 and financial positions of others segment of the Group:

Statement of profit or loss

	For the year ended 31 March 2022 HK$'000
Revenue	1,789
Cost of sales	(1,668)
Gross profit	121
Other gains and income, net	1,026
Selling expenses	(569)
Administrative expenses	(9,973)
Reversal of impairment losses of financial assets	32
Other operating (expenses)/income, net	(25,509)
Loss from operations and before tax	(34,872)
Income tax expense	(9)
Loss for the year	(34,881)
Gain on deconsolidation/deregistration of subsidiaries	376,707
Profit for the year from discontinued operations (attributable to owners of the Company)	341,826

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

(a) Application of new and revised HKFRSs

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 April 2022 for the preparation of the consolidated financial statements:

Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKFRS 16 (March 2021)	Covid-19 Related Rent Concessions beyond 30 June 2021
Annual Improvements Project	Annual Improvements to HKFRS Standards 2018–2020
Amendments to Accounting Guideline 5	Merger Accounting for Common Control Combinations

The Company did not change its accounting policies or make retrospective adjustments as a result of adopting the abovementioned amended standards or annual improvements.

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

The Group has not applied any new standard, amendments to standards and interpretation that have been issued but are not yet effective for the financial year beginning 1 April 2022. The new standard, amendments to standards and interpretation include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 1 — Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to HKAS 1 — Non-current Liabilities with Covenants	1 January 2024
Amendments to HKAS 1 and HKFRS Practice Statement 2 — Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8 — Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12 — Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 January 2023
Amendments to HKFRS 16 — Lease Liability in a Sales and Leaseback	1 January 2024
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 Group is in the process of making an assessment of what the impact of these amendments and new standards is 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 financial statements.

4. Significant Accounting Policies

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

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

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

(a) Consolidation

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

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

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

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

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

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

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

4. Significant Accounting Policies (continued)

(b) Business combination and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The consideration transferred in a business combination is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and any contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the sum of the consideration transferred over the Group's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the sum of the consideration transferred is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Group.

In a business combination achieved in stages, the previously held equity interest in the subsidiary is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in consolidated profit or loss. The fair value is added to the sum of the consideration transferred in a business combination to calculate the goodwill.

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

After initial recognition, goodwill is measured at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs") or groups of CGUs that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. Goodwill impairment reviews are undertaken annually, or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to its recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(c) 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 is presented in Hong Kong dollars ("HK$"), which is the Company's functional and presentation currency.

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

4. Significant Accounting Policies (continued)

(c) Foreign currency translation (continued)

(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 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.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

4. Significant Accounting Policies (continued)

(d) 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 properties under construction 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.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

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

Leasehold land	Shorter of remaining lease term of 50 years or useful life
Buildings	2.5%–5.9%
Furniture and fixtures	10%–25%
Machinery and equipment	3.3%–20%
Office and computer equipment	10%–33.3%
Motor vehicles and vessels	12.5% or 20%
Leasehold improvements	20% or over the unexpired lease term, whichever is shorter

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.

4. Significant Accounting Policies (continued)

(e) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest to earn rentals and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment property are stated at fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably measured at that time.

Gains or losses arising from changes in the fair value of investment properties are recognised in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is withdrawn from use. Any gain or loss on disposal of an investment property is the difference between the net sales proceeds and the carrying amount of the property, and is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 4(u).

(f) Leases

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

(i) The Group as a lessee

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

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

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

4. Significant Accounting Policies (continued)

(f) Leases (continued)

(i) The Group as a lessee (continued)

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.

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. The only exceptions are any rent concessions which arose as a direct consequence of the COVID-19 pandemic and which satisfied the conditions set out in paragraph 46B of HKFRS 16. In such cases, the Group took advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognised the change in consideration as negative lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

(ii) The Group as a lessor

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

(g) Other intangible assets

Intangible assets acquired separately — software

Software are 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. Significant Accounting Policies (continued)

(h) Inventories

The cost of finished goods comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. 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.

(i) 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.

(j) Properties under development and held for sale

Properties for sale under development and held for sale are stated at the lower of cost and net realisable value. Costs include the acquisition cost of interest in leasehold land, construction costs, borrowing costs capitalised and other direct costs attributable to such properties. Net realisable value is the estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale.

On completion, the properties are reclassified to properties held for sale at the then carrying amount.

(k) 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 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. Significant Accounting Policies (continued)

(l) 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.

Equity investments

An investment in equity securities is classified as FVTPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVTOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVTPL or FVTOCI, are recognised in profit or loss as other income.

(m) 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.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses.

(n) 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").

4. Significant Accounting Policies (continued)

(o) Discontinued operations

A discontinued operation is a component of the Group (i.e. the operations and cash flows of which can be clearly distinguished from the rest of the Group) that either has been disposed of, or is classified as held for sale, and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the component meets the criteria to be classified as held for sale in accordance with HKFRS 5, if earlier. It also occurs when the component is abandoned.

When an operation is classified as discontinued, a single amount is presented in the statement of profit or loss, which comprises:

- The post-tax profit or loss of the discontinued operation; and
- The post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group constituting the discontinued operation.

(p) Financial liabilities and equity instruments

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

(q) Borrowings

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

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(r) Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

- the amount determined in accordance with the ECL model under HKFRS 9 and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

4. Significant Accounting Policies (continued)

(s) 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.

(t) 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.

(u) 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.

4. Significant Accounting Policies (continued)

(v) Employees benefits

(i) Employee leave entitlements

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

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

(ii) Pension obligations

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

(iii) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits, and when the Group recognises restructuring costs and involves the payment of termination benefits. The Group provides for the probable future redundancy cost expected to be made to employees under relevant terms of service contracts and the Hong Kong Employment Ordinance.

(iv) The Group recognises a provision for bonus when contractually obligated or when there is a past practice that have created a constructive obligation.

(w) Share-based payments

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at the fair value (excluding the effect of non-market based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

The Group issues equity-settled share-based payments to 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 entity in which the Group holds any equity interest.

Equity-settled share-based payments to directors and employees are measured at the fair value (excluding the effect of non-market based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

Equity-settled share-based payments to other parties are measured at the fair value of the services rendered or, if the fair value of the services rendered cannot be reliably measured, at the fair value of the equity instruments granted. The fair value is measured at the date the Group receives the services and is recognised as an expense.

4. Significant Accounting Policies (continued)

(x) 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. Effective 1 April 2019, 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.

(y) 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 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 recognised 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.

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.

4. Significant Accounting Policies (continued)

(y) Taxation (continued)

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

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

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. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

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

(z) 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.

4. Significant Accounting Policies (continued)

(aa) Impairment of financial assets

The Group recognises a loss allowance for ECL on accounts and other receivables as well as on financial guarantee contracts. 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.

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.

4. Significant Accounting Policies (continued)

(aa) Impairment of financial assets (continued)

Significant increase in credit risk (continued)

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.

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.

4. Significant Accounting Policies (continued)

(aa) Impairment of financial assets (continued)

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.

Credit-impaired financial assets

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

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

Write-off policy

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

4. Significant Accounting Policies (continued)

(aa) Impairment of financial assets (continued)

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.

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.

(ab) 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.

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.

(ac) 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

Critical judgements in applying accounting policies

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

(a) Going concern basis

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

(b) Determining the lease term

In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group's operation.

Generally, periods covered by an extension option in other properties leases have not been included in the lease liability because the Group could replace the assets without significant cost or business disruption. See note 21 to the consolidated financial statements for further information.

The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. During the current financial year, no lease term has been reassessed.

(c) Significant increase in credit risk

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

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) Income taxes

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. During the period, HK$16,000 of income tax was credited (for the year ended 31 March 2022: HK$720,000) to profit or loss based on the estimated profit from continuing operations.

5. Critical Judgements and Key Estimates (continued)

Key sources of estimation uncertainty (continued)

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

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

The carrying amount of property, plant and equipment and right-of-use assets as at 31 December 2022 were approximately HK$794,996,000 (As at 31 March 2022: HK$873,520,000) and HK$197,916,000 (As at 31 March 2022: HK$222,550,000) respectively.

(c) Significant increase in credit risk and impairment of accounts, bills and other receivables

As mentioned in note 4(aa) to the consolidated financial statements, ECL is measured as an allowance for impairment equal to 12-month ECL for Stage 1 financial assets, or lifetime ECL for Stage 2 or Stage 3 financial assets. A financial asset is moved to Stage 2 when its credit risk has increased significantly since initial recognition but is not assessed to be credit-impaired. A financial asset is then moved to Stage 3 when it is credit-impaired. In assessing whether the credit risk of a financial asset has significantly increased or whether a financial asset is credit-impaired, the Group takes into account qualitative and quantitative reasonable and supportable forward-looking information. Under the simplified approach in HKFRS9 Financial Instruments, the loss allowance on trade receivables and contract assets is at an amount equal to lifetime expected credit losses.

As at 31 December 2022, the carrying amount of accounts and bills receivable is HK$8,374,000 (net of allowance for impairment losses of approximately HK$3,622,000) (As at 31 March 2022: HK$15,877,000 (net of allowance for impairment losses of approximately HK$4,100,000)).

(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 HK$25,840,000 as at 31 December 2022 (As at 31 March 2022: HK$29,880,000).

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 HK$20,419,000 as at 31 December 2022 (As at 31 March 2022: HK$ Nil).

5. Critical Judgements and Key Estimates (continued)

Key sources of estimation uncertainty (continued)

(e) Leases — Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs when available.

6. Financial Risk Management

The Group's activities expose it to a variety of financial risks: foreign currency risk, price 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.

At 31 December 2022, if the Hong Kong dollar had weakened or strengthened 1% against RMB with all other variables held constant, consolidated loss after tax for the period would have been HK$4,684,000 higher or lower (As at 31 March 2022: consolidated loss after tax for the year would have been HK$3,373,000 higher or lower), arising mainly as a result of the net foreign exchange gain or loss on trade and other payables, bank loans and other borrowings denominated in RMB.

(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.

6. Financial Risk Management (continued)

(b) Credit risk (continued)

Accounts and bills receivables

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

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

The following table provides information about the Group's exposure to credit risk and ECLs for accounts and bills receivables as at 31 December 2022:

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

	As at 31 March 2022		
	Expected loss rate (note 1) %	Gross carrying amount HK$'000	Loss allowance (note 2) HK$'000
Current (not past due)	*%	1,207	*
Up to 60 days past due	6.4%	15,675	1,005
61–90 days past due	N/A	—	—
More than 90 days past due	100.0%	3,095	3,095
		19,977	4,100

Note 1: * Less than 0.1%

Note 2: * Less than HK$1,000

6. Financial Risk Management (continued)

(b) Credit risk (continued)

Accounts and bills receivables (continued)

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

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

	HK$'000	HK$'000
At 1 April 2022/2021	4,100	46,292
Allowance for accounts receivables recognised for the year	—	1,203
Reversal of allowance for accounts receivables recognised for the period/year	(130)	(136)
Re-consolidation of a deconsolidated subsidiary	—	2,941
Disposal/deconsolidation/deregistration of subsidiaries	—	(46,292)
Exchange differences	(348)	92
At 31 December 2022/31 March 2022	3,622	4,100

Other receivables

The allowance for impairment of other receivables was provided using the "three-stage" approach by referring to changes in credit quality since the initial recognition of other receivables as mentioned in note 4(aa) to the consolidated financial statements.

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

	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Total HK$'000
At 1 April 2021	—	—	705,493	705,493
Allowance for other receivables recognised for the year	—	—	116,612	116,612
Disposal/deconsolidation/deregistration of subsidiaries	—	—	(822,105)	(822,105)
At 31 March 2022, 1 April 2022 and 31 December 2022	—	—	—	—

The allowance for impairment loss of other receivables that categorised under "Stage 3" is due to the liquidation of deconsolidated subsidiaries and deregistration of subsidiaries during the nine months ended 31 December 2022 and the year ended 31 March 2022. Except for these, the remaining other receivables balances are considered to have low credit risk, and the allowance for impairment recognised during the years 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.

6. Financial Risk Management (continued)

(b) Credit risk (continued)

Financial assets at FVTOCI and amortised cost

All of the Group's other financial assets at amortised cost are considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12-month expected losses. Management considers 'low credit risk' for listed debt securities to be an investment grade credit rating with at least one major rating agency. Other instruments are considered to be low credit risk when they have a low of default and the issuer has 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.

(c) Liquidity risk

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

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

	On demand or less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
At 31 December 2022					
Borrowings	78,967	405,545	–	–	484,512
Accounts and other payables	326,336	64,699	64,699	–	455,734
Amounts due to related parties	52,255	1,295	1,294	–	54,844
Amount due to ultimate holding company	179	–	–	–	179
	457,737	471,539	65,993	–	995,269
At 31 March 2022					
Borrowings	314,976	–	–	–	314,976
Accounts and other payables	334,563	70,803	141,607	–	546,973
Amounts due to related parties	122,778	1,415	2,831	–	127,024
Amount due to ultimate holding company	179	–	–	–	179
	772,496	72,218	144,438	–	989,152

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.

At 31 December 2022, if interest rates had been 50 basis points lower with all other variables held constant, consolidated loss after tax for the period would have been HK$942,000 lower, arising mainly as a result of lower interest expense on bank loans and other borrowings. If interest rates had been 50 basis points higher, with all other variables held constant, consolidated loss after tax for the period would have been HK$942,000 higher, arising mainly as a result of higher interest expense on bank loans and other borrowings.

(e) Categories of financial instruments as at

	31 December 2022 HK$'000	31 March 2022 HK$'000
Financial assets:		
Financial assets at amortised cost	51,664	85,895
Financial liabilities:		
Financial liabilities at amortised cost	982,103	989,152

(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.

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:

	Financial asset at FVTOCI	Investment Properties	Property, plant and equipment	
Description	Investments in unlisted equity securities HK$'000	Factory buildings — PRC HK$'000	Land and buildings HK$'000	Total HK$'000
At 1 April 2021	1,831	17,321	—	19,152
Disposal during the year	(1,831)	—	—	(1,831)
Deconsolidation of subsidiaries	—	(17,632)	—	(17,632)
Reconsolidation of a deconsolidated subsidiary	—	—	308,604	308,604
Depreciation	—	—	(8,469)	(8,469)
Exchange differences	—	311	17,594	17,905
At 31 March 2022 and 1 April 2022	—	—	317,729	317,729
Addition	—	—	2,653	2,653
Depreciation	—	—	(9,179)	(9,179)
Exchange differences	—	—	(27,007)	(27,007)
At 31 December 2022	—	—	284,196	284,196

The total gains or losses recognised in profit or loss including those for assets held at end of reporting period are presented in other operating expenses in the consolidated statement of profit or loss and other comprehensive income.

7. Fair Value Measurements (continued)

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

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

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

Level 3 fair value measurements

					Fair value	
Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	As at 31 December 2022 HK$'000	As at 31 March 2022 HK$'000
					Assets	
Property, plant and equipment — land and buildings	Market comparable approach	Unit price	RMB1,400–RMB4,200 per sq.m.	Increase	284,196	317,729

8. Revenue

Disaggregation of revenue

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

	For the nine months ended 31 December 2022 HK$'000	For the year ended 31 March 2022 HK$'000
Revenue from contracts with customers within the scope of HKFRS 15		
Sale of goods	1,044,390	1,229,456
Timing of revenue recognition		
Products transferred at a point in time	1,044,390	1,229,456

9. Other gains and Income, Net

	For the nine months ended 31 December 2022 HK$'000	For the year ended 31 March 2022 HK$'000
Continuing operations		
Interest income	579	432
Rental income	359	368
(Losses)/gains on disposal/written-off of property, plant and equipment	(15)	1,138
Government subsidy (note)	5,312	11,648
Others	1,185	1,372
	7,420	14,958

Note: It mainly represents the VAT tax and related other tax refunded from the tax authority in the PRC of approximately HK$3,772,000 (equivalent to approximately RMB3,300,000) (for the year ended 31 March 2022: approximately HK$11,137,000 (equivalent to approximately RMB9,179,000)), as the Group manufactures the products by using recycled materials which entitled 50% reduction of VAT tax and related other tax.

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 nine months ended 31 December 2022, namely paper manufacturing and selling segment. From a geographical perspective, management mainly assesses the performance of operations in the People's Republic of China (the "PRC").

For the nine months ended 31 December 2022, the Group has carried on a single business under continuing operations, which is manufacturing and selling of paper products. Accordingly there is only one single reportable segment of the Group which is regularly reviewed by the executive directors.

Three operations (paper trading, PID and others) were all discontinued on or before 26 January 2022 (being the date of completion of restructuring). The segment information reported does not include any amounts of these discontinued operations, which are described in more detail in note 16.

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 period.

10. Segment Information (continued)

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

	For the nine months ended 31 December 2022 HK$'000	For the year ended 31 March 2022 HK$'000
Continuing operations		
Customer A	176,879	N/A[1]
Customer B	160,638	N/A[1]
Customer C	—	324,158

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

11. Finance Costs

	For the nine months ended 31 December 2022 HK$'000	For the year ended 31 March 2022 HK$'000
Continuing operations		
Interest on bank borrowings	1,752	—
Interest on other borrowings	10,670	7,516
	12,422	7,516

12. Income Tax Credit

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

	For the nine months ended 31 December 2022 HK$'000	For the year ended 31 March 2022 HK$'000
Current tax		
Under-provision in prior years	562	—
Deferred tax (note 32)	(578)	(720)
	(16)	(720)

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit for the nine months ended 31 December 2022 (for the year ended 31 March 2022: Nil).

12. Income Tax Credit (continued)

The Company's PRC subsidiaries are subject to the PRC corporate income tax rate of 25% except as follows. Universal Pulp and Paper (Shandong) Co. Ltd. ("UPPSD"), a PRC subsidiary of the Company, was entitled to the preferential tax rate of 15% from years 2016 to 2018, being accredited as a High and New Technology Enterprise ("HNTE") according to the PRC Corporate Income Tax Law and its relevant regulations. As UPPSD has renewed the qualification of HNTE and approved on 28 November 2019 with an effective period of three years starting from 2019, UPPSD is in progress to renew its qualification of HNTE, the Directors are in opinion that UPPSD 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 2022 was 15% (for the year ended 31 March 2022: 15%).

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

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

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

	For the nine months ended 31 December 2022 HK$'000	For the year ended 31 March 2022 HK$'000
(Loss)/profit before tax (from continuing operations)	(150,891)	471,771
Tax at the Hong Kong Profits Tax rate of 16.5% (for the year ended 31 March 2022: 16.5%)	(24,897)	77,843
Tax effect of income that is not taxable	(5,525)	(461,010)
Tax effect of expenses that are not deductible	759	381,945
Tax losses not recognised	26,836	997
Effect of different tax rates of subsidiaries	2,249	(495)
Under-provision in prior years	562	—
Income tax credit	(16)	(720)

13. (Loss)/Profit for the period/year from continuing operations

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

	For the nine months ended 31 December 2022 HK$'000	For the year ended 31 March 2022 HK$'000
Amortisation of intangible assets (included in administrative expenses)	32	28
Depreciation on property, plant and equipment	45,207	40,025
Depreciation on right-of-use assets	5,597	5,448
Loss/(gains) on disposal/write-off of property, plant and equipment	15	(1,138)
Cost of inventories sold (note)	1,064,130	1,079,550
Auditor's remuneration	1,200	2,400
(Reversal of)/allowance of impairment losses on financial assets, net	(130)	1,067
Provision/(reversal) of impairment losses on inventories	18,568	(4,920)

Note: Cost of inventories sold includes depreciation of approximately HK$29,149,000 (For the year ended 31 March 2022: HK$33,592,000) which are included in the amounts disclosed separately.

14. Employee Benefit Expenses

	For the nine months ended 31 December 2022 HK$'000	For the year ended 31 March 2022 HK$'000
Staff costs including directors' emoluments		
Salaries, bonuses and allowances	59,193	64,626
Retirement benefit scheme contributions	8,144	7,797
	67,337	72,423

14. Employee Benefit Expenses (continued)

(a) Five highest paid individuals

The five highest paid individuals in the Group during the year included Nil director (For the year ended 31 March 2022: four) whose emoluments are reflected in the analysis presented in note 15.

	For the nine months ended 31 December 2022 HK$'000	For the year ended 31 March 2022 HK$'000
Salaries and allowances	3,615	1,157
Retirement benefit scheme contributions	53	10
	30,396	1,167

The emoluments fell within the following band:

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

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 nine months ended 31 December 2022 and the year ended 31 March 2022.

(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 People's Republic of China, 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.

15. Benefits and Interest of Directors

(a) Directors' emoluments

The remuneration of every director is set out below:

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

15. Benefits and Interest of Directors (continued)

(a) Directors' emoluments (continued)

Name of director	Emoluments paid or receivable in respect of a person's services as a director whether of the Company or its subsidiary undertaking				
	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 March 2022					
Executive Directors					
Lee Seng Jin (note (v))	–	1,020	–	3	1,023
Sham Yee Lan, Peggy (note (vi))	–	1,000	–	3	1,003
Choi Wai Hong, Clifford (note (iii))	–	638	–	12	650
Lau Wai Leung, Alfred (note (vii))	–	638	–	–	638
Shi Yaofeng (note (i))	–	–	–	–	–
Huang Tiansheng (note (i))	–	–	–	–	–
Shi Chenye (note (i))	–	–	–	–	–
Non-executive Director					
Cheng Dongfang (note (i))	–	–	–	–	–
Li Shengfeng (note (i))	–	–	–	–	–
Choi Wai Hong, Clifford (note (ii))	80	–	–	–	80
Independent Non-executive Directors					
Leung Vincent Gar-gene (note (viii))	518	–	–	–	518
Zhao Lin (note (i))	54	–	–	–	54
Wong Yiu Kit, Ernest (note (i))	54	–	–	–	54
Cho Mei Ting (note (iii))	54	–	–	–	54
	760	3,296	–	18	4,074

Notes:

(i) Mr. Shi Yaofeng, Mr. Huang Tiansheng, Ms. Shi Chenye were appointed as Executive Directors on 26 January 2022. Mr. Cheng Dongfang and Mr. Li Shengfeng were appointed as Non-Executive Directors on 26 January 2022. Mr. Zhao Lin and Mr. Wong Yiu Kit, Ernest were appointed as Independent Non-Executive Directors on 26 January 2022.

(ii) Mr. Choi Wai Hong, Clifford was appointed as an Independent Non-Executive Director on 16 July 2020. He was re-designated from an Independent Non-Executive Director to an Executive Director on 21 May 2021. He was also appointed as Chairman on 20 May 2021. He was re-designated from an Executive Director to a Non-Executive Director on 26 January 2022.

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

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

15. Benefits and Interest of Directors (continued)

(a) Directors' emoluments (continued)

Notes: (continued)

(v) Mr. Lee Seng Jin resigned as the Chairman and an Executive Director on 20 May 2021.

(vi) Ms. Sham Yee Lan, Peggy resigned as an Executive Director on 20 May 2021.

(vii) Mr. Lau Wai Leung, Alfred was appointed as an Independent Non-Executive Director on 17 July 2020. He was re-designated from an Independent Non-Executive Director to an Executive Director on 21 May 2021 and resigned as an Executive Director on 26 January 2022.

(viii) Mr. Leung Vincent Gar-gene resigned as an Independent Non-Executive Director on 26 January 2022.

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

Neither the chief executive nor any of the directors waived any emoluments during the period (for the year ended 31 March 2022: HK$Nil).

(b) 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 period.

16. Discontinued Operations

With reference to note 2(3)(d), the Company transferred the Excluded Subsidiaries to the SchemeCo for the Scheme Creditors (as defined below) pursuant to the terms of the ListCo Scheme by transferring the entire equity interests of Samson Paper (BVI) Ltd. (being the holding company of the Excluded Subsidiaries and a directly wholly-owned subsidiary of the Company) held by the Company to the SchemeCo at a nominal consideration of HK$1.0. The taking effect of the ListCo Scheme took place on 26 January 2022.

For details, please refer to the announcement made by the Company dated 26 January 2022.

16. Discontinued Operations (continued)

(a) Discontinued operations from paper trading segment

Details of the assets and liabilities disposed of, deregistered and transferred, and the calculation of the profit or loss on deconsolidation, disposal and deregistration, are disclosed in note 37.

	For the year ended 31 March 2022 HK$'000
Profit for the year from discontinued operations:	
Revenue	23
Cost of sales	(438)
Other gains and income, net	1,548
Selling expenses	(524)
Administrative expenses	(12,586)
Impairment losses of financial assets, net	(116,644)
Other operating expenses	(34,984)
Finance costs	(94)
Loss before tax	(163,699)
Income tax credit	1
Loss for the year	(163,698)
Gain on deconsolidation, disposal and deregistration of subsidiaries	1,974,290
Profit for the year from discontinued operations (attributable to owners of the Company)	1,810,592

Profit for the year from discontinued operations include the following:

	For the year ended 31 March 2022 HK$'000
Depreciation of property, plant and equipment	3,249
Depreciation of right-of-use assets	3,342

Cash flows from discontinued operations:

	For the year ended 31 March 2022 HK$'000
Net cash outflows from operating activities	(4,391)
Net cash outflows from investing activities	(176,995)
Net cash outflows from financing activities	(3,240)
Net cash outflows	(184,626)

16. Discontinued Operations (continued)

(b) Discontinued operations from PID segment

Details of the assets and liabilities disposed of, deregistered and transferred, and the calculation of the profit or loss on deconsolidation and disposal, are disclosed in note 37.

	For the year ended 31 March 2022 HK$'000
Loss for the year from discontinued operations:	
Revenue	1,634
Cost of sales	(1,180)
Other gains and income, net	520
Selling expenses	(205)
Administrative expenses	(1,874)
Loss before tax	(1,105)
Income tax expenses	—
Loss for the year	(1,105)
Loss on deconsolidation of subsidiaries	(64,902)
Loss for the year from discontinued operations (attributable to owners of the Company)	(66,007)

Loss for the year from discontinued operations include the following:

	For the year ended 31 March 2022 HK$'000
Depreciation of right-of-use assets	2,610

Cash flows from discontinued operations:

	For the year ended 31 March 2022` HK$'000
Net cash outflows from operating activities	(1,644)
Net cash outflow from investing activities	(735)
Net cash outflows	(2,379)

16. Discontinued Operations (continued)

(c) Discontinued operations from others segment

Details of the assets and liabilities disposed of, deregistered and transferred, and the calculation of the profit or loss on deconsolidation, disposal and deregistration, are disclosed in note 37.

	For the year ended 31 March 2022 HK$'000
Profit for the year from discontinued operations:	
Revenue	1,789
Cost of sales	(1,668)
Other gains and income, net	1,026
Selling expenses	(569)
Administrative expenses	(9,973)
Reversal of impairment losses of financial assets, net	32
Other operating expenses	(25,509)
Loss before tax	(34,872)
Income tax expense	(9)
Loss for the year	(34,881)
Gain on deconsolidation, disposal and deregistration of subsidiaries	376,707
Profit for the year from discontinued operations (attributable to owners of the Company)	341,826

Profit for the year from discontinued operations include the following:

	For the year ended 31 March 2022 HK$'000
Depreciation of property, plant and equipment	2
Depreciation of right-of-use assets	616

Cash flows from discontinued operations:

	For the year ended 31 March 2022 HK$'000
Net cash inflows from operating activities	6,016
Net cash inflows from investing activities	1,053
Net cash inflows	7,069

17. Dividends

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

18. (Loss)/Earnings per Share

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

	For the nine months ended 31 December 2022 HK$'000	For the year ended 31 March 2022 HK$'000
(Loss)/profit		
(Loss)/profit for the purpose of calculating basic and diluted (loss)/earnings per share	(150,875)	2,558,902

	For the nine months ended 31 December 2022 '000	For the year ended 31 March 2022 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic/diluted (loss)/earnings per share	1,414,601	342,139

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

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

	For the nine months ended 31 December 2022 HK$'000	For the year ended 31 March 2022 HK$'000
(Loss)/profit		
(Loss)/profit for the purpose of calculating basic and diluted (loss)/earnings per share	(150,875)	472,491

From discontinued operations
For the year ended 31 March 2022, basic earnings per share from the discontinued operations is HK609.8 cents per share and diluted earnings per share from the discontinued operations is HK$609.8 cents per share, based on the profit for the year from discontinued operations attributable to the owners of the Company of approximately HK$2,086,411,000 and the denominators used are the same as those detailed above for both basic and diluted earnings per share.

19. 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	Leasehold improvements HK$'000	Office and computer equipment HK$'000	Construction-in-progress HK$'000	Total HK$'000
Cost or valuation								
At 1 April 2021	141,395	1,366	6,271	8,869	724	5,278	–	163,903
Re-consolidation of a deconsolidated subsidiary	308,604	38,381	483,232	5,327	–	544	12,462	848,550
Additions	6,402	64	30,743	3,935	–	394	16,780	58,318
Transfer	3,370	–	2,343	–	–	–	(5,713)	–
Disposals	–	–	–	–	–	–	(11,210)	(11,210)
Write-off	–	(18)	(3,347)	(346)	–	(1)	–	(3,712)
Deconsolidation/deregistration of subsidiaries	(141,395)	(1,366)	(6,271)	(8,869)	(724)	(5,278)	–	(163,903)
Exchange differences	7,961	971	12,702	193	–	20	311	22,158
At 31 March 2022 and 1 April 2022	326,337	39,398	525,673	9,109	–	957	12,630	914,104
Additions	–	70	1,299	758	–	372	38,621	41,120
Transfer	2,653	–	19,516	–	–	–	(22,169)	–
Write-off	–	(10)	(11)	–	–	(1)	–	(22)
Exchange differences	(27,859)	(3,360)	(45,090)	(785)	–	(86)	(1,289)	(78,469)
At 31 December 2022	301,131	36,098	501,387	9,082	–	1,242	27,793	876,733
Accumulated depreciation								
At 1 April 2021	20,390	1,033	5,847	8,519	419	3,580	–	39,788
Charge for the year	11,182	1,407	29,228	1,122	38	299	–	43,276
Write-off	–	(1)	(73)	(26)	–	–	–	(100)
Deconsolidation/deregistration of subsidiaries	(23,103)	(1,140)	(5,955)	(8,645)	(457)	(3,739)	–	(43,039)
Exchange differences	139	21	480	16	–	3	–	659
At 31 March 2022 and 1 April 2022	8,608	1,320	29,527	986	–	143	–	40,584
Charge for the period	9,179	1,356	33,190	1,278	–	204	–	45,207
Write-off	–	(2)	(5)	–	–	–	–	(7)
Exchange differences	(852)	(130)	(2,949)	(100)	–	(16)	–	(4,047)
At 31 December 2022	16,935	2,544	59,763	2,164	–	331	–	81,737
Carrying amount								
At 31 December 2022	284,196	33,554	441,624	6,918	–	911	27,793	794,996
At 31 March 2022	317,729	38,078	496,146	8,123	–	814	12,630	873,520

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

19. Property, Plant and Equipment (continued)

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

	Land and buildings HK$'000	Furniture and fixtures HK$'000	Machinery and equipment HK$'000	Motor vehicles and vessels HK$'000	Leasehold improvements HK$'000	Office and computer equipment HK$'000	Construction-in-progress HK$'000	Total HK$'000
At cost	–	36,098	501,387	9,082	–	1,242	27,793	575,602
At valuation	301,131	–	–	–	–	–	–	301,131
At 31 December 2022	301,131	36,098	501,387	9,082	–	1,242	27,793	876,733
At cost	–	39,398	525,673	9,109	–	957	12,630	587,767
At valuation	326,337	–	–	–	–	–	–	326,337
At 31 March 2022	326,337	39,398	525,673	9,109	–	957	12,630	914,104

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

As at 31 December 2022, before impairment testing, property, machinery and equipment of approximately HK$794,994,000 was allocated to UPPSD. Due to COVID-19 outbreak in the PRC and the unexpected, prolonged overhaul and lock down of different regions in the PRC, which weakened domestic market and temporary shutdown of the Group's paper manufacturing business, the management considered there was an impairment indicator of the non-current assets attributed to UPPSD. No impairment losses were recognised for property, plant and equipment during the nine months ended 31 December 2022.

The growth rate and pre-tax discount rate used by the Group to prepare the cashflow forecast of UPPSD is 2% and 14.48% respectively. The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the directors for the next five years with residual period using the growth rate of 2%. This rate does not exceed the average long-term growth rate for the relevant markets. The recoverable amount of paper manufacturing and selling segment, is not less than their carrying amounts and no provision for the impairment loss has been made on the non-current assets.

20. Investment Properties

The Group's interests in investment properties, held on leases of between 10 and 50 years, are located in Hong Kong and the PRC.

The Group leases out various factory buildings, office buildings and warehouses under operating leases with rentals payable monthly. The leases typically run for an initial period of 2 years, with unilateral rights to extend the lease beyond initial period held by lessees only. Majority of the lease contracts contain market review clauses in the event the lessee exercises the option to extend.

The Group is not exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in the respective functional currencies of group entities. The lease contracts do not contain residual value guarantee and/or lessee's option to purchase the property at the end of lease term.

	HK$'000	HK$'000
At 1 April 2022/2021	—	17,321
Deconsolidation of subsidiaries (note 37)	—	(17,632)
Exchange differences	—	311
At 31 December 2022/31 March 2022	—	—

21. Right-Of-Use Assets

	Land use rights and leasehold land HK$'000	Office buildings and warehouses HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1 April 2021	28,697	4,252	1,342	34,291
Depreciation	(8,376)	(3,143)	(497)	(12,016)
Deconsolidation of subsidiaries	(27,057)	(1,805)	(845)	(29,707)
Re-consolidation of a deconsolidated subsidiary	222,466	—	—	222,466
Exchange differences	6,820	696	—	7,516
At 31 March 2022 and 1 April 2022	222,550	—	—	222,550
Depreciation	(5,597)	—	—	(5,597)
Exchange differences	(19,037)	—	—	(19,037)
At 31 December 2022	197,916	—	—	197,916

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

	For the nine months ended 31 December 2022 HK$'000	For the year ended 31 March 2022 HK$'000
Depreciation expenses on right-of-use assets	5,597	12,016
Interest expense on lease liabilities (included in finance cost)	—	94
Expenses relating to short-term lease (included in cost of goods sold and administrative expenses)	447	459

Details of total cash outflow for leases is set out in note 37(j).

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.

22. Other Intangible Assets

	Computer software HK$'000
Cost	
At 1 April 2021	—
Re-consolidation of a deconsolidated subsidiary	210
Exchange differences	5
At 31 March 2022 and 1 April 2022	215
Addition	32
Exchange differences	(18)
At 31 December 2022	229
Accumulated amortisation	
At 1 April 2021	—
Amortisation for the year	28
Exchange differences	*
At 31 March 2022 and 1 April 2022	28
Amortisation for the period	32
Exchange differences	(2)
At 31 December 2022	58
Carrying amount	
At 31 December 2022	171
At 31 March 2022	187

* Less than HK$1,000

As at 31 December 2022, the average remaining amortisation period of the computer software are 2 years (31 March 2022: 3 years).

23. Properties under Development

	HK$'000	HK$'000
At 1 April 2022/2021	—	227,384
Deconsolidation of subsidiaries	—	(225,627)
Exchange differences	—	(1,757)
At 31 December 2022/31 March 2022	—	—

24. Inventories

	As at 31 December 2022 HK$'000	As at 31 March 2022 HK$'000
Raw materials	91,135	121,794
Finished goods	147,554	230,840
	238,689	352,634

25. Accounts and Other Receivables and Prepayments

	As at 31 December 2022 HK$'000	As at 31 March 2022 HK$'000
Accounts receivable	11,172	18,770
Bills receivable	824	1,207
Allowance for impairment losses	(3,622)	(4,100)
	8,374	15,877
Other receivables	30,306	64,735
Deposits	86	99
Prepayments	20,406	41,925
	59,172	122,636

25. Accounts and Other Receivables and Prepayments (continued)

	As at 31 December 2022 HK$'000	As at 31 March 2022 HK$'000
Analysed as:		
Current assets	59,172	122,636
Non-current assets	—	—
	59,172	122,636

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:

	As at 31 December 2022 HK$'000	As at 31 March 2022 HK$'000
Current to 60 days	8,374	15,877

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

26. Bank and Cash Balances

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

	As at 31 December 2022 HK$'000	As at 31 March 2022 HK$'000
HK$	1,579	109
US$	26	63
RMB	11,293	5,102
	12,898	5,274

As at 31 December 2022, the bank and cash balances of the Group's subsidiaries in the PRC denominated in RMB amounted to HK$11,293,000 (As at 31 March 2022: HK$5,102,000). 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.

27. Accounts and Other Payables

	As at 31 December 2022 HK$'000	As at 31 March 2022 HK$'000
Accounts payable	103,087	102,999
Accruals and other payables	152,654	160,761
Debt restructuring (note)	199,993	283,213
	455,734	546,973
Analysed as:		
Current liabilities	326,336	334,563
Non-current liabilities	129,398	212,410
	455,734	546,973

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.

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

	As at 31 December 2022 HK$'000	As at 31 March 2022 HK$'000
0 to 90 days	102,930	102,984
Over 90 days	157	15
	103,087	102,999

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

28. Contract Liabilities

Contract liabilities are advance from customers.

	HK$'000	HK$'000
Balance at 1 April 2022/2021	37,035	—
Decrease in contract liabilities as a result of recognising revenue during the year was included in the contract liabilities at the beginning of the period	(36,995)	—
Increase in contract liabilities as a result of receipt in advance	1,555	37,035
Balance at 31 December 2022/31 March 2022	1,595	37,035

All the advances from customers are expected to be recognised as income within 1 year (As at 31 March 2022: 1 year).

29. Amounts Due From/(To) Related Parties/Ultimate Holding Company

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

As at 31 March 2022, an amount of approximately HK$91,863,000 (equivalent to RMB74,489,000) are eligible for an extension for 1 year until the Group's bank financing becomes available, the remaining amounts due to related parties/ultimate holding company are unsecured, interest-free and have no fixed repayment terms.

29. Amounts Due From/(To) Related Parties/Ultimate Holding Company (continued)

	Account receivables HK$'000	Contract liabilities HK$'000	Accounts payables HK$'000	Other payables HK$'000	Total HK$'000
As at 31 December 2022					
Amounts due from/(to) related parties					
Current assets/(liabilities)	13,167	(2,104)	(48,856)	(1,295)	(39,088)
Non-current liabilities	—	—	—	(2,589)	(2,589)
	13,167	(2,104)	(48,856)	(3,884)	(41,677)
Amounts due to ultimate holding company					
Current liabilities	—	—	—	(179)	(179)
	—	—	—	(179)	(179)
	13,167	(2,104)	(48,856)	(4,063)	(41,856)
As at 31 March 2022					
Amounts due to related parties					
Current liabilities	—	(29,137)	(92,308)	(1,333)	(122,778)
Non-current liabilities	—	—	—	(4,246)	(4,246)
	—	(29,137)	(92,308)	(5,579)	(127,024)
Amounts due to ultimate holding company					
Current liabilities	—	—	—	(179)	(179)
	—	—	—	(179)	(179)
	—	(29,137)	(92,308)	(5,758)	(127,203)

30. Provisions

	HK$'000
At 1 April 2021	—
Re-consolidation of deconsolidation subsidiary	19,244
Exchange differences	488
At 31 March 2022 and 1 April 2022	19,732
Settlement	(19,732)
At 31 December 2022	—

On 7 June 2021, a claim was filed by a creditor of UPPSD, Hubei Province Industrial Construction Group Co., Ltd ("Hubei Construction"), who was a contractor on construction of manufacturing buildings, against UPPSD. As at 31 March 2022, the Group has made a provision of RMB16,000,000 in relation to an estimated outflow to the litigation.

On 30 December 2022, UPPSD has reached a mutual settlement with Hubei Construction that UPPSD has paid RMB16,000,000.

31. Borrowings

	As at 31 December 2022 HK$'000	As at 31 March 2022 HK$'000
Bank loans	78,967	—
Other borrowings	390,323	314,976
	469,290	314,976

The borrowings are repayable as follows:

	As at 31 December 2022 HK$'000	As at 31 March 2022 HK$'000
Within one year and on demand	78,967	314,976
More than one year, but not exceeding two years	390,323	—
More than two years, but not more than five years	—	—
More than five years	—	—
	469,290	314,976
Less: Amount due for settlement within 12 months (shown under current liabilities)	(78,967)	(314,976)
Amount due for settlement after 12 months	390,323	—

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

31. Borrowings (continued)

The interest rates per annum were as follows:

	As at 31 December 2022	As at 31 March 2022
Bank loans	4.3%	N/A
Other borrowings	3.85%–4.05%	3.85%

Bank loans of approximately HK$78,967,000 (equivalent to RMB70,000,000) are arranged at fixed interest rates of 4.3% and expose the Group to fair value interest rate risk.

Other borrowings of approximately HK$282,025,000 (equivalent to RMB250,000,000) and approximately HK$108,298,000 (equivalent to RMB96,000,000) are arranged at fixed interest of 3.85% and 4.05% respectively per annum, which are repayable within 13 to 18 months, and expose the Group to fair value interest rate risk.

Bank loans of approximately HK$78,967,000 (equivalent to RMB70,000,000) are secured by a charge over the Group's land and buildings (note 19 and 21) and guaranteed by a non-executive director of the Company and the controlling shareholder of the Company.

Under the UPPSD Bankruptcy Reorganisation Plan, a loan of RMB80,000,000 was for UPPSD's daily operation and RMB170,000,000 was for the first instalment payment, were provided by Shandong Bairun. All the borrowings were secured by a charge over the shares of SPV1, SPV2 and UPPSD, the Group's property, plant and equipment (note 19) and right-of-use assets (note 20). The charge was fully discharged upon the completion of the Group Reorganisation on 26 January 2022.

On 16 November 2022, Shandong Bairun and UPPSD entered into a supplementary loan agreement pursuant to which the maturity date for the loan principal of approximately HK$282,025,000 (equivalent to RMB250,000,000) which arose from the Bankruptcy Reorganisation Plan was extended to 31 January 2024. The borrowing is classified as non-current liabilities as at 31 December 2022.

On 29 September 2022, UPPSD entered into another loan agreement with Shandong Bairun for a loan facility of approximately HK$114,291,000 (equivalent to RMB100,000,000) which shall be repayable within 18 months from drawdown date. UPPSD has drawn down approximately HK$108,298,000 (equivalent to RMB96,000,000) during the nine months ended 31 December 2022. The borrowing is classified as non-current liabilities as at 31 December 2022.

32. Deferred Tax

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

Deferred tax liabilities

	Accelerated tax depreciation HK$'000	Fair value gains HK$'000	Others HK$'000	Total HK$'000
At 1 April 2021	(7,588)	(22,489)	(19,593)	(49,670)
Derecognition of the disposed subsidiaries	7,588	22,489	19,593	49,670
Re-consolidation of a deconsolidated subsidiary	—	(22,198)	—	(22,198)
Credit to profit or loss for the year	—	720	—	720
Exchange difference	—	(549)	—	(549)
At 31 March 2022 and 1 April 2022	—	(22,027)	—	(22,027)
Credit to profit or loss for the period	—	578	—	578
Exchange difference	—	1,871	—	1,871
At 31 December 2022	—	(19,578)	—	(19,578)

Deferred tax assets

	Provisions HK$'000	Tax losses HK$'000	Total HK$'000
At 1 April 2021	4,810	589	5,399
Derecognition of the deconsolidated/ deregistered subsidiaries	(4,810)	(589)	(5,399)
At 31 March 2022, 1 April 2022 and 31 December 2022	—	—	—

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 2022, the Group did not recognise deferred tax assets (31 March 2022: HK$1,919,790) in respect of losses of approximately HK$206,794,000 (31 March 2022: HK$11,635,000). Tax losses amounting to approximately HK$196,151,000 (31 March 2022: HK$11,635,000) will be expired up to year 2029 (31 March 2022: 2028), while the remaining balance can be carried forward indefinitely.

33. Share Capital

	Note	Number of shares	Amount HK$'000
Authorised:			
Ordinary shares of HK$0.05 each			
At 1 April 2021		1,456,913,987	145,691
Authorised Share Capital Diminution	(a)	(315,838,160)	(139,986)
Share Consolidation	(b)	(1,026,968,245)	—
Increase in Authorised Share Capital	(c)	1,885,892,418	94,295
At 31 March 2022, 1 April 2022 and 31 December 2022		2,000,000,000	100,000
Convertible non-voting preference shares of HK$0.10 each			
At 1 April 2021 and 31 March 2022		143,086,013	14,309
At 31 March 2022, 1 April 2022 and 31 December 2022		2,143,086,013	114,309
Issued and fully paid:			
Ordinary shares of HK$0.05 each			
At 1 April 2021		1,141,075,827	114,108
Share Consolidation	(b)	(1,026,968,245)	—
Capital Reduction	(d)	—	(108,403)
Conversion of preference shares	(e)	13,206,493	661
Subscription	(f)	990,220,583	49,511
Placement	(g)	56,584,032	2,829
Issue of shares	(h)	240,482,142	12,024
At 31 March 2022, 1 April 2022 and 31 December 2022		1,414,600,832	70,730
Convertible non-voting preference shares of HK$0.10 each			
At 1 April 2021		132,064,935	13,207
Conversion of preference shares	(e)	(132,064,935)	(13,207)
At 31 March 2022, 1 April 2022 and 31 December 2022		—	—
At 31 March 2022, 1 April 2022 and 31 December 2022		1,414,600,832	70,730

Notes:

(a) With reference to note 2(1)(b), upon the Capital Reduction becoming effective, all the authorised but unissued ordinary share capital shall be cancelled in its entirety. 315,838,160 unissued shares were cancelled.

(b) With reference to note 2(1)(d), upon each of the Capital Reduction, the Authorised Share Capital Diminution and the Share Premium Cancellation becoming effective, every ten existing issued and unissued Existing Shares of HK$0.005 each shall be consolidated into one New Share of HK$0.05 each.

33. Share Capital (continued)

Notes: (continued)

(c) With reference to note 2(1)(e), upon each of the Capital Reduction, the Authorised Share Capital Diminution, the Share Premium Cancellation and the Share Consolidation becoming effective, the Company's authorised ordinary share capital shall be increased from approximately HK$5,710,000 divided into 114,107,582 New Shares of HK$0.05 each to HK$100,000,000 divided into 2,000,000,000 New Shares of HK$0.05 each.

(d) With reference to note 2(1)(a) and 2(1)(c), the issued ordinary share capital of the Company shall be reduced by cancelling the paid up capital of the Company to the extent of HK$0.095 on each of the issued Existing Shares such that the par value of each issued Existing Share shall be reduced from HK$0.10 to HK$0.005.

The par value of share capital is reduced to HK$0.005, which is equivalent to reducing current ordinary capital of approximately HK$114,108,000 to approximately HK$5,705,000 (a reduction of approximately HK$108,403,000). The total amount of share capital after the reduction, with the preference shares of approximately HK$13,207,000, would be approximately HK$18,912,000.

(e) The 132,064,935 issued preference shares converted to the issued share capital at HK$0.1 each.

(f) With reference to note 2(2), the Company issued 990,220,583 shares at HK$0.121056 for total consideration of approximately HK$119,872,000.

(g) With reference to note 2(4), the Company entered into a placing agreement with the Investor and a placing agent, 56,584,032 placement shares to no less than six placees at HK$0.121056 per placement shares. The placement had raised an approximately HK$6,850,000, before net of expenses.

(h) With reference to note 2(5), the company issued 240,482,142 shares to the SchemeCo at HK$0.121056 each.

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.

33. Share Capital (continued)

Voting rights

The holders of CP shares will be entitled to receive notice of every general meeting of the Company but will not be entitled (i) to vote upon any resolution unless it is a resolution for winding-up the Company or reducing its share capital in any manner or a resolution modifying, varying or abrogating any of the special rights attached to the CP shares or (ii) to attend or speak at any general meeting of the Company unless the business of the meeting includes the consideration of a resolution upon which the holders of CP shares are entitled to vote.

Transferability

None of the CP shares will be assignable or transferable without the prior written approval of the Board of Directors of the Company. The Company will not apply for a listing of any of the CP shares on any stock exchange anywhere in the world.

Redemption

Subject to the provisions of the Companies Act, the Company shall be entitled, at any time after the fifth anniversary of the date of issue of the CP shares by resolution of the directors of the Company to redeem all or any of the CP shares. These shall be paid on each CP share redeemed a sum equal to (i) the subscription price thereof and (ii) all arrears (if any) of the Dividend thereon. As from the redemption date such dividend shall cease to apply.

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 March 2022 and 31 December 2022, 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.

33. 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.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Total debt comprises total borrowings (except for bank overdrafts). Total capital comprises all components of equity (i.e. share capital, share premium and retained earnings), plus net debt.

33. Share Capital (continued)

Capital management (continued)

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 2022 and 31 March 2022 were as follows:

	As at 31 December 2022 HK$'000	As at 31 March 2022 HK$'000
Total debt	469,290	314,976
Less: bank and cash balances	(12,898)	(5,274)
Net debt	456,392	309,702
Total equity	315,789	508,855
Total capital	772,181	818,557
Gearing ratio	59.1%	37.84%

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 2022, 29% of the shares were in public hands.

Breaches in meeting the financial covenants would permit the banks to immediately call certain borrowings. There have been no breaches in the financial covenants of any interest bearing borrowings for the nine months ended 31 December 2022.

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

(a) Statement of financial position of the Company

	Note	As at 31 December 2022 HK$'000	As at 31 March 2022 HK$'000
Non-current assets			
Investment in subsidiaries	39	*	*
Current Assets			
Accounts and other receivables		85	146
Bank balances		1,592	109
		1,677	255
Current liabilities			
Accruals		2,139	3,145
Amount due to ultimate holding company		179	179
Amounts due to subsidiaries		3,576	226
		5,894	3,550
Net current liabilities		(4,217)	(3,295)
NET LIABILITIES		(4,217)	(3,295)
Equity			
Share capital	33	70,730	70,730
Reserves	34(b)	(74,947)	(74,025)
CAPITAL DEFICIENCY		(4,217)	(3,295)

* Less than HK$1,000

Approved by the Board of Directors on 27 March 2023 and are signed on its behalf by:

Mr. SHI Yaofeng

Mr. HUANG Tiansheng

34. Statement of Financial Position and Reserve Movement of the Company (continued)

(b) Reserve movement of the Company

	Note	Share premium HK$'000	Contributed surplus HK$'000 (note 35(b)(iv))	Capital reserve HK$'000 (note 35(b)(i))	Accumulated losses HK$'000	Total HK$'000
At 1 April 2021		161,262	249,697	–	(2,590,996)	(2,180,037)
Capital Reduction		–	–	108,403	–	108,403
Share Premium Cancellation		(161,262)	161,262	–	–	–
Subscription		70,361	–	–	–	70,361
Placement		4,021	–	–	–	4,021
Issue of shares		17,088	–	–	–	17,088
Conversion of preference shares		12,546	–	–	–	12,546
Reserve transfer		–	(249,697)	–	249,697	–
Total comprehensive income for the year		–	–	–	1,893,593	1,893,593
At 31 March 2022 and 1 April 2022		104,016	161,262	108,403	(447,706)	(74,025)
Total comprehensive income for the period		–	–	–	(922)	(922)
At 31 December 2022		104,016	161,262	108,403	(448,628)	(74,947)

(i) With reference to note 2(1)(c), upon each of the Capital Reduction and the Authorised Share Capital Diminution becoming effective, the entire amount standing to the credit of the share premium account of the Company of approximately HK$161,000,000 shall be cancelled, being the aggregate amount subscribed for the Existing Shares in excess of such Existing Shares' par value at that time, and the amount cancelled shall be credited to the contributed surplus reserve account of the Company.

35. 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.

35. Reserves (continued)

(b) Nature and purpose of reserves

(i) Capital reserve

The capital reserve of the Group includes the difference between the nominal value of the shares issued by Samson Paper (BVI) Limited and the nominal value of the share capital of those companies forming the Group pursuant to a group reorganisation in 1995 amounted to HK$33,311,000. In addition, it also includes the loss from the acquisition of additional interests in subsidiaries of HK$1,977,000 in 2011 and the gain on disposal of 22.3% equity interests in a subsidiary of HK$170,660,000 in 2012. It further 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(c) to the consolidated financial statements.

(iii) Statutory reserve

The amount is determined under the relevant laws and regulations in the PRC.

(iv) 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.

36. Operating Lease Arrangements

The Group as lessor

Operating leases relate to land and buildings owned by the Group with lease terms of 10 years (31 March 2022: 10 years). All operating lease contracts contain market review clauses in the vent that the lessee exercises its options to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

	As at 31 December 2022 HK$'000	As at 31 March 2022 HK$'000
Within year 1	383	419
In the second year	383	419
In the third year	383	419
In the fourth year	383	419
In the fifth year	383	419
After five years	957	1,342
	2,872	3,437

37. Notes to the Consolidated Statement of Cash Flows

(a) Deregistration of a subsidiary during the year ended 31 March 2022

During the year ended 31 March 2022, a subsidiary of the Group in paper trading segment was deregistered.

Assets and liabilities as at the date of deregistration are as follows:

	HK$'000
Bank and cash balances	434
Accounts and other payables	(92)
	342
Release of foreign currency translation reserve	38
Loss on deregistration of a subsidiary	(380)
Total consideration	—
Consideration satisfied by	
Cash	—
Net cash outflow arising on deregistration:	
Cash consideration received	—
Cash and cash equivalents deregistered of	(434)
	(434)

37. Notes to the Consolidated Statement of Cash Flows (continued)

(b) Deconsolidation of subsidiaries — Burotech Limited ("Burotech")

On 30 June 2021, the shareholder of Burotech, a wholly-owned indirect subsidiary of the Company, resolved that Burotech could not by reason of its liabilities, continue its business, and that it should be wound up. Accordingly, a special resolution has passed by the shareholder of Burotech to wind up Burotech by way of creditors' voluntary liquidation and joint and several liquidators were appointed.

In the opinion of the directors, the Group has considered to have lost control on Burotech as the Group has no further involvement in the relevant activities of Burotech nor any ability to affect the return thereof.

Burotech is included in paper trading segment in the segment information.

Assets and liabilities as at the date of deconsolidation are as follows:

	HK$'000
Property, plant and equipment	33
Non-current deposits and prepayments	1,854
Deferred tax assets	816
Bank and cash balances	20,426
Accounts and other payables	(12,259)
	10,870
Loss on deconsolidation of subsidiaries	(10,870)
Total consideration	—
Consideration satisfied by	
Cash	—
Net cash outflow arising on deconsolidation:	
Cash consideration received	—
Cash and cash equivalents deconsolidated of	(20,426)
	(20,426)

37. Notes to the Consolidated Statement of Cash Flows (continued)

(c) Deconsolidation of subsidiaries — SMC

On 30 June 2021, the shareholder of SMC, a wholly-owned indirect subsidiary of the Company, resolved that SMC could not by reason of its liabilities, continue its business, and that it should be wound up. Accordingly, a special resolution has passed by the shareholder of SMC to wind up SMC by way of creditors' voluntary liquidation and joint and several liquidators were appointed.

In the opinion of the directors, the Group has considered to have lost control on SMC as the Group has no further involvement in the relevant activities of SMC nor any ability to affect the return thereof.

SMC is included in paper trading segment in the segment information.

Assets and liabilities as at the date of deconsolidation are as follows:

	HK$'000
Property, plant and equipment	23,083
Right-of-use assets	14,024
Deferred tax assets	2,143
Inventories	233
Accounts and other receivables	327,839
Taxation recoverable	1,864
Bank and cash balances	25,449
Accounts and other payables	(36,317)
Taxation payable	(16,731)
Lease liabilities	(1,279)
Deferred tax liabilities	(5,874)
	334,434
Release of foreign currency translation reserve	(33,000)
Loss on deconsolidation of subsidiaries	(301,434)
Total consideration	—
Consideration satisfied by	
Cash	—
Net cash outflow arising on deconsolidation:	
Cash consideration received	—
Cash and cash equivalents deconsolidated of	(25,449)
	(25,449)

37. Notes to the Consolidated Statement of Cash Flows (continued)

(d) Deconsolidation of subsidiaries — SJ Limited

On 16 September 2021, the shareholder of SJ Limited, a wholly-owned indirect subsidiary of the Company, resolved that SJ Limited could not by reason of its liabilities, continue its business, and that it should be wound up. Accordingly, a special resolution has passed by the shareholder of SJ Limited to wind up SJ Limited by way of creditors' voluntary liquidation and joint and several liquidators were appointed.

In the opinion of the directors, the Group has considered to have lost control on SJ Limited as the Group has no further involvement in the relevant activities of SJ Limited nor any ability to affect the return thereof.

Assets and liabilities as at the date of deconsolidation are as follows:

	HK$'000
Property, plant and equipment	53,473
Properties under development	225,627
Accounts and other receivables	2,950
Taxation recoverable	14,665
Bank and cash balances	390
Accounts and other payables	(312,392)
	(15,287)
Release of foreign currency translation reserve	(62,111)
Gain on deconsolidation of subsidiaries	77,398
Total consideration	—
Consideration satisfied by	
Cash	—
Net cash outflow arising on deconsolidation:	
Cash consideration received	—
Cash and cash equivalents deconsolidated of	(390)
	(390)

Segment information analysed as:

	HK$'000
Trading segment	85,383
Property development and investment segment	(7,985)
Loss on deconsolidation of subsidiaries	77,398

37. Notes to the Consolidated Statement of Cash Flows (continued)

(e) Deconsolidation of subsidiaries — Kingsrich Group Limited ("Kingsrich")

On 30 June 2021, the shareholder of Kingsrich, a wholly-owned indirect subsidiary of the Company, resolved that Kingsrich could not by reason of its liabilities, continue its business, and that it should be wound up. Accordingly, a special resolution has passed by the shareholder of Kingsrich to wind up Kingsrich by way of creditors' voluntary liquidation and joint and several liquidators were appointed.

In the opinion of the directors, the Group has considered to have lost control on Kingsrich as the Group has no further involvement in the relevant activities of Kingsrich nor any ability to affect the return thereof.

Assets and liabilities as at the date of deconsolidation are as follows:

	HK$'000
Property, plant and equipment	26,328
Investment properties	17,632
Right-of-use assets	14,473
Accounts and other receivables	8,219
Bank and cash balances	707
Accounts and other payables	(50,156)
Deferred tax liabilities	(8,356)
	8,847
Release of foreign currency translation reserve	(1,433)
Loss on deconsolidation of subsidiaries	(7,414)
Total consideration	—
Consideration satisfied by	
Cash	—
Net cash outflow arising on deconsolidation:	
Cash consideration received	—
Cash and cash equivalents deconsolidated of	(707)
	(707)

Segment information analysed as:

	HK$'000
Trading segment	49,503
Property development and investment segment	(56,917)
Loss on deconsolidation of subsidiaries	(7,414)

37. Notes to the Consolidated Statement of Cash Flows (continued)

(f) Deconsolidation of subsidiaries — ListCo Scheme

Pursuant to the terms of the Restructuring Agreement, on 26 January 2022, the Company has transferred the entire equity interests of Samson Paper (BVI) Ltd (being the holding company of the Excluded Subsidiaries) to the SchemeCo at a nominal consideration of HK$1, whereby the Excluded Subsidiaries have been transferred to the SchemeCo for the benefit of the Scheme Creditors.

In the opinion of the directors, the Group has considered to have lost control on the Excluded Subsidiaries as the Group has no further involvement in the relevant activities of the Excluded Subsidiaries nor any ability to affect the return thereof.

Assets and liabilities as at the date of deconsolidation are as follows:

	HK$'000
Property, plant and equipment	17,947
Right-of-use assets	1,210
Deferred tax assets	2,440
Accounts and other receivables	30,049
Taxation recoverable	7,630
Bank and cash balances	131,102
Accounts and other payables	(53,447)
Taxation payable	(5)
Borrowings	(410,962)
Lease liabilities	(621)
Deferred tax liabilities	(35,440)
	(310,097)
Release of foreign currency translation reserve	(67,451)
Less: non-controlling interests	(2,405)
Shares issued (Note 36(h))	29,112
Transfer of proceeds from the Subscription and the Placement (Note 36(f) and 36(g))	91,722
Discharge of financial guarantee liabilities	(2,269,676)
Gain on deconsolidation of subsidiaries	2,528,795
Total consideration	*
Consideration satisfied by	
Cash	*
Net cash outflow arising on deregistration:	
Cash consideration received	*
Cash and cash equivalents deconsolidated of	(131,102)
	(131,102)

* Less than HK$1,000

37. Notes to the Consolidated Statement of Cash Flows (continued)

(f) Deconsolidation of subsidiaries — ListCo Scheme (continued)
Segment information analysed as:

	HK$'000
Trading segment	2,152,088
Others segment	376,707
Loss on deconsolidation of subsidiaries	2,528,795

(g) Gain on re-consolidation of a deconsolidated subsidiary
On 23 December 2020, UPPSD was informed by the Shandong Court, that a bankruptcy application was filed by a creditor of UPPSD, Weifang Red Automation Equipment Co., Ltd, who was an equipment provider to UPPSD, against UPPSD. UPPSD filed an objection letter to the Shandong Court against the bankruptcy application.

On 30 December 2020, UPPSD received a civil judgement issued by the Shandong Court, advising that the bankruptcy application filed from a creditor was accepted. A bankruptcy administrator was appointed by Shandong Court on 30 December 2020. UPPSD is the principal operating subsidiary of the Group's paper manufacturing segment.

In accordance to the relevant rules and regulations, UPPSD Bankruptcy Administrator had taken custody of UPPSD's assets and company seal. Therefore, the Group was considered to have lost control on UPPSD. UPPSD remained in operation through the Entrusted Operation, the term of which was extended by an agreement dated 19 January 2021 entered into between UPPSD, the UPPSD Bankruptcy Administrator and Shandong Bairun.

On 29 July 2021, the UPPSD Bankruptcy Administrator convened the second meeting of creditors of UPPSD for the purpose of considering and approving the UPPSD Bankruptcy Reorganisation plan. The UPPSD Bankruptcy Reorganisation plan was approved by its creditors and the Shandong Court on 29 July 2021 and 1 August 2021 respectively and the UPPSD Bankruptcy Administrator was discharged with effect from 1 August 2021. UPPSD resumed its self-operation with effect from 1 August 2021.

Financial results and position of UPPSD were consolidated into those of the Group in accordance with the requirements of HKFRS 10 Consolidated Financial Statements with effect from 1 August 2021.

Assets and liabilities as at the date of regain of control are as follows:

	HK$'000
Property, plant and equipment	848,550
Right-of-use assets	222,466
Other intangible assets	210
Inventories	2,601
Accounts and other receivables	74,763
Bank and cash balances	1,566
Accounts and other payables	(642,815)
Provisions	(19,244)
Deferred tax liabilities	(22,198)
Gain on re-consolidation of a deconsolidated subsidiary	465,899
Net cash inflow arising on acquisition:	
Cash and cash equivalents re-consolidated of	1,566

37. Notes to the Consolidated Statement of Cash Flows (continued)

(h) 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.

	Lease liabilities HK$'000	Other borrowings HK$'000 (note 31)	Bank loans HK$'000 (note 31)	Total HK$'000
At 1 April 2021	5,077	—	410,817	415,894
Deconsolidation/deregistration of subsidiaries	(1,900)	—	(410,962)	(412,862)
Additions	—	424,637	—	424,637
Repayment	(3,334)	(121,325)	—	(124,659)
Interest expenses	94	6,556	—	6,650
Exchange differences	63	5,108	145	5,316
At 31 March 2022 and 1 April 2022	—	314,976	—	314,976
Additions	—	155,435	80,004	235,439
Repayment	—	(61,418)	(1,752)	(63,170)
Interest expenses	—	9,526	1,752	11,278
Exchange differences	—	(28,196)	(1,037)	(29,233)
At 31 December 2022	—	390,323	78,967	469,290

(i) Total cash outflow for leases

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

	For the nine months ended 31 December 2022 HK$'000	For the year ended 31 March 2022 HK$'000
Within operating cash flows	447	553
Within financing cash flows	—	3,240
	447	3,793

These amounts relate to the following:

	For the nine months ended 31 December 2022 HK$'000	For the year ended 31 March 2022 HK$'000
Lease rental paid	447	3,793

38. Related Party Transactions

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

	For the nine months ended 31 December 2022 HK$'000	For the year ended 31 March 2022 HK$'000
Basic salaries and allowances	972	4,056
Retirement benefit scheme contributions	—	18
	972	4,074

(b) In addition to those related party transactions and balances disclosed elsewhere in the consolidated financial statements, the Group had the following transaction with its related party during the period/year:

	For the nine months ended 31 December 2022 HK$'000	For the year ended 31 March 2022 HK$'000
Purchase of raw materials from related parties (note)	—	9,578
Sales of finished goods to related parties	314,642	54,377
Management fee to a related party	275	—
Finance cost to a related party	10,670	3,003

Note: The agreements in relation to the purchases of raw material for the ordinary and usual course of business of UPPSD were entered into before the date of Resumption.

39. Principal Subsidiaries

Particulars of the Groups' major subsidiaries as at 31 December 2022 and 31 March 2022 are set as follow:

Name	Place of incorporation/ establishment	Issued and paid up capital/ registered capital	Percentage of ownership interest/voting power/ profit sharing		Principal activities/ Place of operation
			As at 31 December 2022	As at 31 March 2022	
Directly held:					
SPV1	Hong Kong/Limited liability company	1 ordinary share of HK$1	100	–	Investment holding in the PRC
Samson Paper (BVI) Limited	British Virgin Islands/ Limited liability company	110,000 ordinary shares of HK$1 each	–	100	Investment holding in Hong Kong
Indirectly held:					
UPPSD*	The PRC/Limited liability company	Registered capital US$97,418,900	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	–	Recycling of wasted paper

* The English name of these companies are used for identification purpose only. The official name of this entity is in Chinese.

The above table only lists those subsidiaries of the Company which, in the opinion of the directors, principally affect the results for the year or formed a substantial portion of the net assets of the Group.

40. Capital Commitments

Capital commitments contracted for at the end of the reporting period but not yet incurred are as follows:

	For the nine months ended 31 December 2022 HK$'000	For the year ended 31 March 2022 HK$'000
Property, plant and equipment	3,470	—

41. Events after the Reporting Period

On 4 January 2023, UPPSD entered into a loan agreement with Shandong Bairun for a loan facility of approximately HK$56,405,000 (equivalent to RMB50,000,000) which is repayable within 18 months from the date of the relevant drawdown. The loan facility was fully drawn on 11 January 2023 for supporting its daily operations.

On 23 March 2023, UPPSD entered into extension agreements with Shandong Bairun to extend the borrowings in an aggregate amount of approximately HK$446,728,000 (equivalent to RMB396,000,000) to 31 January 2025.

Financial Summary

Condensed Consolidated Statement of Comprehensive Income

	For the nine months ended 31 December 2022 HK$'000	2022 HK$'000	For the year ended 31 March 2021 HK$'000 (Re-presented)	2020 HK$'000 (Re-presented)	2019 HK$'000
Revenue from continuing operations	1,044,390	1,229,456	549,988	4,376,760	5,907,821
Gross (loss)/profit	(54,824)	97,070	(54,726)	408,898	559,990
(Loss)/profit from operations	(138,469)	479,287	(1,446,463)	(477,791)	210,993
(Loss)/profit for the year	(150,875)	2,558,902	(4,024,589)	(542,952)	119,677
(Loss)/profit attributable to equity owners of the Company	(150,875)	2,558,902	(3,768,764)	(550,566)	109,206

Condensed Consolidated Statement of Financial Position

	As at 31 December 2022 HK$'000	2022 HK$'000	As at 31 March 2021 HK$'000	2020 HK$'000	2019 HK$'000
Total current assets	323,926	480,544	912,553	2,929,542	3,533,818
Total non-current assets	993,083	1,096,257	184,811	2,929,083	2,989,026
Total assets	1,317,009	1,576,801	1,097,364	5,858,625	6,522,844
Total current liabilities	459,332	829,263	3,217,843	4,227,146	3,183,004
Total non-current liabilities	541,888	238,683	57,715	131,838	1,153,517
Total liabilities	1,001,220	1,067,946	3,275,558	4,358,984	4,336,521
Equity attributable to equity owners of the Company	315,789	508,855	(2,180,599)	1,257,709	1,959,883
Non-controlling interests	—	—	2,405	241,932	226,440
Total equity/(capital deficiency)	315,789	508,855	(2,178,194)	1,499,641	2,186,323