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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 2023**

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 2023 (the “Year”), together with the comparative figures for the nine months ended 31 December 2022, as follows.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**

		Year ended 31 December 2023 <i>HK\$'000</i>	Nine months ended 31 December 2022 <i>HK\$'000</i>
	<i>Note</i>		
<b>Revenue</b>	4	<b>1,372,077</b>	1,044,390
Cost of sales		<u>(1,392,188)</u>	<u>(1,099,214)</u>
<b>Gross loss</b>		<b>(20,111)</b>	(54,824)
Other gains and income, net		24,111	7,420
Selling expenses		(2,270)	(1,631)
Administrative expenses		(109,846)	(89,564)
Reversal of impairment losses of financial assets, net		<u>10</u>	<u>130</u>
<b>Loss from operations</b>		<b>(108,106)</b>	(138,469)
Finance costs		<u>(21,416)</u>	<u>(12,422)</u>
<b>Loss before tax</b>		<b>(129,522)</b>	(150,891)
Income tax credit	6	<u>724</u>	<u>16</u>
<b>Loss for the year/period</b>	5	<b><u>(128,798)</u></b>	<b><u>(150,875)</u></b>
<b>Loss per share</b>			
Basic and diluted	7	<b><u>HK(9.1) Cents</u></b>	<b><u>HK(10.7) Cents</u></b>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2023**

		<b>31 December 2023</b>	31 December 2022
	<i>Note</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Non-current assets</b>			
Property, plant and equipment		731,335	794,996
Right-of-use assets		185,003	197,916
Other intangible assets		132	171
		<u>916,470</u>	<u>993,083</u>
<b>Current assets</b>			
Inventories		192,109	238,689
Accounts and other receivables and prepayments	9	36,949	59,172
Amounts due from related parties	12	—	13,167
Bank and cash balances		27,412	12,898
		<u>256,470</u>	<u>323,926</u>
<b>Total assets</b>		<u><b>1,172,940</b></u>	<u>1,317,009</u>
<b>Current liabilities</b>			
Accounts and other payables	10	296,913	326,336
Contract liabilities		2,129	1,595
Borrowings	11	55,117	78,967
Tax payable		22	—
Amounts due to related parties	12	—	52,255
Amounts due to fellow subsidiaries	12	13,542	—
Amount due to immediate holding company	12	179	—
Amount due to an intermediate holding company	12	96	—
Amount due to ultimate holding company	12	—	179
		<u>367,998</u>	<u>459,332</u>
<b>Net current liabilities</b>		<u><b>(111,528)</b></u>	<u>(135,406)</u>
<b>Total assets less current liabilities</b>		<u><b>804,942</b></u>	<u>857,677</u>

		<b>31 December 2023</b>	31 December 2022
	<i>Note</i>	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
<b>Non-current liabilities</b>			
Accounts and other payables	10	<b>57,025</b>	129,398
Borrowings	11	<b>510,829</b>	390,323
Amounts due to related parties	12	—	2,589
Amount due to a fellow subsidiary	12	<b>39,360</b>	—
Deferred tax liabilities		<b>18,285</b>	19,578
		<u><b>625,499</b></u>	<u>541,888</u>
<b>NET ASSETS</b>		<u><b>179,443</b></u>	<u>315,789</u>
<b>Equity</b>			
Share capital		<b>70,730</b>	70,730
Reserves		<b>108,713</b>	245,059
<b>TOTAL EQUITY</b>		<u><b>179,443</b></u>	<u>315,789</u>

Notes:

## 1. 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 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 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 HKFRSs 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.

### Change of financial year end date

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

### Going Concern

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

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

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

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

- (b) As set out in note 11, as at 31 December 2023, the Group has drawn down bank loans of approximately HK\$55,117,000 (equivalent to RMB50,280,000). It has available unutilised banking facilities of approximately HK\$54,503,000 (equivalent to RMB49,720,000). The Directors are of the opinion that the Group will be able to utilise the undrawn loan facilities in 2024 if needed;
- (c) An undertaking has been provided by NCD Investment Holding Limited (“NCD”), the immediate holding company (2022: ultimate holding company) of the Company that NCD will first procure 山東佰潤紙業有限公司 (Shandong Bairun Paper Co. Ltd\*) (“Shandong Bairun”) to further extend the term of the loan of approximately HK\$274,050,000 (equivalent to RMB250,000,000), if considered insufficient, NCD will provide further loans required for the operation of 遠通紙業(山東)有限公司 (Universal Pulp & Paper (Shandong) Co., Ltd\*) (“UPPSD”), being an operating subsidiary of the Company, until other bank financing becomes available.
- (d) As set out in note 11, as at 31 December 2023, the Group has drawn down other borrowings of approximately HK\$76,734,000 (equivalent to RMB70,000,000) from 廈門建發漿紙集團有限公司 (Xiamen C&D Paper & Pulp Group Co., Limited\*, formerly known as 廈門建發紙業有限公司 (Xiamen C&D Paper & Pulp Co., Ltd.\*)) (“Xiamen C&D Paper & Pulp”), the intermediate parent of the Company, and has available unutilised loan facilities of approximately HK\$32,886,000 (equivalent to RMB30,000,000). The maturity date is 18-month after the drawn down date of the relevant borrowings. The Directors are of the opinion that the Group will be able to utilise the undrawn loan facilities and repay the due borrowings with the new borrowings drawn down in 2024 if needed;
- (e) As set out in note 11, as at 31 December 2023, the Group has other borrowings of approximate HK\$274,050,000, HK\$105,235,000 and HK\$54,810,000 (equivalent to RMB250,000,000, RMB96,000,000 and RMB50,000,000 respectively) from Shandong Bairun, a fellow subsidiary of the Company being wholly-owned by Xiamen C&D Paper & Pulp, which are due on 31 January 2025.

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

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

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

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

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

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

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

#### ***Impact on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 “Disclosure of Accounting Policies”***

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

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

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

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

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

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

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

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

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

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

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

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

**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 ended 31 December 2023, 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/period is as follows:

	Year ended 31 December 2023 <i>HK\$'000</i>	Nine months ended 31 December 2022 <i>HK\$'000</i>
<b>Revenue from contracts with customers within the scope of HKFRS 15</b>		
Sale of goods	<u>1,372,077</u>	<u>1,044,390</u>
<b>Timing of revenue recognition</b>		
Products transferred at a point of time	<u>1,372,077</u>	<u>1,044,390</u>

#### 5. LOSS FOR THE YEAR/PERIOD

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

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

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

## 6. INCOME TAX CREDIT

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

	Year ended 31 December 2023 <i>HK\$'000</i>	Nine months ended 31 December 2022 <i>HK\$'000</i>
Current tax		
Hong Kong Profit Tax	17	—
PRC Enterprise Income Tax	5	—
Under-provision in prior years	—	562
	<u>22</u>	<u>562</u>
Deferred tax	(746)	(578)
	<u>(724)</u>	<u>(16)</u>

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%.

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

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

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

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

## 7. LOSS PER SHARE

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

	Year ended 31 December 2023 <i>HK\$'000</i>	Nine months ended 31 December 2022 <i>HK\$'000</i>
<b>Loss</b>		
Loss for the purpose of calculating basic and diluted loss per share	<u>(128,798)</u>	<u>(150,875)</u>
	31 December 2023 '000	31 December 2022 '000
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of calculating basic/diluted 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 loss per share are the same for the year ended 31 December 2023 and nine months ended 31 December 2022.

## 8. DIVIDENDS

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

## 9. ACCOUNTS AND OTHER RECEIVABLES AND PREPAYMENTS

	As at 31 December 2023 <i>HK\$'000</i>	As at 31 December 2022 <i>HK\$'000</i>
Accounts receivable	13,227	11,172
Bills receivable	3,235	824
Allowance for impairment losses	<u>(3,109)</u>	<u>(3,622)</u>
	13,353	8,374
Other receivables	2,263	30,306
Deposits	86	86
Prepayments	<u>21,247</u>	<u>20,406</u>
	<u>36,949</u>	<u>59,172</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:

	<b>As at 31 December 2023 HK\$'000</b>	As at 31 December 2022 HK\$'000
Current to 60 days	<u><b>13,353</b></u>	<u>8,374</u>

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

#### 10. ACCOUNTS AND OTHER PAYABLES

	<b>As at 31 December 2023 HK\$'000</b>	As at 31 December 2022 HK\$'000
Accounts payable	<b>83,980</b>	103,087
Accruals and other payables	<b>155,908</b>	152,654
Debt restructuring ( <i>note</i> )	<u><b>114,050</b></u>	<u>199,993</u>
	<u><b>353,938</b></u>	<u>455,734</u>
Analysed as:		
Current liabilities	<b>296,913</b>	326,336
Non-current liabilities	<u><b>57,025</b></u>	<u>129,398</u>
	<u><b>353,938</b></u>	<u>455,734</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 2023, the balance represents the remaining 2 instalments.

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

	As at 31 December 2023 <i>HK\$'000</i>	As at 31 December 2022 <i>HK\$'000</i>
0 to 90 days	83,153	102,930
Over 90 days	<u>827</u>	<u>157</u>
	<b><u>83,980</u></b>	<b><u>103,087</u></b>

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

## 11. BORROWINGS

	As at 31 December 2023 <i>HK\$'000</i>	As at 31 December 2022 <i>HK\$'000</i>
Bank loans	55,117	78,967
Other borrowings	<u>510,829</u>	<u>390,323</u>
	<b><u>565,946</u></b>	<b><u>469,290</u></b>

The borrowings are repayable as follows:

	As at 31 December 2023 <i>HK\$000</i>	As at 31 December 2022 <i>HK\$000</i>
Within one year	—	78,967
More than one year, but not exceeding two years	<u>510,829</u>	<u>390,323</u>
	<b>510,829</b>	469,290
Portion of bank loans that are due for repayment after one year but contain a repayment on demand clause (shown under current liabilities)	<u>55,117</u>	<u>—</u>
	<b>565,946</b>	469,290
Less: Amount due for settlement within 12 months (shown under current liabilities)	<u>(55,117)</u>	<u>(78,967)</u>
Amount due for settlement after 12 months	<b><u>510,829</u></b>	<b><u>390,323</u></b>

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

The interest rates per annum were as follows:

	<b>As at 31 December 2023</b>	As at 31 December 2022
Bank loans	<b>4.25%</b>	4.3%
Other borrowings	<b>3.85–4.05%</b>	3.85%–4.05%

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

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

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

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

On 29 September 2022, UPPSD entered into a loan agreement with Shandong Bairun for a loan facility of approximately HK\$109,620,000 (equivalent to RMB100,000,000) which shall be repayable within 18 months from drawdown date. UPPSD has drawn down approximately HK\$105,235,000 (equivalent to RMB96,000,000) as at 31 December 2023. On 4 January 2023, UPPSD entered into another loan agreement with Shandong Bairun for a loan facility of approximately HK\$54,810,000 (equivalent to RMB50,000,000) which shall be repayable within 18 months from drawdown date. UPPSD has drawn down approximately HK\$54,810,000 (equivalent to RMB50,000,000) as at 31 December 2023. On 23 March 2023, Shandong Bairun and UPPSD entered into a supplementary loan agreement pursuant to which the maturity date for the loan principal drawn down under the loan facilities granted on 29 September 2022 and 4 January 2023, in aggregate of HK\$164,430,000 (equivalent to RMB150,000,000) was extended to 31 January 2025. The borrowings are classified as non-current liabilities as at 31 December 2023.

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

**12. AMOUNTS DUE FROM/(TO) FELLOW SUBSIDIARIES/RELATED PARTIES/IMMEDIATE HOLDING COMPANY/INTERMEDIATE HOLDING COMPANY/ULTIMATE HOLDING COMPANY**

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

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

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

*Notes:*

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

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

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

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

### 13. RELATED PARTY TRANSACTIONS

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

	<b>Year ended</b> <b>31 December</b> <b>2023</b> <b>HK\$000</b>	Nine months ended 31 December 2022 <i>HK\$000</i>
Basic salaries and allowances	<u>1,200</u>	<u>972</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/period:

	<b>Year ended</b> <b>31 December</b> <b>2023</b> <b>HK\$'000</b>	Nine months ended 31 December 2022 <i>HK\$'000</i>
Sales of finished goods to related parties	<b>189,756</b>	314,642
Sales of finished goods to fellow subsidiaries	<b>280,075</b>	—
Sales of finished goods to an intermediate holding company	<b>302</b>	—
Management fee to a related party	<b>175</b>	275
Management fee to a fellow subsidiary	<b>125</b>	—
Finance cost to a related party	<b>10,246</b>	10,670
Finance cost to a fellow subsidiary	<b>7,319</b>	—
Finance cost to an intermediate holding company	<b>531</b>	—

*Note:* During the year ended 31 December 2023, due to the change of shareholding in NCD and Shandong Bairun set out in note 12, those entities formerly identified as related parties became the fellow subsidiaries of the Group. For the nine months ended 31 December 2023, the sales of finished goods to related parties, fellow subsidiaries and an intermediate holding company amounted to approximately HK\$370.3 million in aggregate.

#### 14. EVENTS AFTER THE REPORTING PERIOD

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

On 12 March 2024, UPPSD entered into extension agreements with Shandong Bairun to extend the borrowings in aggregate amount of approximately HK\$434,095,000 (equivalent to RMB396,000,000) to 31 January 2026.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

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

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

### **Financial Review**

#### ***Revenue***

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

#### ***Costs of sales and gross loss***

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

The gross loss for the Year was approximately HK\$20.1 million which is mainly attributable to the decrease in the average unit selling price of the major paper products of the Group as the result of the overall domestic macroeconomic downturn and the

sluggish recovery of the consumer market (for the nine months ended 31 December 2022: gross loss of approximately HK\$54.8 million). The decreased in gross loss is mainly attributable to (i) the efforts of the Group to refine the control and management of the production costs enhanced the development of suppliers of raw materials and strengthened the management of purchase price comparison; and (ii) the increase in the Group's average monthly sales volume and average monthly production volume of the major paper products of the Group which led to the decrease in unit fixed cost.

### ***Selling expenses***

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

### ***Administrative expenses***

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

### ***Loss for the year/period***

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

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

### **Liquidity and Financial Resources**

#### ***Bank loans and other borrowings***

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

#### ***Pledge of assets***

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

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

### ***Gearing ratio***

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

### ***Current ratio***

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

### ***Contingent liabilities***

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

### **Employees and Staff Costs**

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

### **Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures**

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

## **Subsequent Events after the Year**

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

On 12 March 2024, UPPSD entered into extension agreements with Shandong Bairun to extend the borrowings in aggregate amount of approximately HK\$434,095,000 (equivalent to RMB396,000,000) to 31 January 2026.

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

## **FINAL DIVIDEND**

The Board has resolved not to recommend a final dividend for the Year (for the nine months ended 31 December 2022: 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 2023, 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](http://www.hkexnews.hk)) and the Company ([www.cndnewin.com](http://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 Monday, 20 May 2024. In order to determine the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 14 May 2024 to Monday, 20 May 2024, both days inclusive, during which period no transfer of Shares will be registered. In order to 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 Monday, 13 May 2024.

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

Hong Kong, 28 March 2024

*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 Mr. LAM John Cheung-wah.*

*\* for identification purpose only*