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C&D Newin Paper & Pulp Corporation Limited

建發新勝漿紙有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 731)

**FINAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2024**

The board (the “Board”) of directors (“Directors”) hereby announces the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2024 (the “Year”), together with the comparative figures for the year ended 31 December 2023, as follows.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2024

		Year ended 31 December 2024	Year ended 31 December 2023
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	4	1,331,437	1,372,077
Cost of sales		<u>(1,344,704)</u>	<u>(1,392,188)</u>
Gross loss		(13,267)	(20,111)
Other gains and income, net	5(a)	37,235	24,111
Release of undeclared claims	5(b)	128,186	–
Selling expenses		(2,495)	(2,270)
Administrative expenses		(102,162)	(109,846)
Reversal of impairment losses of financial assets, net		<u>682</u>	<u>10</u>
Profit/(loss) from operations		48,179	(108,106)
Finance costs		<u>(23,839)</u>	<u>(21,416)</u>
Profit/(loss) before tax		24,340	(129,522)
Income tax credit	7	<u>255</u>	<u>724</u>
Profit/(loss) for the year	6	<u>24,595</u>	<u>(128,798)</u>
Earnings/(loss) per share			
Basic and diluted	8	<u>HKD1.7 Cents</u>	<u>HKD(9.1) Cents</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2024

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2024

	<i>Note</i>	31 December 2024 HK\$'000	31 December 2023 HK\$'000
Non-current assets			
Property, plant and equipment		667,442	731,335
Right-of-use assets		171,825	185,003
Other intangible assets		97	132
		839,364	916,470
Current assets			
Inventories		181,119	192,109
Accounts and other receivables and prepayments	10	30,584	36,949
Amount due from an intermediate holding company	13	2	—
Bank and cash balances		42,668	27,412
		254,373	256,470
Total assets		1,093,737	1,172,940
Current liabilities			
Accounts and other payables	11	208,714	296,913
Contract liabilities		1,898	2,129
Amounts due to fellow subsidiaries	13	30,725	13,542
Amount due to immediate holding company	13	179	179
Amount due to an intermediate holding company	13	—	96
Borrowings	12	190,818	55,117
Tax payable		498	22
		432,832	367,998
Net current liabilities		(178,459)	(111,528)
Total assets less current liabilities		660,905	804,942

		31 December 2024	31 December 2023
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current liabilities			
Accounts and other payables	11	—	57,025
Amount due to a fellow subsidiary	13	—	39,360
Borrowings	12	446,302	510,829
Deferred tax liabilities		16,968	18,285
		<hr/> 463,270	<hr/> 625,499
NET ASSETS		<hr/> 197,635	<hr/> 179,443
Equity			
Share capital		70,730	70,730
Reserves		126,905	108,713
TOTAL EQUITY		<hr/> 197,635	<hr/> 179,443

Notes:

1. BASIS OF PREPARATION

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

The HKICPA has issued certain new and revised HKFRS Accounting Standards that are first effective or available for early adoption for the current accounting period of the Group. Note 2 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.

Going Concern

The Group incurred a net operating cash outflow of approximately HK\$39,192,000 during the Year. As at 31 December 2024, the Group’s current liabilities exceeded its current assets by approximately HK\$178,459,000. The Group had cash and cash equivalents amounted to approximately HK\$42,668,000, while the outstanding current portion of bank borrowings of approximately HK\$106,010,000, outstanding current portion of other borrowings of approximately HK\$84,808,000 and the current portion of the amounts due to fellow subsidiaries, an intermediate holding company and immediate holding company in aggregate amounted to approximately HK\$30,904,000.

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

Nevertheless, the Directors had adopted the going concern basis in the preparation of these consolidated financial statements on the grounds that the Group will have sufficient working capital to meet its financial obligations as and when they fall due in the next twelve months from 31 December 2024, based on the measures including but not limited to the following:

- (a) The Directors expect the Group will attain profitability and be able to generate operating cash inflows from its future business operations as the markets for its products continue to recover;
- (b) As set out in note 12, as at 31 December 2024, the Group has drawn down bank borrowings of approximately HK\$106,010,000 (equivalent to RMB100,000,000). The Group has submitted an application for the renewal of the bank borrowings for extending the terms for a further three years. This renewal process is currently under review by the bank. The Directors are of the opinion that the Group will be able to extend the term of the loan facilities for a further three years in 2025;
- (c) As set out in note 12, as at 31 December 2024, the Group has drawn down other borrowings of approximately HK\$531,110,100 (equivalent to RMB501,000,000) from 廈門建發漿紙集團有限公司 (Xiamen C&D Paper & Pulp Group Co., Limited*) (“Xiamen C&D Paper & Pulp”), the intermediate parent of the Company, and has available unutilised loan facilities of approximately HK\$51,944,900 (equivalent to RMB49,000,000). The maturity date is 18-month after the drawn down date of the relevant borrowings. Subsequent to the reporting period, the Group has further drawn down approximately HK\$9,541,000 (equivalent to RMB9,000,000) of the unutilised facilities. The Directors are of the opinion that the Group will be able to utilise the undrawn loan facilities if needed; and

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

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. ADOPTION OF NEW AND REVISED HKFRS ACCOUNTING STANDARDS

(a) Application of new and revised HKFRS Accounting Standards

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

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

The applications of the amendments to HKFRS Accounting Standards and interpretation listed above did not have any material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these financial statements.

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

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

	Effective for accounting periods beginning on or after
Amendments to HKAS 21 and HKFRS 1 – Lack of Exchangeability	1 January 2025
Amendments to HKFRS 9 and HKFRS 7 – Classification and Measurement of Financial Instruments	1 January 2026
Annual Improvements to HKFRS Accounting Standards – Volume 11	1 January 2026
HKFRS 18 – Presentation and Disclosure in Financial Statements	1 January 2027
Amendments to HK Int 5 – Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2027
Amendments to HKFRS 10 and HKAS 28 — Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined by the HKICPA

The directors of the Company are in the process of making an assessment of what the impacts of these new standards, amendments to standards and interpretation are expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements except for the following:

HKFRS 18 “Presentation and Disclosure in Financial Statements”

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

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

3. SEGMENT INFORMATION

The chief operating decision-makers have been identified as the executive directors of the Company. The executive directors review the Group’s financial information mainly from business nature and geographical perspectives. From a perspective on business nature, the Group has a single reportable segment for the Year, namely paper manufacturing and selling segment. From a geographical perspective, management mainly assesses the performance of operations in the People’s Republic of China (“PRC”). Accordingly, there is only one single reportable segment of the Group which is regularly reviewed by the Directors.

4. REVENUE

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

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

5. OTHER GAINS AND INCOME, NET

(a) Other Gains and Income, Net

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

Note:

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

(b) Release of undeclared claims

	Year ended 31 December 2024 HK\$'000	Year ended 31 December 2023 HK\$'000
Release of undeclared claims (<i>note</i>)	<u>128,186</u>	<u>—</u>

Note:

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

6. PROFIT/(LOSS) FOR THE YEAR

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

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

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

7. INCOME TAX CREDIT

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

	Year ended 31 December 2024 HK\$'000	Year ended 31 December 2023 HK\$'000
Current tax		
Hong Kong Profits Tax	481	17
PRC Enterprise Income Tax	—	5
Over-provision of the PRC Enterprise Income Tax in prior years	(5)	—
	<u> </u>	<u> </u>
	476	22
Deferred tax	(731)	(746)
	<u> </u>	<u> </u>
	(255)	(724)

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

The Company's PRC subsidiaries are subject to the PRC Enterprise Income Tax at rate of 25% except as follows. UPPSD was entitled to the preferential tax rate of 15% with an effective period of three years starting from 2023 to 2026, being accredited as a High and New Technology Enterprise ("HNTE") according to the PRC Corporate Income Tax Law and its relevant regulations on 29 November 2023. The Directors are in opinion that UPPSD continuously fulfilled the requirements of HNTE according to relevant rules and regulations, and therefore the tax rate used to recognise deferred tax assets and liabilities as at 31 December 2024 was 15% (2023: 15%).

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

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

8. EARNINGS/(LOSS) PER SHARE

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

	Year ended 31 December 2024 <i>HK\$'000</i>	Year ended 31 December 2023 <i>HK\$'000</i>
Profit/(loss)		
Profit/(loss) for the purpose of calculating basic and diluted earnings/(loss) per share	<u>24,595</u>	<u>(128,798)</u>
	31 December 2024 '000	31 December 2023 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic/diluted earnings/(loss) per share	<u>1,414,601</u>	<u>1,414,601</u>

The weighted average numbers of ordinary shares used as denominators in calculating the basic and diluted earnings/(loss) per share are the same for the years ended 31 December 2024 and 2023.

9. DIVIDENDS

The Directors did not recommend payment of any final dividend for the Year (2023: HK\$Nil).

10. ACCOUNTS AND OTHER RECEIVABLES AND PREPAYMENTS

	As at 31 December 2024 <i>HK\$'000</i>	As at 31 December 2023 <i>HK\$'000</i>
Accounts receivable	7,773	13,227
Bills receivable	15,355	3,235
Reversal of impairment losses	<u>(7)</u>	<u>(3,109)</u>
	23,121	13,353
Other receivables	19	2,263
Deposits	85	86
Prepayments	<u>7,359</u>	<u>21,247</u>
	<u>30,584</u>	<u>36,949</u>

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 executive directors.

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

	As at 31 December 2024 <i>HK\$'000</i>	As at 31 December 2023 <i>HK\$'000</i>
Current to 60 days	22,453	13,353
61 days to 90 days	71	—
Over 90 days	597	—
	<u>23,121</u>	<u>13,353</u>

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

11. ACCOUNTS AND OTHER PAYABLES

	As at 31 December 2024 <i>HK\$'000</i>	As at 31 December 2023 <i>HK\$'000</i>
Accounts payable	122,999	83,980
Accruals and other payables	30,238	155,908
Debt restructuring (<i>note</i>)	55,477	114,050
	<u>208,714</u>	<u>353,938</u>
Analysed as:		
Current liabilities	208,714	296,913
Non-current liabilities	—	57,025
	<u>208,714</u>	<u>353,938</u>

Note: According to the UPPSD's bankruptcy reorganisation plan approved by the Shandong Court ("UPPSD Bankruptcy Reorganisation Plan"), for each creditor's unsecured claims with principal amount exceeding RMB200,000, settlement will be completed within four (4) years in five (5) instalments of 20% every year. The first instalment payment shall be made to repay creditor's unsecured claim of principal amount below RMB200,000 (inclusive) and 20% of the principal amount in excess of RMB200,000. The four subsequent instalments of 20% of the principal amount in excess of RMB200,000 shall be paid on or before the first, second, third and fourth anniversary date of the first instalment payment. Remaining debts shall not bear any interest for the period of settlement in instalments. As at 31 December 2024, the balance represents the remaining one instalment.

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

	As at 31 December 2024 HK\$'000	As at 31 December 2023 HK\$'000
0 to 90 days	121,243	83,153
Over 90 days	<u>1,756</u>	<u>827</u>
	<u>122,999</u>	<u>83,980</u>

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

12. BORROWINGS

	As at 31 December 2024 HK\$'000	As at 31 December 2023 HK\$'000
Bank loans	106,010	55,117
Other borrowings	<u>531,110</u>	<u>510,829</u>
	<u>637,120</u>	<u>565,946</u>

The analysis of the repayment schedule of borrowings is as follows:

	As at 31 December 2024 HK\$000	As at 31 December 2023 HK\$000
Within one year	190,818	55,117
More than one year, but not exceeding two years	<u>446,302</u>	<u>510,829</u>
	<u>637,120</u>	<u>565,946</u>

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

The interest rates per annum were as follows:

	As at 31 December 2024	As at 31 December 2023
Bank loans	4.25%	4.25%
Other borrowings	3.72%	3.85–4.05%

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

On 20 May 2022, UPPSD entered into a loan agreement with the bank for a loan facility of approximately HK\$106,010,000 (equivalent to RMB100,000,000) which are secured by a charge over the Group's land and buildings and guaranteed by Xiamen C&D Paper & Pulp. The borrowing is repayable within 12 months with a repayment on demand clause, which is classified as current liabilities as at 31 December 2024.

Under the UPPSD Bankruptcy Reorganisation Plan, a loan agreement was entered between Shandong Bairun Paper Co. Ltd.* (山東佰潤紙業有限公司) (“Shandong Bairun”), Greater Paper (Shenzhen) Paper Limited* (偉紙(深圳)紙業發展有限公司) (“Greater Paper SZ”), the immediate holding company of UPPSD and UPPSD entered into a loan agreement for the loan principal of approximately HK\$274,050,000 (equivalent to RMB250,000,000) where RMB80,000,000 was for UPPSD's daily operation and RMB170,000,000 was for the first instalment payment of restructure liabilities.

On 29 September 2022, UPPSD entered into a loan agreement with Shandong Bairun for a loan facility of approximately HK\$109,620,000 (equivalent to RMB100,000,000) and has drawn down approximately HK\$105,235,000 (equivalent to RMB96,000,000). On 4 January 2023, UPPSD entered into another loan agreement with Shandong Bairun for a loan facility of approximately HK\$54,810,000 (equivalent to RMB50,000,000) and has drawn down approximately HK\$54,810,000 (equivalent to RMB50,000,000). During the Year, UPPSD has repaid all outstanding borrowing of approximately HK\$ 417,799,600 (equivalent to RMB 396,000,000) from Shandong Bairun.

On 25 August 2023, UPPSD entered into a loan agreement with Xiamen C&D Paper & Pulp for a loan facility of approximately HK\$109,620,000 (equivalent to RMB100,000,000) which shall be repayable within 18 months from drawdown date. UPPSD has drawn down approximately HK\$76,734,000 (equivalent to RMB70,000,000) as at 31 December 2023. The borrowing was fully repaid by UPPSD during the Year.

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

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

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

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

	Other receivables <i>HK\$'000</i>	Contract liabilities <i>HK\$'000</i>	Accounts payables <i>HK\$'000</i>	Other payables <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 31 December 2024					
Amounts due to fellow subsidiaries					
Current liabilities	—	(27,970)	—	(2,755)	(30,725)
Amount due from the intermediate holding company					
Current assets	2	—	—	—	2
Amounts due to immediate holding company					
Current liabilities	—	—	—	(179)	(179)
	<u>2</u>	<u>(27,970)</u>	<u>—</u>	<u>(2,934)</u>	<u>(30,902)</u>
As at 31 December 2023					
Amounts due to fellow subsidiaries <i>(note (i) & (ii))</i>					
Current liabilities	—	(10,394)	—	(3,148)	(13,542)
Non-current liabilities	—	—	(36,512)	(2,848)	(39,360)
	—	(10,394)	(36,512)	(5,996)	(52,902)
Amount due to the intermediate holding company <i>(note (i))</i>					
Current liabilities	—	—	—	(96)	(96)
Amounts due to immediate holding company <i>(note (i))</i>					
Current liabilities	—	—	—	(179)	(179)
	<u>—</u>	<u>(10,394)</u>	<u>(36,512)</u>	<u>(6,271)</u>	<u>(53,177)</u>

Notes:

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

HK Paper Sources is direct wholly owned by Xiamen C&D Paper & Pulp and indirectly owned by 廈門建發股份有限公司 (Xiamen C&D Inc.*). Accordingly, Xiamen C&D Paper & Pulp and Xiamen C&D Inc. became the intermediate holding company and the ultimate holding company of the Group respectively.

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

14. RELATED PARTY TRANSACTIONS

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

	Year ended 31 December 2024 HK\$’000	Year ended 31 December 2023 HK\$’000
Basic salaries and allowances	<u>493</u>	<u>1,200</u>

- (b) In addition to those related party transactions and balances disclosed elsewhere in the consolidated financial statements, the Group had the following transaction with its related party during the year:

	Year ended 31 December 2024 HK\$’000	Year ended 31 December 2023 HK\$’000
Sales of finished goods to related parties	—	189,756
Sales of finished goods to fellow subsidiaries	566,783	280,075
Sales of finished goods to an intermediate holding company	5,300	302
Purchase of raw materials from fellow subsidiaries	46,691	—
Management fee to a related party	—	175
Management fee to a fellow subsidiary	250	125
Finance cost to a related party	—	10,246
Finance cost to a fellow subsidiary	9,538	7,319
Finance cost to an intermediate holding company	<u>9,826</u>	<u>531</u>

15. EVENTS AFTER THE REPORTING PERIOD

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

Financial Review

Revenue

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

Costs of sales and gross loss

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

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

Selling expenses

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

Administrative expenses

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

Profit/(loss) for the year

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

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

- (i) the significant one-off gain amounted to approximately HK\$128.2 million as a result of release of undeclared claims under the debt restructuring of the Group. Details of the debt restructuring of the Group were disclosed in the circular of the Company dated 31 December 2021;
- (ii) an increase in government tax subsidies of approximately HK\$33.7 million for the Year, mainly due to the entitlement of the Group to the government tax subsidies policies such as comprehensive utilisation of resources; and
- (iii) a decrease in gross loss of approximately HK\$6.8 million as a result of the improved unit production costs due to the Group's stringent production cost control and marketing efforts to increase the sales volume.

Liquidity and Financial Resources

Bank loans and other borrowings

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

Pledge of assets

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

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

Gearing ratio

As at 31 December 2024, our gearing ratio remained at 75.0% (31 December 2023: 75.0%). The gearing ratio is calculated by net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings) less bank and cash balances. Total capital is calculated as total equity plus net debt.

Current ratio

As at 31 December 2024, our current ratio was 0.59 times as compared with that of 0.70 times as at 31 December 2023. The current ratio is calculated by current assets divided by current liabilities.

Contingent liabilities

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

Employees and Staff Costs

As at 31 December 2024, we had a total of 735 employees excluding directors (31 December 2023: 769 employees). For the Year, the Group incurred staff costs (excluding directors' remuneration) of approximately HK\$76.5 million (for the year ended 31 December 2023: HK\$79.1 million).

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

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

Foreign exchange risk

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

Prospects

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

Subsequent Events after the Year

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

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

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

FINAL DIVIDEND

The Board has resolved not to recommend a final dividend for the Year (for the year ended 31 December 2023: Nil).

PURCHASE, SALE OR REDEMPTION OF SHARES

During the Year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

REVIEW OF FINANCIAL STATEMENTS

The consolidated financial statements of the Group for the Year, including the accounting principles and practices adopted by the Group, have been reviewed by the audit committee of the Company, together with the Board, and audited by the Auditor.

REVIEW OF THIS FINAL RESULTS ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position as at 31 December 2024, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the Year as set out in this preliminary announcement have been agreed by the Auditor, to the amounts set out in the Group's consolidated financial statements for the Year. The work performed by Auditor in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Auditor on this preliminary announcement.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code set out in Appendix C3 to the Listing Rules as its own code of conduct regarding the Directors' dealings in the Company's securities. Specific enquiries have been made to all Directors and all Directors have confirmed that they have complied with the Model Code throughout the Year.

COMPLIANCE WITH THE LISTING RULES AND THE CORPORATE GOVERNANCE CODE

None of the Directors is aware of any information which would reasonably indicate that the Company is not, or was not, throughout the Year under review, in compliance with the Listing Rules and the code provisions (the "Code Provision(s)") under the Corporate Governance Code (the "CG Code") as set out in Appendix C1 to the Listing Rules.

PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT

This audited final results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.cndnewin.com). The annual report will be dispatched to the shareholders of the Company and will be published on the websites of the Stock Exchange and the Company in due course.

CLOSURE OF REGISTER OF MEMBERS

The Company will hold an annual general meeting (“AGM”) on Tuesday, 20 May 2025. In order to determine the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Wednesday, 14 May 2025 to Tuesday, 20 May 2025, both days inclusive, during which period no transfer of Shares will be registered. In order to be qualified to attend and vote at the AGM, all completed transfers forms accompanied by the relevant share certificates must be lodged for registration with the Company’s branch share registrar and transfer office in Hong Kong, Boardroom Share Registrars (HK) Limited, at Room 2103B, 21/F, 148 Electric Road, North Point, Hong Kong no later than 4:30 p.m. on Tuesday, 13 May 2025.

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

Hong Kong, 26 March 2025

As at the date of this announcement, the Board comprise two executive Directors, namely Mr. HUANG Tiansheng and Mr. LIN Ruqing; two non-executive Directors, namely Mr. ZHANG Xiaohui and Mr. CHOI Wai Hong, Clifford; and three independent non-executive Directors, namely Mr. ZHAO Lin, Mr. WONG Yiu Kit, Ernest and Ms. CHAN Siu Mat.

* *for identification purpose only*