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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in C&D Newin Paper & Pulp Corporation Limited, you should at once hand this circular together with the accompanying form of proxy to the purchaser or transferee, or to the bank, licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)**

## **CONTINUING CONNECTED TRANSACTIONS**

- (1) RENEWED PAPERBOARD SALES FRAMEWORK AGREEMENT;**  
**(2) PAPER PULP PROCUREMENT FRAMEWORK AGREEMENT;**  
**AND**  
**(3) NOTICE OF SPECIAL GENERAL MEETING**

**Financial adviser to the Company**



**Independent Financial Adviser to the Independent Board Committee  
and the Independent Shareholders**



**INCUBO Corporate Finance Limited**

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Capitalised terms used in the lower portion of this cover page shall have the same meanings as those defined in the section headed "Definitions" of this circular.

A notice convening the SGM to be held at Rooms 2306B & 2307, 23rd Floor, West Tower, Shun Tak Centre, No. 168–200 Connaught Road Central, Hong Kong on Tuesday, 9 January 2024 at 11:00 a.m. is set out on pages 59 to 61 of this circular. A form of proxy for use at the SGM is enclosed with this circular. Such form of proxy is also 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)). Whether or not you are able to attend the SGM, you are requested to complete and sign the form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Boardroom Share Registrars (HK) Limited, at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM (i.e. not later than 11:00 a.m. on Sunday, 7 January 2024) or any adjourned meeting thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjourned meeting thereof should you so wish and in such event the form of proxy shall be deemed to be revoked.

\* For identification purpose only

20 December 2023

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## DEFINITIONS

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*In this circular, the following expressions have the following meanings, unless the context otherwise requires:*

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“C&D Group”	廈門建發集團有限公司 (Xiamen C&D Group Co., Ltd.*), a company incorporated in the PRC with limited liability and directly wholly owned by 廈門市人民政府國有資產監督管理委員會 (Xiamen Municipal People’ Government State-owned Assets Supervision and Administration Commission*)
“Company”	C&D Newin Paper & Pulp Corporation Limited (建發新勝漿紙有限公司*), a company incorporated in Bermuda with limited liability, whose Shares are listed on the Main Board of the Stock Exchange (stock code: 731)
“Director(s)”	director(s) of the Company
“Existing Paperboard Sales Framework Agreement”	the framework agreement entered between UPPSD and Xiamen C&D Paper on 28 December 2021 in respect of the sales of Paperboard Products to Xiamen C&D Paper Group
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“HK Paper”	HK Paper Sources Co., Limited (香港紙源有限公司), a company incorporated in Hong Kong with limited liability and is directly wholly owned by Xiamen C&D Paper
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent Board committee established with all independent non-executive Directors, namely Mr. ZHAO Lin, Mr. WONG Yiu Kit, Ernest and Mr. LAM John Cheung-wah
“Independent Financial Adviser”	INCU Corporate Finance Limited, a corporation licensed to conduct type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the entering into of the Renewed Paperboard Sales Framework Agreement, the Paper Pulp Procurement Framework Agreement, and the transactions contemplated thereunder and the Proposed Caps

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## DEFINITIONS

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“Independent Shareholder(s)”	Shareholder(s) other than NCD, C&D Group and their associates (if they are Shareholders as at the date of the SGM)
“Latest Practicable Date”	15 December 2023, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“NCD”	NCD Investment Holding Limited, a company incorporated in British Virgin Islands with limited liability and is in aggregate, directly and indirectly, wholly owned by Xiamen C&D Paper
“Paper Pulp Procurement”	the procurement of Paper Pulp Products from Xiamen C&D Paper Group by UPPSD
“Paper Pulp Procurement CCT”	the transactions contemplated under the Paper Pulp Procurement Framework Agreement
“Paper Pulp Procurement Framework Agreement”	the framework agreement entered between UPPSD and Xiamen C&D Paper on 13 November 2023 in respect of the Paper Pulp Procurement
“Paper Pulp Products”	paper pulp and any ancillary or related pulp raw materials sourced by Xiamen C&D Paper Group to be sold to UPPSD under the Paper Pulp Procurement Framework Agreement
“Paper Pulp Proposed Caps”	the respective estimated annual monetary value of the Paper Pulp Procurement CCT for the three financial years ending 31 December 2026
“Paperboard Products”	coated duplex board and kraft linerboard produced by UPPSD to be sold to Xiamen C&D Paper Group under the Existing Paperboard Sales Framework Agreement and the Renewed Paperboard Sales Framework Agreement
“Paperboard Proposed Caps”	the respective estimated annual monetary value of the Renewed Paperboard Sales CCT for the three financial years ending 31 December 2026
“Paperboard Sales CCT”	the transactions contemplated under the Renewed Paperboard Sales Framework Agreement
“PRC”	The People’s Republic of China

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## DEFINITIONS

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“Proposed Caps”	the Paperboard Proposed Caps and the Paper Pulp Proposed Caps
“Reference Site(s)”	the public websites of www.umpaper.com and www.sci99.com, which are referenced by UPPSD in respect of prevailing market prices of Paperboard Products and Paper Pulp Products
“Renewed Paperboard Sales CCT”	the transactions contemplated under the Renewed Paperboard Sales Framework Agreement
“Renewed Paperboard Sales Framework Agreement”	the renewed framework agreement entered between UPPSD and Xiamen C&D Paper on 13 November 2023 in respect of the sales of Paperboard Products to Xiamen C&D Paper Group
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving the Renewed Paperboard Sales Framework Agreement, the Paper Pulp Procurement Framework Agreement and the transactions contemplated thereunder
“Share(s)”	ordinary share(s) of HK\$0.05 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“ton”	tonne
“UPPSD”	遠通紙業(山東)有限公司 (Universal Pulp & Paper (Shandong) Co. Ltd.*), a company incorporated in the PRC with limited liability and an indirect wholly owned subsidiary of the Company
“Xiamen C&D Inc.”	廈門建發股份有限公司 (Xiamen C&D Inc.*), a joint stock limited company incorporated in the PRC whose shares are listed on the Shanghai Stock Exchange (Stock Code: 600153)
“Xiamen C&D Paper”	廈門建發漿紙集團有限公司 (Xiamen C&D Paper & Pulp Co., Ltd.*), a company incorporated in the PRC with limited liability and directly and indirectly wholly owned by Xiamen C&D Inc.

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## DEFINITIONS

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“Xiamen C&D Paper Group”      Xiamen C&D Paper and/or its subsidiaries

“%”      per cent.

*This circular has been printed in English and Chinese. In the event of any inconsistency, the English text of this circular shall prevail over its Chinese text.*

\* *For identification purpose only*



**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)**

*Executive Directors:*

Mr. HUANG Tiansheng (*chief executive officer*)

Mr. LIN Ruqing

*Non-executive Directors:*

Mr. ZHANG Xiaohui (*chairman of the Board*)

Mr. CHOI Wai Hong, Clifford

*Independent Non-Executive Directors:*

Mr. ZHAO Lin

Mr. WONG Yiu Kit, Ernest

Mr. LAM John Cheung-wah

*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

20 December 2023

*To the Shareholders,*

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS**

- (1) RENEWED PAPERBOARD SALES FRAMEWORK  
AGREEMENT;  
(2) PAPER PULP PROCUREMENT FRAMEWORK AGREEMENT;  
AND  
(3) NOTICE OF SPECIAL GENERAL MEETING**

**INTRODUCTION**

Reference is made to the circular of the Company dated 31 December 2021 and the announcement of the Company dated 13 November 2023 in relation to, among other things, the Existing Paperboard Sales Framework Agreement and the entering into of the Renewed Paperboard Sales Framework Agreement and the Paper Pulp Procurement Framework Agreement.

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## LETTER FROM THE BOARD

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The purpose of this circular is to provide you with, among other things, (i) details of the Renewed Paperboard Sales Framework Agreement, the Paper Pulp Procurement Framework Agreement, the transactions contemplated thereunder and the Proposed Caps; (ii) a letter from the Independent Board Committee to the Independent Shareholders containing its view in respect of the fairness and reasonableness of the Renewed Paperboard Sales Framework Agreement, the Paper Pulp Procurement Framework Agreement, the transactions contemplated thereunder and the Proposed Caps; (iii) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in this regards; (iv) a notice convening the SGM; and (v) the other information in accordance with the requirements of the Listing Rules.

### RENEWED PAPERBOARD SALES FRAMEWORK AGREEMENT

#### Background

Reference is made to the announcement of the Company dated 28 December 2021 and the circular of the Company dated 31 December 2021 in relation to, among other things, the Existing Paperboard Sales Framework Agreement entered into between UPPSD, an indirect wholly owned subsidiary of the Company, and Xiamen C&D Paper for the sale of the Paperboard Products. As the Existing Paperboard Sales Framework Agreement will expire on 31 March 2024, UPPSD had, on 13 November 2023, entered into the Renewed Paperboard Sales Framework Agreement with Xiamen C&D Paper to govern the contractual relationship for the sales of Paperboard Products to Xiamen C&D Paper Group for a fixed term from 1 January 2024 to 31 December 2026. Following the passing of the resolution to approve the Renewed Paperboard Sales Framework Agreement at the SGM, the Existing Paperboard Sales Framework Agreement will be terminated on 31 December 2023.

#### Date

13 November 2023 (after trading hours)

#### Parties

- (1) UPPSD (as the vendor); and
- (2) Xiamen C&D Paper (as the purchaser).

#### Term

The Renewed Paperboard Sales Framework Agreement has a fixed term from 1 January 2024 to 31 December 2026. The condition precedent to the effectiveness of the Renewed Paperboard Sales Framework Agreement is that the Company obtains the approval of the Independent Shareholders at the SGM to approve the Renewed Paperboard Sales CCT and the Paperboard Proposed Caps.

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## LETTER FROM THE BOARD

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### **Nature of Transactions**

UPPSD will sell the Paperboard Products to Xiamen C&D Paper Group on a non-exclusive basis based on the quantity, unit price and specifications set out in the individual orders to be placed by Xiamen C&D Paper Group from time to time.

### **Price**

The unit price of the Paperboard Products will be determined with reference to the prevailing market price in Mainland China for the same type of products and in accordance with the pricing policies of the Group made for independent third party customers as detailed in the section headed “Pricing Policy” below.

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 Group pursuant to an order, UPPSD is entitled to adjust the unit price of the Paperboard Products in accordance with the price update letter issued to the customers, including Xiamen C&D Paper Group. Based on the principles applied by the core management team of UPPSD as detailed in the section headed “Pricing Policy” below, UPPSD will issue price update letter to notify the customers the recent pricing changes in accordance to the assessment of the core management team on the market trend and the pricing strategy.

### **Delivery and Payment**

Unless otherwise agreed in the individual orders between UPPSD and Xiamen C&D Paper Group, UPPSD shall deliver the Paperboard Products within one month upon receiving the payment from Xiamen C&D Paper Group; and the payment of the Paperboard Products shall be settled by way of telegraphic transfer.

### **Pricing Policy**

The basis of determining the prices of the Paperboard Products to be supplied by UPPSD under the Renewed Paperboard Sales Framework Agreement will be on the following principles:

- (i) the historical pricing trend and the prevailing market price of the Paperboard Products in Mainland China of comparable quality, specifications, quantities and related delivery costs based on the market information collected by the Group through primarily, the market price information from the Reference Sites, and secondarily, its network (i.e. the core management team of UPPSD including Mr. HUANG Tiansheng, Mr. LIN Ruqin and Mr. ZHOU Wei, with over 10 years of experience in the paper industry and therefore with the ability to make objective pricing policies for the Paperboard Products); and
- (ii) the sales terms of each purchase order provided by Xiamen C&D Paper Group to UPPSD must be no less favorable than those provided by independent third party customers to UPPSD.

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## LETTER FROM THE BOARD

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Through regularly reviewing and approving sales contracts for Paperboard Products and convening monthly management meetings, the core management team of UPPSD, comprising individuals with extensive industry expertise, plays an important role in providing strategic planning and guidance for determining the pricing of Paperboard Products, which is based on the following principles:

- (i) Historical pricing trend and market price: The core management team considers the historical pricing trend and the prevailing market price of the same or similar Paperboard Products obtained from the Reference Sites;
- (ii) Other market players' offers: The recent pricing offers for the same or similar Paperboard Products offered by at least two other leading market players are also taken into account for reference, relying on the business network of the core management team as well as the recent public quotations provided by certain market players through the Reference Sites;
- (iii) Purchase order terms: Factors such as order quantities, product quality, delivery terms, and payment terms are carefully considered when determining the pricing strategy;
- (iv) Market insight and analysis: The core management team leverages their business network to gain market insight and perform analysis on the business trend of paper manufacturing industry; and
- (v) Production plan and capacity: UPPSD's current production plan and production capacity are also factors considered when determining the pricing strategy.

Upon approval by the core management team, UPPSD will issue price update letter to notify the customers the recent pricing changes in accordance to the assessment of the core management team on the market trend and the pricing strategy.

Further, additional internal control measurements for the transactions with connected persons will be applied as detailed in the section headed "INTERNAL CONTROL" of this letter.

The Reference Sites are widely used by paper manufacturers in the world and provides reliable price assessments in the pulp and paper products markets. Fastmarkets RISI, being the operator of one of the Reference Sites (<http://www.umpaper.com>), has been in operation since 1985 which is the world's leading reporting and market analysis provider for the forest products sector with offices located around the world (including London, Brussels, Beijing, Shanghai, New York and other major cities). Based on the information available to the Board, Fastmarkets RISI's clients comprise more than 97% of the world's forest products sector, including industry end-users, suppliers, investors and financial-service providers. The other Reference Site (<http://www.sci99.com>) provides market information, consulting for energy, chemical, plastic, rubber, paper and pulp etc. Based on the information available to the Board, it has about 3 million registered users in total and over 150 clients are among Fortune Global 500 and their subsidiaries. It is operated by Sublime China Information Co., Ltd. which is listed on ChiNext of Shenzhen

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## LETTER FROM THE BOARD

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Stock Exchanges (stock code:301299). The above Reference Sites contain pricing information in relation to the current and historical market price of pulp and paper products; and continuously conduct research and update the market prices of Paperboard Products and Paper Pulp Products in Mainland China on a daily basis.

### Historical Transaction Amounts

The historical transaction amounts pursuant to the Existing Paperboard Sales Framework Agreement are as follows:

	<b>Period ended 31 March 2022 (RMB'000)</b>	<b>Twelve months ended 31 March 2023 (RMB'000)</b>	<b>Six months ended 30 September 2023 (RMB'000)</b>
Paperboard Proposed Caps	96,400	420,000	420,000 <sup>(Note 1)</sup>
Actual Sales (unaudited)	44,165 <sup>(Note 2)</sup>	365,636	182,257
Utilisation	45.8%	87.1%	43.4%

*Notes:*

1. The annual cap of RMB420 million is for the twelve months ending 31 March 2024.
2. The transaction amount under the Existing Paperboard Sales Framework Agreement for the period from the date of resumption of trading of the Company on 26 January 2022 to 31 March 2022.

### Annual Caps

The transaction amount under the Renewed Paperboard Sales Framework Agreement for each of the three financial years ending 31 December 2026 will not exceed the following Paperboard Proposed Caps:

	<b>Financial year ending 31 December 2024 (RMB'000)</b>	<b>Financial year ending 31 December 2025 (RMB'000)</b>	<b>Financial year ending 31 December 2026 (RMB'000)</b>
Paperboard Proposed Caps	650,000	670,000	690,000

The Paperboard Proposed Caps under the Renewed Paperboard Sales Framework Agreement were determined based on the below factors:

- (i) the historical pricing trend and the prevailing market price of the Paperboard Products in Mainland China of comparable quality, specifications, quantities and related delivery costs based on the market information collected by the Group through primarily, the market price information from the Reference Sites, and secondarily, its network (i.e. the core management team of UPPSD including Mr.

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## LETTER FROM THE BOARD

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HUANG Tiansheng, Mr. LIN Ruqin and Mr. ZHOU Wei, with over 10 years of experience in the paper industry and therefore with the ability to make objective pricing policies for the Paperboard Products): the core management team has taken into account the recent upward market trend of the price of the Paperboard Products in the recent three months prior to the date of the Renewed Paperboard Sales Framework Agreement. According to the information on the Reference Sites, the market price of both coated duplex board and kraft linerboard after excluding the value-added tax (“VAT”) has resumed rising starting from August 2023 after reaching the lowest price at RMB2,699.12/ton and at RMB2,500.00/ton on 2 August 2023 respectively. As at the date of the Renewed Paperboard Sales Framework Agreement, the price level of coated duplex board excluding VAT was RMB3,123.89/ton, representing approximately 15.7% increment as compared to that in the three months prior to the date of the Renewed Paperboard Sales Framework Agreement. As at the date of the Renewed Paperboard Sales Framework Agreement, the price level of kraft linerboard after excluding VAT was RMB2,699.12/ton, representing approximately 8.0% increment as compared to that in the three months prior to the date of the Renewed Paperboard Sales Framework Agreement. In addition, under the pricing terms of the Renewed Paperboard Sales Framework Agreement and with reference to the historical pricing trend and the prevailing market price of the Paperboard Products, the selling price of each purchase order provided by Xiamen C&D Paper Group to UPPSD must be no less favorable than those provided by independent third-party customers;

- (ii) the estimated volume of the Paperboard Products required by Xiamen C&D Paper Group from the Group for the three financial years ending 31 December 2026 with reference to its internal sales targets: referring to the historical transactions under the Existing Paperboard Sales Framework Agreement, the reason for the low utilisation rate for the period ended 31 March 2022 (from 26 January 2022 to 31 March 2022), which was less than 50%, was that period represented the early stage of cooperation between the Group and Xiamen C&D Paper Group in relation to Paperboard Products. As the cooperation had only commenced approximately two months, the period ended 31 March 2022 only recorded relatively low transaction amounts and volumes. However, the utilisation rates for the subsequent two periods, namely the twelve months ended 31 March 2023 and the six months ended 30 September 2023 (after annualisation of the actual sales for the six months ended 30 September 2023), were both higher than 85%. The increase in utilization was mainly attributable to the higher transaction volumes driven by the demand of Xiamen C&D Paper Group and its end-customers for the Paperboard Products. These transaction volumes align with the estimated transaction volumes under the annual caps outlined in the Existing Paperboard Sales Framework Agreement. Further, the average estimated volume of Paperboard Products in the amount of 200,000 tons as required by Xiamen C&D Paper Group from the Group for each of the three financial years ending 31 December 2026 increases approximately 64.5% from the volume of Paperboard Products purchased by Xiamen C&D Paper Group from the Group for the financial year ended 31 March 2023 amounted to approximately 121,600 tons.

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## LETTER FROM THE BOARD

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Given Xiamen C&D Paper's business capacity with an annual sales volume of over 3 million tons of the Paperboard Products in 2022 as compared to UPPSD's current annual production capacity of 460,000 tons, such increment in estimated annual sales volume, through arm's length negotiation, represents (a) the increase in demand for the Paperboard Products of the Group from Xiamen C&D Paper Group and its end-customers; and (b) the enhanced business cooperation between Xiamen C&D Paper Group and the Group since the entering into of the Existing Paperboard Sales Framework Agreement on 28 December 2021 in terms of Paperboard Products transactions. It will further expand the income stream of the Group; and

- (iii) the Paperboard Products production capacity of UPPSD: having considered the existing production capacity of UPPSD of 460,000 tons to meet the existing needs of all customers, including Xiamen C&D Paper Group, the estimated average volume of Paperboard Products under the Paperboard Proposed Caps for each of the three financial years ending 31 December 2026 represents less than 45.0% of UPPSD's current annual production capacity which is expected to further utilise UPPSD's existing production capacity and result in mutual benefits.

In determining the Paperboard Proposed Caps, the parties have also taken into account the assumption that during the term of the Paperboard Sales Framework Agreement, there will not be any adverse change or disruption in market conditions, operation and business environment or government policies which may materially affect the business of the parties of the Renewed Paperboard Sales Framework Agreement. As mentioned in the interim report of the Group for the six month period ended 30 June 2023, the Directors expect that the PRC is accelerating the pace of economic recovery and actively adjusting its industrial development strategy to provide active support for corporate development. In addition, based on the latest statistics released by the China Paper Association, the operating income and total profit of the PRC's paper industry were approximately RMB1.5 trillion and RMB62.1 billion, respectively, in 2022. From 2013 to 2022, the average annual growth rate of the production and consumption volume of paper and cardboard were approximately 2.3% and 2.7% in the PRC, respectively. The expected economic recovery in the PRC and the positive trend of the historical growth of the PRC's paper industry are in line with the estimated 3% annual growth of the Paperboard Proposed Caps for the three financial years ending 31 December 2026.

Having considered (i) the recent upward market trend of the price of the Paperboard Products in the recent three months prior to the date of the Renewed Paperboard Sales Framework Agreement; (ii) the pricing basis of the unit sales price of Paperboard Products to be sold to Xiamen C&D Paper Group are based on the prevailing market price, not less favourable than those sold to independent third party customers; (iii) the enhanced business cooperation between Xiamen C&D Paper Group and the Group in terms of the average estimated volume of Paperboard Products under the Paperboard Proposed Caps amounted to 200,000 tons each year after arm's length negotiation, which shows an increment as compared to the actual purchase volume of Paperboard Products by Xiamen C&D Paper Group which amounted to approximately 121,600 tons for the financial year ended 31 March 2023, can further utilise of UPPSD's existing production capacity and result in mutual benefits; and (iv) the expected accelerating pace of economic recovery in the PRC

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## LETTER FROM THE BOARD

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and the positive trend of the historical growth of the PRC's paper industry; the Directors consider the Paperboard Proposed Caps, with the estimated annual growth of approximately 3%, are fair and reasonable.

### **PAPER PULP PROCUREMENT FRAMEWORK AGREEMENT**

#### **Background**

On 13 November 2023, UPPSD also entered into the Paper Pulp Procurement Framework Agreement with Xiamen C&D Paper for the procurement of Paper Pulp Products sourced by Xiamen C&D Paper Group from time to time from 1 January 2024 to 31 December 2026.

#### **Date**

13 November 2023 (after trading hours)

#### **Parties**

- (1) UPPSD (as the purchaser); and
- (2) Xiamen C&D Paper (as the vendor).

#### **Term**

The Paper Pulp Procurement Framework Agreement has a fixed term from 1 January 2024 to 31 December 2026. The condition precedent to the effectiveness of the Paper Pulp Procurement Framework Agreement is that the Company obtains the approval of the Independent Shareholders' at the SGM to approve the Paper Pulp Procurement CCT and the Paper Pulp Proposed Caps.

#### **Nature of Transactions**

UPPSD will purchase the Paper Pulp Products sourced by Xiamen C&D Paper Group on a non-exclusive basis based on the quantity, unit price and specifications set out in the individual orders to be placed by UPPSD from time to time.

#### **Price**

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

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## LETTER FROM THE BOARD

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### **Delivery and Payment**

Unless otherwise agreed in the individual orders between UPPSD and Xiamen C&D Paper Group, Xiamen C&D Paper Group shall deliver the Paper Pulp Products within one month upon receiving the payment from UPPSD; and the payment of the Paper Pulp Products shall be settled by way of telegraphic transfer.

### **Pricing Policy**

The basis of determining the prices of the Paper Pulp Products to be supplied by Xiamen C&D Paper Group under the Paper Pulp Procurement Framework Agreement will be on the following principles:

- (i) the historical pricing trend and the prevailing market price of the Paper Pulp Products in Mainland China of comparable quality, specifications, quantities and related delivery costs based on the market information collected by the Group through primarily, the market price information from the Reference Sites, and secondarily, its network (i.e. the core management team of UPPSD including Mr. HUANG Tiansheng, Mr. LIN Ruqin and Mr. ZHOU Wei, with over 10 years of experience in the paper industry and therefore with the ability to make objective pricing policies for the Paper Pulp Products); and
- (ii) the sales terms provided by Xiamen C&D Paper Group to UPPSD must be no less favorable than those provided by Xiamen C&D Paper Group to independent third party customers.

The Reference Sites contains pricing information in relation to the current and historical market price of pulp and paper products; and continuously conduct research and update the market prices of Paperboard Products and Paper Pulp Products in Mainland China on a daily basis.

Through regularly reviewing and approving procurement contracts for Paper Pulp Products and convening monthly management meetings, the core management team of UPPSD, comprising individuals with extensive industry expertise, plays an important role in providing strategic planning and guidance for determining the pricing for the procurement of the Paper Pulp Products by UPPSD, which is based on the following principles:

- (i) Historical pricing trend and market price: The core management team considers the historical pricing trend and the prevailing market price of the same or similar Paper Pulp Products obtained from the Reference Sites;
- (ii) Other suppliers' offers: The recent offers for the same or similar Paper Pulp Products offered by at least two other suppliers are also taken into account for reference, relying on the business network of the core management team as well as the recent public quotations provided by certain suppliers through the Reference Sites;

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## LETTER FROM THE BOARD

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- (iii) Procurement order terms: Factors such as order quantities, product quality, delivery terms, and payment terms are carefully considered when determining the procurement strategy;
- (iv) Market insight and analysis: The core management team leverages their business network to gain market insight and perform analysis on the business trend of paper manufacturing industry; and
- (v) Production plan and capacity: UPPSD's current production plan and production capacity are also factors considered when determining the procurement strategy.

Further, additional internal control measurements for the transactions with connected persons will be applied as detailed in the section headed "INTERNAL CONTROL" of this letter.

### Annual Caps

The transaction amount under the Paper Pulp Procurement Framework Agreement for each of the three financial years ending 31 December 2026 will not exceed the following Paper Pulp Proposed Caps:

	<b>Financial year ending 31 December 2024 (RMB'000)</b>	<b>Financial year ending 31 December 2025 (RMB'000)</b>	<b>Financial year ending 31 December 2026 (RMB'000)</b>
Paper Pulp Proposed Caps	100,000	110,000	120,000

The Paper Pulp Proposed Caps under the Paper Pulp Procurement Framework Agreement were determined based on the below factors:

- (i) the historical pricing trend and the prevailing market price of the Paper Pulp Products in Mainland China of comparable quality, specifications, quantities and related delivery costs based on the market information collected by the Group through primarily, the market price information from the Reference Sites, and secondarily, its network (i.e. the core management team of UPPSD including Mr. HUANG Tiansheng, Mr. LIN Ruqin and Mr. ZHOU Wei, with over 10 years of experience in the paper industry and therefore with the ability to make objective pricing policies for the Paper Pulp Products): the core management team has taken into account the recent upward market trend of the price of the Paper Pulp Products and its market price range in the recent three months prior to the date of the Paper Pulp Procurement Framework Agreement. According to the information on the Reference Sites, the market price of the Paper Pulp Products after excluding VAT has resumed rising starting from May 2023 after reaching the lowest price at RMB3,456.35/ton on 5 May 2023. As at the date of the Paper Pulp Procurement Framework Agreement, the price level of the Paper Pulp Products after excluding VAT was RMB4,800.88/ton, representing

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## LETTER FROM THE BOARD

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approximately 17.4% increment as compared to that in the three months prior to the date of the Paper Pulp Procurement Framework Agreement. The market prices of the Paper Pulp Products ranged between RMB4,083.67/ton and RMB5,063.56/ton during such period. Despite the recent upward market trend of the price of Paper Pulp Products, the maximum expected price of Paper Pulp Products under the Paper Pulp Proposed Caps amounted to approximately RMB5,213/ton is within the range of its respective market price fluctuation in 2022 up to the date of the Paper Pulp Procurement Framework Agreement based on the Reference Sites (approximately RMB3,456/ton to RMB6,063/ton) which is in line with the historical pricing fluctuations of the Paper Pulp Products. In addition, under the pricing terms of the Paper Pulp Procurement Framework Agreement and with reference to the historical pricing trend and the prevailing market price of the Paper Pulp Products, the unit selling price of Paper Pulp Products provided by Xiamen C&D Paper Group to UPPSD must be no less favorable than those provided by independent third-party suppliers;

- (ii) the existing production capacity of UPPSD: the core management team has also considered the existing production capacity of UPPSD of 460,000 tons to plan its paper pulps raw material procurements;
- (iii) the demand for the Paper Pulp Products based on the production plan and historical demand of UPPSD: in particular, the Paper Pulp Proposed Caps for each of the three financial year ending 31 December 2026 represent less than 16.0% of the total historical purchase amount of paper pulps raw material of UPPSD procured from the independent third party suppliers for the twelve months ended 31 December 2022. As mentioned in the interim report of the Company for the six months period ended 30 June 2023, the Group is in the process of increasing and accelerating production, equipment upgrading and process optimization to build a production base for fine Paperboard Products. Xiamen C&D Paper Group is a leading enterprise of pulp imports and sales in the PRC. It has obtained the FSC-CoC certification (FSCTM Chain-of-Custody) issued by the Forest Stewardship Council, an international, non-governmental organization which sets standards for forestry practices. The FSC-CoC certification is able to evidence that the wood material sourced and distributed by Xiamen C&D Paper Group is legal and responsibly managed. Leveraging the abundant resources and industry experience of Xiamen C&D Paper Group, the quality of the Paper Pulp Products sourced by Xiamen C&D Paper Group from overseas can consummate the management's endeavours on further enhancing product quality and product mix of UPPSD which is in line with UPPSD's above-mentioned development strategy and production plan. For the twelve months ended 31 December 2022 and the nine months ended 30 September 2023, UPPSD purchased approximately 341,000 tons and 266,000 tons of paper pulps raw materials from independent third party suppliers, respectively. The Group's production plan, which is based on the existing production capacity of UPPSD of 460,000 tons, indicates (i) the Paper Pulp Products represents important alternative raw materials sourced and imported through Xiamen C&D Paper Group in replacement of the paper pulps raw materials sourced from certain existing suppliers of UPPSD to enhance both product mix and product quality of the Group; and (ii) it is the plan of the management to apply more volume of

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## LETTER FROM THE BOARD

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Paper Pulp Products to substitute certain existing paper pulp raw materials in each of the three financial years ending 31 December 2026 which mainly attributed to the 10% annual increase in the Paper Pulp Proposed Caps. In light of the above, the annual increase of Paper Pulp Proposed Caps of approximately 10.0% each year is in line with the Group's production plan for enhancement of product quality and product mix; and

- (iv) the existing sales volume of Xiamen C&D Paper Group: Given Xiamen C&D Paper Group is a leading enterprise of pulp imports and sales in the PRC with over 150 paper pulp suppliers across the globe, the Directors consider that Xiamen C&D Paper Group could provide the Group with sufficient overseas source of Paper Pulp Products upon request.

In determining the Paper Pulp Proposed Caps, the parties have also taken into account the assumption that during the term of the Paper Pulp Procurement Framework Agreement, there will not be any adverse change or disruption in market conditions, operation and business environment or government policies which may materially affect the business of the parties of the Paper Pulp Procurement Framework Agreement. Having considered (i) the recent upward market trend of the price of the Paper Pulp Products and its market price range in the recent three months prior to the date of the Paper Pulp Procurement Framework Agreement; (ii) the pricing basis of the unit sales price of Paper Pulp Products to be purchased from Xiamen C&D Paper Group are based on the prevailing market price, not less favourable than those purchased from independent third party suppliers; (iii) leveraging the abundant resources and industry experience of Xiamen C&D Paper Group, the quality of the Paper Pulp Products sourced by Xiamen C&D Paper Group from overseas can consummate the management's endeavours on further enhancing product quality and product mix of UPPSD which is in line with its development strategy and production plan; (iv) the annual increase of Paper Pulp Proposed Caps of approximately 10.0% is mainly attributable to the estimated annual increase of volume of Paper Pulp Products as required by UPPSD to implement its production plan for enhancement of product quality and product mix; and (v) Xiamen C&D Paper Group could provide the Group with sufficient source of overseas Paper Pulp Products upon request, the Directors consider the Paper Pulp Proposed Caps, with the estimated annual growth of approximately 10%, are fair and reasonable.

### **REASONS FOR AND BENEFITS OF ENTERING INTO THE RENEWED PAPERBOARD SALES FRAMEWORK AGREEMENT AND THE PAPER PULP PROCUREMENT FRAMEWORK AGREEMENT**

Xiamen C&D Paper is a limited liability company incorporated in the PRC. Xiamen C&D Paper is a wholly owned subsidiary of Xiamen C&D Inc., a company whose shares are listed on the Shanghai Stock Exchange (stock code: 600153). In the Fortune Global 500 list, C&D Group, being the parent company of Xiamen C&D Inc. ranked 69 in 2023. As at the Latest Practicable Date, Xiamen C&D Paper has more than 45 subsidiaries and branch companies in the PRC and overseas. Established in 1992, Xiamen C&D Paper Group is a leading enterprise of paper sales, pulp imports and sales in the PRC. Xiamen C&D Paper has built up a comprehensive "one-stop" service chain comprising order placing, logistics,

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## LETTER FROM THE BOARD

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insurance, warehousing, etc. Xiamen C&D Paper has obtained the FSC-CoC certification (FSCTM Chain-of-Custody) issued by the Forest Stewardship Council, an international, non-governmental organization which sets standards for forestry practices. The FSC-CoC certification is able to evidence that the wood material sourced and distributed by Xiamen C&D Paper Group is legal and responsibly managed. In 2022, Xiamen C&D Paper has an annual sales volume of over 13 million tons of paper products and pulps and a sales network comprising over 5,000 customers in the PRC and overseas.

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

The estimated volume of Paperboard Products required by Xiamen C&D Paper Group from the Group for each of the three financial years ending on 31 December 2026 represents less than 45.0% of UPPSD's current annual production capacity of 460,000 tons and the Paper Pulp Proposed Caps for each of the three financial years ending 31 December 2026 represent less than 16.0% of the historical purchase amount of paper pulps raw material of UPPSD for the twelve months ended 31 December 2022. As mentioned in the annual report of the Company for the nine months ended 31 December 2022, affected by the internal and external economic downturn and the multiple outbreaks of the pandemic throughout 2022, the overall driving force of economic development was insufficient. Domestic enterprises lacked 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 2022. In this regard, during the nine months ended 31 December 2022, total revenue of the Company was approximately HK\$1,044.4 million (annualised 2022 revenue: approximately HK\$1,392.5 million (“**Annualised 2022 Revenue**”)), with a total production volume of approximately 270,000 ton (annualised production volume: approximately 360,000 ton). The Paperboard Proposed Caps represents between 51.3% and 54.5% of the Annualised 2022 Revenue. The Board considers that there is no undue reliance on Xiamen C&D Paper Group by the Group as a result of the business relationships under the Renewed Paperboard Sales Framework Agreement and the Paper Pulp Procurement Framework Agreement for the following reasons:

1. **A sizable and integrated production plant:** UPPSD, as a wholly-owned subsidiary of the Group, mainly produce and distribute the Paperboard Products. The integrated production plant of UPPSD located at Zaozhuang City, Shandong Province, the PRC is strategically located to tap strong paper products demand from industrial zones along the Yangtze River in the south as well as Tianjin area in the north-east. The integrated production plant of UPPSD includes three

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## LETTER FROM THE BOARD

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production lines with an annual production scale of 460,000 tons, its own electricity power plant and the wastewater treatment plant. In addition, UPPSD operates its own sales network from its production sites and sells most of its products to customers directly through its sales team since the resumption of the trading of the Company in 2022. This sales model has enabled UPPSD to maintain a close relationship with customers, as well as reduce the cost of marketing intermediaries. With a sufficient amount of workforce of over 700 employees, the Board considers that the sizable and integrated production plant of UPPSD supports a self-sustainable business of the Group in the paper manufacturing business.

2. **Sustainable and independent business operation:** The Group has maintained a management and operation team with deep industry expertise, comprising of high caliber talents in the areas of corporate governance, production, technical know-how, sales and marketing, finance, law and other areas that will strengthen the Group's corporate governance and promote its business development. The Group established its own sales team, procurement team and finance team, and has capability for independently expanding, operating, distributing Paperboard Products to independent third party customers and sourcing raw materials from the independent third party suppliers. As mentioned in the annual report of the Company for the nine months ended 31 December 2022, the Company has been actively exploring new market opportunities, increasing the proportion of direct sales customers, expanded customer bases in the markets of the Yangtze River region and Tianjin area, in order to enhance its profitability by improving its market recognition and increasing its market share. Additional corporate governance and internal control measures, as mentioned in the section of this letter headed "INTERNAL CONTROL", will be applied to the transactions contemplated under the Renewed Paperboard Sales Framework Agreement and the Paper Pulp Procurement Framework Agreement. Based on the above, there is no management or operational reliance on Xiamen C&D Paper Group or other connected persons.
3. **A mutually beneficiary business relationship between the Group and Xiamen C&D Paper Group:** Xiamen C&D Paper Group is a leading enterprise of paper sales and pulp imports and sales in the PRC with over 150 paper pulp suppliers across the globe. However, it does not have production facilities and machineries designated for the manufacturing of the Paperboard Products. Xiamen C&D Paper Group relies on paper manufacturers such as UPPSD to supply goods for it to resell to its customers. It is crucial for Xiamen C&D Paper Group to maintain a list of reliable paper manufacturing suppliers capable of timely delivery of quality products, so that it could fulfill the needs of its customers. In this regard, UPPSD and Xiamen C&D Paper has entered into the Renewed Paperboard Sales Framework Agreement and the Paper Pulp Procurement Framework Agreement pursuant to which UPPSD will sell the Paperboard Products to Xiamen C&D Paper Group and procure the Paper Pulp Products from Xiamen C&D Paper Group on a non-exclusive basis and on normal commercial terms to, leverage on the industry leading position, comprehensive value-added services and extensive sourcing and

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## LETTER FROM THE BOARD

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sales network of Xiamen C&D Paper Group. Hence, regardless of the business relationship between the Group and Xiamen C&D Paper Group, the Group has alternative suppliers and also have the capacity to sell to other customers. As the Renewed Paperboard Sales Framework Agreement and the Paper Pulp Procurement Framework Agreement provides the Group with stable source of quality raw materials and Xiamen C&D Paper Group with stable source of Paperboard Products, the interests of the Group and Xiamen C&D Paper Group are aligned and are able to facilitate a stable and mutually beneficial business relationship.

The Directors consider the transactions contemplated under the Renewed Paperboard Sales Framework Agreement and the Paper Pulp Procurement Framework Agreement is consistent with the Group's business development strategy and is fair and reasonable as far as the Company and its Shareholders are concerned. The Directors are not aware of any material red flags indicating any material adverse changes to such established relationship which brings mutual benefits.

Having taken into account the reasons for and benefits of the transactions contemplated under the Renewed Paperboard Sales Framework Agreement and the Paper Pulp Procurement Framework Agreement as set out above, the Directors are of the view that the transactions contemplated under the Renewed Paperboard Sales Framework Agreement and the Paper Pulp Procurement Framework Agreement are in the ordinary and usual course of business of the Group and the terms have been negotiated on an arm's length basis and on normal commercial terms or better. The Directors are also of the view that the terms of the Renewed Paperboard Sales Framework Agreement and the Paper Pulp Procurement Framework Agreement are fair and reasonable and the entering of the Renewed Paperboard Sales Framework Agreement and the Paper Pulp Procurement Framework Agreement are in the interests of the Company and the Shareholders as a whole.

### INTERNAL CONTROL

To ensure that the transactions contemplated under the Renewed Paperboard Sales Framework Agreement and the Paper Pulp Procurement Framework Agreement will be on normal commercial terms that are fair and reasonable and will be on terms no less favourable to the Group than those available to the Group for the sales of Paperboard Products to independent third parties and the procurement of Paper Pulp Products from independent third parties, the Company has adopted the following internal control measures:

- (i) The head office of the Company is responsible for regulating the review and approval of connected transactions to be entered into by the Group in the ordinary and usual course of the business of the Group. Each department and subsidiary of the Group shall submit an information sheet for each connected transaction (「關連交易審批確認單」及「合作交易方公司信息備案表」), setting out its terms and conditions and the pricing mechanism, as well as comparison with terms and conditions offered and prices charged by at least two independent third

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## LETTER FROM THE BOARD

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parties to the Group, to the finance department of the Company and the joint company secretaries for review and approval. The procedures for the approval and signing of the agreement for the connected transaction shall only commence after approval of the information sheet has been granted.

- (ii) The joint company secretaries of the Company are responsible for maintaining a list of connected parties and circulating to each of the subsidiaries every half year.
- (iii) The finance department of the Company shall submit the monthly update containing the following information to the joint company secretaries of the Company after each month ends: (a) the total Paper Pulp Products purchase quantity during the month; (b) the supply of Paperboard Products during the month; and (c) the transaction amount of the continuing connected transactions during the month and the cumulative figures as at the end of the month. The joint company secretaries of the Company should consolidate information received from the finance department, monitor the carrying out of the connected transactions entered into by the Group in the ordinary and usual course of the business of the Group to ensure compliance with the Listing Rules and is responsible for reporting to the audit committee of the Company (which comprises all independent non-executive Directors) on a half year basis so that the Board could keep abreast of the continuing connected transactions conducted by the Group (including the utilization rate of the annual caps).
- (iv) Through reviewing the information gathered from the finance department of the Company, the external auditor of the Company will report to the Board annually on the continuing connected transactions of the Group in relation to their pricing policies and annual caps pursuant to the Listing Rules.

The Directors are of the view that the internal control measures above can ensure that the transactions contemplated under the Renewed Paperboard Sales Framework Agreement and the Paper Pulp Procurement Framework Agreement will be on normal commercial terms and that the terms of such transactions are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### INFORMATION ABOUT THE PARTIES

The Company is an investment holding company. The Group is principally engaged in the paper manufacturing and distribution business. The Group's operations are mainly based in the PRC.

UPPSD is a company incorporated in the PRC with limited liability and an indirect wholly owned subsidiary of the Company. It is principally engaged in the paper manufacturing and distribution business in the PRC.

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## LETTER FROM THE BOARD

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Xiamen C&D Paper is a limited liability company incorporated in the PRC and is principally engaged in the business of forestry, pulp and paper products. Xiamen C&D Paper is directly and indirectly in aggregation wholly owned by Xiamen C&D Inc., the shares of which are listed on the Shanghai Stock Exchange (stock code: 600153.SH). Xiamen C&D Inc. is principally engaged in supply chain operations, real estate development and home decoration and furniture mall operation. C&D Group, being a controlling shareholder of Xiamen C&D Inc., is directly 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\*). C&D Group is a conglomerate principally engaged in fields including supply chain operation, municipal construction and operations, hospitality and expos, medical and health and emerging industry investment.

### LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, NCD is the controlling Shareholder. As NCD is in aggregate, directly and indirectly, wholly owned by HK Paper which in turn is directly wholly owned by Xiamen C&D Paper, Xiamen C&D Paper is a connected person of the Company under the Listing Rules. As such, the Renewed Paperboard Sales CCT and the Paper Pulp Procurement CCT will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios for the Paperboard Proposed Caps of the Renewed Paperboard Sales CCT and the Paper Pulp Proposed Caps of the Paper Pulp Procurement CCT exceeds 5%, it is expected that the Renewed Paperboard Sales CCT and the Paper Pulp Procurement CCT will constitute non-exempted continuing connected transactions which are subject to reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Notwithstanding that Mr. HUANG Tiansheng is the deputy general manager (presiding over the work) of Xiamen C&D Paper's paper business, Mr. HUANG Tiansheng is not a shareholder of Xiamen C&D Paper and will not derive personal gains from the Group entering into the transactions contemplated under the Renewed Paperboard Sales Framework Agreement and the Paper Pulp Procurement Framework Agreement. Hence, it is considered by the Board that Mr. HUANG Tiansheng does not have a material interest in the Renewed Paperboard Sales Framework Agreement and the Paper Pulp Procurement Framework Agreement and the transactions contemplated thereunder, and therefore, Mr. HUANG Tiansheng had not abstained from voting in respect of the resolutions for approving the Renewed Paperboard Sales Framework Agreement and the Paper Pulp Procurement Framework Agreement and the transactions contemplated thereunder.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, none of the Directors has any material interest in the Renewed Paperboard Sales Framework Agreement and the Paper Pulp Procurement Framework Agreement and was required to abstain from voting on the Board resolutions approving the Renewed Paperboard Sales Framework Agreement and the Paper Pulp Procurement Framework Agreement.

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## LETTER FROM THE BOARD

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### SGM

The SGM will be convened for the Independent Shareholders to consider and, if thought fit, approve (a) the Renewed Paperboard Sales Framework Agreement, the transactions contemplated thereunder and the Paperboard Proposed Caps; and (b) the Paper Pulp Procurement Framework Agreement, the transactions contemplated thereunder and the Paper Pulp Proposed Caps.

Pursuant to Rule 14A.36 of the Listing Rules, any Shareholder who has a material interest in the transaction must abstain from voting on the resolution. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, save for NCD, C&D Group and their associates, hold 990,220,583 Shares, representing approximately 70% of the issued share capital of the Company as at the Latest Practicable Date, who shall abstain from the voting on the relevant resolutions to approve the Renewed Paperboard Sales Framework Agreement and the Paper Pulp Procurement Framework Agreement, no other Shareholder has a material interest in the Renewed Paperboard Sales CCT and the Paper Pulp Procurement CCT and no other Shareholder is therefore required to abstain from voting at the SGM for the relevant resolutions.

Pursuant to Rule 13.39(4) of the Listing Rules, voting at the SGM will be conducted by poll. The poll results will be published on the on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.cndnewin.com](http://www.cndnewin.com)) following the SGM.

The register of members of the Company will be closed from Monday, 8 January 2024 to Tuesday, 9 January 2024, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for attending and voting at the SGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Boardroom Share Registrars (HK) Limited, at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong, for registration not later than 4:30 p.m. on Friday, 5 January 2024.

A notice convening the SGM to be held at Rooms 2306B & 2307, 23rd Floor, West Tower, Shun Tak Centre, No. 168–200 Connaught Road Central, Hong Kong on Tuesday, 9 January 2024 at 11:00 a.m. is set out on pages 59 to 61 of this circular. A form of proxy for use at the SGM is enclosed with this circular. Such form of proxy is also 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)). Whether or not you are able to attend the SGM, you are requested to complete and sign the form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Boardroom Share Registrars (HK) Limited, at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM (i.e. not later than 11:00 a.m. on Sunday, 7 January 2024) or any adjourned meeting thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjourned meeting thereof should you so wish and in such event the form of proxy shall be deemed to be revoked.

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## LETTER FROM THE BOARD

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### RECOMMENDATION

The Directors (including independent non-executive Directors whose recommendations in respect of the Renewed Paperboard Sales Framework Agreement, the Paper Pulp Procurement Framework Agreement, the transactions contemplated thereunder and the Proposed Caps are contained in the Letter from the Independent Board Committee) are of the opinion that the resolutions to be proposed at the SGM are in the interests of the Company and the Shareholders as a whole and so recommend the Shareholders to vote in favour of such resolutions.

### ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular, including but not limited to (i) the letter from the Independent Board Committee containing its recommendation to the Independent Shareholders in relation to of the Renewed Paperboard Sales Framework Agreement, the Paper Pulp Procurement Framework Agreement, the transactions contemplated thereunder and the Proposed Caps; and (ii) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders containing its advice in this regards.

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



**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)**

20 December 2023

*To the Independent Shareholders*

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS**

**(1) RENEWED PAPERBOARD SALES FRAMEWORK  
AGREEMENT**

**AND**

**(2) PAPER PULP PROCUREMENT FRAMEWORK AGREEMENT**

We refer to the circular of the Company to the Shareholders dated 20 December 2023 (“**Circular**”), in which this letter forms a part. Unless the context requires otherwise, capitalised terms used in this letter will have the same meanings as those defined in the Circular.

We have been appointed by the Board as the Independent Board Committee to advise the Independent Shareholders on whether the terms of the Renewed Paperboard Sales Framework Agreement, the Paper Pulp Procurement Framework Agreement, the transactions contemplated thereunder and the Proposed Caps are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Group and the Shareholders as a whole.

We wish to draw your attention to the letter of advice from the Independent Financial Adviser as set out on pages 26 to 52 of the Circular and the letter from the Board as set out on pages 5 to 23 of the Circular.

Having considered the information set out in the letter from the Board, the terms and conditions of the Renewed Paperboard Sales Framework Agreement and the Paper Pulp Procurement Framework Agreement, the factors and reasons considered by, and the opinion of Independent Financial Adviser as stated in its letter of advice, we consider that the terms of the Renewed Paperboard Sales Framework Agreement, the Paper Pulp Procurement Framework Agreement and the transactions contemplated thereunder (including the Proposed Caps) are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, in the ordinary and usual course of

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**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

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business of the Group and in the interests of the Group and the Shareholders as a whole and accordingly recommend the Independent Shareholders to vote in favor of the ordinary resolutions in relation to the approval of the Renewed Paperboard Sales Framework Agreement, the Paper Pulp Procurement Framework Agreement and the transactions contemplated thereunder (including the Proposed Caps) to be proposed at the SGM.

Yours faithfully,

For and on behalf of the

**Independent Board Committee**

**Mr. ZHAO Lin**

**Mr. WONG Yiu Kit, Ernest      Mr. LAM John Cheung-wah**

*Independent Non-executive Directors*

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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*The following is the text of a letter of advice from INCU Corporate Finance Limited, which has been prepared for the purpose of incorporation into this circular, setting out its opinion to the Independent Board Committee and the Independent Shareholders in connection with Renewed Paperboard Sales Framework Agreement, the Paper Pulp Procurement Framework Agreement, the transactions contemplated thereunder and the Proposed Caps.*



INCUB Corporate Finance Limited  
Unit 1402, 14/F, Winsome House,  
73 Wyndham Street,  
Central, Hong Kong

20 December 2023

*To the Independent Board Committee  
and the Independent Shareholders of  
C&D Newin Paper & Pulp Corporation Limited*

Dear Sir or Madam,

### **CONTINUING CONNECTED TRANSACTIONS (1) RENEWED PAPERBOARD SALES FRAMEWORK AGREEMENT; AND (2) PAPER PULP PROCUREMENT FRAMEWORK AGREEMENT**

#### **INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Renewed Paperboard Sales Framework Agreement, the Paper Pulp Procurement Framework Agreement, the transactions contemplated thereunder and the Proposed Caps (together, the “**Proposed Continuing Connected Transactions**”). Details of the which are set out in the “Letter from the Board” (the “**Letter from the Board**”) contained in the circular of the Company dated 20 December 2023 (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

Reference is made to the announcement of the Company dated 13 November 2023. As the Existing Paperboard Sales Framework Agreement will expire on 31 March 2024, UPPSD had, on 13 November 2023, entered into the Renewed Paperboard Sales Framework Agreement with Xiamen C&D Paper to govern the contractual relationship for the sale of Paperboard Products to Xiamen C&D Paper Group for a fixed term from 1 January 2024 to 31 December 2026. On 13 November 2023, UPPSD also entered into the Paper Pulp Procurement Framework Agreement with Xiamen C&D Paper for the procurement of Paper Pulp Products sourced by Xiamen C&D Paper Group from time to time from 1 January 2024 to 31 December 2026.

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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As at the Latest Practicable Date, NCD is the controlling Shareholder. As NCD is in aggregate, directly and indirectly, wholly owned by HK Paper which in turn is directly wholly owned by Xiamen C&D Paper, Xiamen C&D Paper is a connected person of the Company under the Listing Rules. As such, the Renewed Paperboard Sales CCT and the Paper Pulp Procurement CCT will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios for the Paperboard Proposed Caps of the Renewed Paperboard Sales CCT and the Paper Pulp Proposed Caps of the Paper Pulp Procurement CCT exceeds 5%, it is expected that the Renewed Paperboard Sales CCT and the Paper Pulp Procurement CCT will constitute non-exempted continuing connected transactions which are subject to reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, save for NCD, C&D Group and their associates, hold 990,220,583 Shares, representing approximately 70% of the issued share capital of the Company as at the Latest Practicable Date, who shall abstain from the voting on the relevant resolutions to approve the Renewed Paperboard Sales Framework Agreement and the Paper Pulp Procurement Framework Agreement, no other Shareholder has a material interest in the Renewed Paperboard Sales CCT and the Paper Pulp Procurement CCT and no other Shareholder is therefore required to abstain from voting at the SGM for the relevant resolutions.

### THE INDEPENDENT BOARD COMMITTEE

An Independent Board Committee comprising all independent non-executive Directors, namely Mr. Zhao Lin, Mr. Wong Yiu Kit, Ernest and Mr. Lam John Cheung-wah, has been established to advise and provide recommendation to the Independent Shareholders in relation to fairness and reasonableness of the Proposed Continuing Connected Transactions.

As the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders as to whether the terms of the Proposed Continuing Connected Transactions are fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Independent Shareholders as a whole.

We have not acted as an independent financial adviser and has not provided any other services to the Company during the past two years. As at the Latest Practicable Date, we are not aware of any relationships or interests between us and the Company or any other parties that could be reasonably be regarded as hindrance to our independence as defined under Rule 13.84 of Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Proposed Continuing Connected Transactions. We are not associated with the Company, its subsidiaries, its associates or their respective substantial shareholders or associates or any other parties to the Proposed Continuing Connected Transactions, and accordingly, are

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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eligible to give independent advice and recommendations on the terms of the Proposed Continuing Connected Transactions. Apart from normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser, no arrangement exists whereby we will receive any fees from the Company, its subsidiaries, its associates or their respective substantial shareholders or associates or any other parties to the Proposed Continuing Connected Transactions.

### **BASIS OF OUR OPINION**

In formulating our opinion, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and/or provided to us by the Company and the management of the Group. Our review and analysis were based on the information provided by the Group including the Circular, the Existing Paperboard Sales Framework Agreement, the Renewed Paperboard Sales Framework Agreement, the Paper Pulp Procurement Framework Agreement and certain published information from the public domain, including but not limited to, the Reference Sites. We have assumed that all statements, information, opinions and representations contained or referred to in the Circular and/or provided to us were true, accurate and complete at the time they were made and continued to be so as at the Latest Practicable Date. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed by them in the Circular have been arrived at after due and careful consideration and there are no other material facts not contained in the Circular, the omission of which would make any such statement made by them that contained in the Circular misleading in all material respects. We have no reason to doubt the truth or accuracy of the information provided to us, or to believe that any material information has been omitted or withheld. We have relied on such information and consider that the information we have received is sufficient for us to reach our advice and recommendation as set out in this letter and to justify our reliance on such information. However, we have not conducted any in-depth independent investigation into the businesses, affairs and financial positions of the Group nor have we considered the taxation implication on the Group or the Independent Shareholders as a result of the Proposed Continuing Connected Transactions.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In assessing the Proposed Continuing Connected Transactions, and in giving our recommendation to the Independent Board Committee and the Independent Shareholders, we have taken into account the following principal factors and reasons:

#### **1. Information of the Group, UPPSD and Xiamen C&D Paper**

##### ***(a) Information of the Group***

The Company is an investment holding company. The Group is principally engaged in the paper manufacturing and distribution business. The Group's operations are mainly based in the PRC.

***(b) Information of UPPSD***

UPPSD is a company incorporated in the PRC with limited liability and an indirect wholly owned subsidiary of the Company. It is principally engaged in the paper manufacturing and distribution business in the PRC.

***(c) Information of Xiamen C&D Paper***

Xiamen C&D Paper is a limited liability company incorporated in the PRC and is principally engaged in the business of forestry, pulp and paper products. Xiamen C&D Paper is directly and indirectly in aggregation wholly owned by Xiamen C&D Inc., the shares of which are listed on the Shanghai Stock Exchange (stock code: 600153.SH). Xiamen C&D Inc. is principally engaged in supply chain operations, real estate development and home decoration and furniture mall operation. C&D Group, being a controlling shareholder of Xiamen C&D Inc., is directly wholly owned by Xiamen Municipal People's Government State-owned Assets Supervision and Administration Commission\* (廈門市人民政府國有資產監督管理委員會). C&D Group is a conglomerate principally engaged in fields including supply chain operation, municipal construction and operations, hospitality and expos, medical and health and emerging industry investment.

**2. Reasons for and benefits of the Proposed Continuing Connected Transactions**

Xiamen C&D Paper is a limited liability company incorporated in the PRC. Xiamen C&D Paper is a wholly owned subsidiary of Xiamen C&D Inc., a company whose shares are listed on the Shanghai Stock Exchange (stock code: 600153). In the Fortune Global 500 list, C&D Group, being the parent company of Xiamen C&D Inc. ranked 69 in 2023. As at the Latest Practicable Date, Xiamen C&D Paper has more than 45 subsidiaries and branch companies in the PRC and overseas. Established in 1992, Xiamen C&D Paper Group is a leading enterprise of paper sales, pulp imports and sales in the PRC. Xiamen C&D Paper has built up a comprehensive “one-stop” service chain comprising order placing, logistics, insurance, warehousing, etc. Xiamen C&D Paper has obtained the FSC-CoC certification (FSCTM Chain-of-Custody) issued by the Forest Stewardship Council, an international, non-governmental organization which sets standards for forestry practices. The FSC-CoC certification is able to evidence that the wood material sourced and distributed by Xiamen C&D Paper Group is legal and responsibly managed. In 2022, Xiamen C&D Paper has an annual sales volume of over 13 million tons of paper products and pulps and a sales network comprising over 5,000 customers in the PRC and overseas.

As disclosed in the Letter from the Board, under the Renewed Paperboard Sales Framework Agreement and the Paper Pulp Procurement Framework Agreement, UPPSD could continue to leverage on the industry leading position, the comprehensive value-added services and the sales network of Xiamen C&D Paper Group in the forestry, paper pulp and paper products distribution industry to enhance its raw material procurement channel, expand its income stream and enhance its sales penetration. Having resourceful and reliable sales channel and raw material sourcing channel is crucial to the success of the Group. The commercial partnership with

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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 both the independent third party customers and the Paper Pulp Products suppliers.

We have discussed with the management of the Company and are informed that Paper Pulp Products are important raw material of Paperboard Products and part of the Paper Pulp Products to be supplied by Xiamen C&D Paper Group under the Paper Pulp Procurement Framework Agreement is for the production of Paperboard Products to be provided to Xiamen C&D Paper under the Renewed Paperboard Sales Framework Agreement. The market leadership of Xiamen C&D Paper Group demonstrate that it is able to provide reliable supply of Paper Pulp Products for production of Paperboard Products. Furthermore, entering into the Renewed Paperboard Sales Framework Agreement can broaden the Group's revenue and provide sustainable income to the Group. Therefore, we consider the Proposed Continuing Connected Transactions are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **3. Renewed Paperboard Sales Framework Agreement**

Reference is made to the announcement of the Company dated 28 December 2021 and circular of the Company dated 31 December 2021 in relation to, among other things, the Existing Paperboard Sales Framework Agreement entered into between UPPSD, an indirect wholly owned subsidiary of the Company, and Xiamen C&D Paper for the sale of the Paperboard Products. As the Existing Paperboard Sales Framework Agreement will expire on 31 March 2024, UPPSD had, on 13 November 2023, entered into the Renewed Paperboard Sales Framework Agreement with Xiamen C&D Paper to govern the contractual relationship for the sale of Paperboard Products to Xiamen C&D Paper Group for a fixed term from 1 January 2024 to 31 December 2026. Following the passing of the resolution to approve the Renewed Paperboard Sales Framework Agreement at the SGM, the Existing Paperboard Sales Framework Agreement will be terminated on 31 December 2023.

The principal terms of the Renewed Paperboard Sales Framework Agreement are summarized as follows:

- Date : 13 November 2023 (after trading hours)
- Parties : (1) UPPSD (as the vendor); and  
(2) Xiamen C&D Paper (as the purchaser).

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- Term : The Renewed Paperboard Sales Framework Agreement has a fixed term from 1 January 2024 to 31 December 2026. The condition precedent to the effectiveness of the Renewed Paperboard Sales Framework Agreement is that the Company obtains the approval of Independent Shareholders at the SGM to approve the Renewed Paperboard Sales CCT and the Paperboard Proposed Caps.
- Nature of Transactions : UPPSD will sell the Paperboard Products to Xiamen C&D Paper Group on a non-exclusive basis based on the quantity, unit price and specifications set out in the individual orders to be placed by Xiamen C&D Paper Group from time to time.
- Price : The unit price of the Paperboard Products will be determined with reference to the prevailing market price in the Mainland China for the same type of products and in accordance with the pricing policies of the Group made for independent third party customers as detailed in the section headed “Pricing Policy” below.
- 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 Group pursuant to an order, UPPSD is entitled to adjust the unit price of the Paperboard Products in accordance with the price update letter issued to the customers, including Xiamen C&D Paper Group. Based on the principles applied by the core management team of UPPSD as detailed in the section headed “Pricing Policy” below, UPPSD will issue price update letter to notify the customers the recent pricing changes in accordance to the assessment of the core management team on the market trend and the pricing strategy.
- Delivery and Payment : Unless otherwise agreed in the individual orders between UPPSD and Xiamen C&D Paper Group, UPPSD shall deliver the Paperboard Products within one month upon receiving the payment from Xiamen C&D Paper Group; and the payment of the Paperboard Products shall be settled by way of telegraphic transfer.

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Pricing Policy : The basis of determining the prices of the Paperboard Products to be supplied by UPPSD under the Renewed Paperboard Sales Framework Agreement will be on the following principles:

- (i) the historical pricing trend and the prevailing market price of the Paperboard Products in the Mainland China of comparable quality, specifications, quantities and related delivery costs based on the market information collected by the Group through primarily, the market price information from the Reference Sites, and secondarily, its network (i.e. the core management team of UPPSD including Mr. Huang Tiansheng, Mr. Lin Ruqin and Mr. Zhou Wei, with over 10 years of experience in the paper industry and therefore with the ability to make objective pricing policies for the Paperboard Products); and
- (ii) the sales terms of each purchase order provided by Xiamen C&D Paper Group to UPPSD must be no less favourable than those provided by independent third party customers to UPPSD.

Through regularly reviewing and approving sales contracts for Paperboard Products and convening monthly management meetings, the core management team of UPPSD, comprising individuals with extensive industry expertise, plays an important role in providing strategic planning and guidance for determining the pricing of Paperboard Products, which is based on the following principles:

- (i) Historical pricing trend and market price: The core management team considers the historical pricing trend and the prevailing market price of the same or similar Paperboard Products obtained from the Reference Sites;

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- (ii) Other market players' offers: The recent pricing offers for the same or similar Paperboard Products offered by at least two other leading market players are also taken into account for reference, relying on the business network of the core management team as well as the recent public quotations provided by certain market players through the Reference Sites;
- (iii) Purchase order terms: Factors such as order quantities, product quality, delivery terms, and payment terms are carefully considered when determining the pricing strategy;
- (iv) Market insight and analysis: The core management team leverages their business network to gain market insight and perform analysis on the business trend of paper manufacturing industry; and
- (v) Production plan and capacity: UPPSD's current production plan and production capacity are also factors considered when determining the pricing strategy.

Upon approval by the core management team, UPPSD will issue price update letter to notify the customers the recent pricing changes in accordance to the assessment of the core management team on the market trend and pricing strategy.

Further, additional internal control measurements for the transactions with connected persons will be applied as detailed in the section headed "INTERNAL CONTROL" in the Letter from the Board.

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The Reference Sites are widely used by paper manufacturers in the world and provides reliable price assessments in the pulp and paper products markets. Fastmarkets RISI, being the operator of one of the Reference Sites (<http://www.umpaper.com>) has been in operation since 1985 which is the world's leading reporting and market analysis provider for the forest products sector with offices located around the world (including London, Brussels, Beijing, Shanghai, New York and other major cities). Based on the information available to the Board, Fastmarkets RISI's clients comprise more than 97% of the world's forest products sector, including industry end-users, suppliers, investors and financial-service providers. The other Reference Site (<http://www.sci99.com>) provides market information, consulting for energy, chemical, plastic, rubber, paper and pulp etc. Based on the information available to the Board, it has about 3 million registered users in total and over 150 clients are among Fortune Global 500 and their subsidiaries. It is operated by Sublime China Information Co., Ltd. which is listed on ChiNext of Shenzhen Stock Exchanges (stock code: 301299). The above Reference Sites contain pricing information in relation to the current and historical market price of pulp and paper products; and continuously conduct research and update the market prices of Paperboard Products and Paper Pulp Products in Mainland China on a daily basis.

Annual Caps : The transaction amount under the Renewed Paperboard Sales Framework Agreement for each of the three financial years ending 31 December 2026 will not exceed the following Paperboard Proposed Caps:

	<b>For the financial year ending 31 December 2024 (RMB'000)</b>	<b>For the financial year ending 31 December 2025 (RMB'000)</b>	<b>For the financial year ending 31 December 2026 (RMB'000)</b>
Paperboard Proposed Caps	650,000	670,000	690,000

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The Paperboard Proposed Caps under the Renewed Paperboard Sales Framework Agreement are determined based on the below factors:

- (i) the historical pricing trend and the prevailing market price of the Paperboard Products in the Mainland China of comparable quality, specifications, quantities and related delivery costs based on the market information collected by the Group through primarily, the market price information from the Reference Sites, and secondarily, its network (i.e. the core management team of UPPSD including Mr. Huang Tiansheng, Mr. Lin Ruqin and Mr. Zhou Wei, with over 10 years of experience in the paper industry and therefore with the ability to make objective pricing policies for the Paperboard Products): the core management team has taken into account the recent upward market trend of the price of the Paperboard Products in the recent three months prior to the date of the Renewed Paperboard Sales Framework Agreement. According to the information on the Reference Sites, the market price of both coated duplex board and kraft linerboard after excluding the value-added tax (“VAT”) has resumed rising starting from August 2023 after reaching the lowest price at RMB2,699.12/ton and at RMB2,500.00/ton on 2 August 2023 respectively. As at the date of the Renewed Paperboard Sales Framework Agreement, the price level of coated duplex board excluding VAT was RMB3,123.89/ton, representing approximately 15.7% increment as compared to that in the three months prior to the date of the Renewed Paperboard Sales Framework Agreement. As at the date of the Renewed Paperboard Sales Framework Agreement, the price level of kraft linerboard after excluding VAT was RMB2,699.12/ton, representing approximately 8.0% increment as compared to that in the three months prior to the date of the Renewed Paperboard Sales Framework Agreement. In addition, under the pricing terms of the Renewed Paperboard Sales Framework Agreement and with reference to the historical pricing trend and the prevailing market price of the Paperboard Products, the selling price of each purchase order provided by Xiamen C&D Paper Group to UPPSD must be no less favourable than those provided by independent third-party customers;

- (ii) the estimated volume of the Paperboard Products required by Xiamen C&D Paper Group from the Group for the three financial years ending 31 December 2026 with reference to its internal sales targets: referring to the historical transactions under the Existing Paperboard Sales Framework Agreement, the reason for the low utilisation rate for the period ended 31 March 2022 (from 26 January 2022 to 31 March 2022), which was less than 50%, was that period represented the early stage of cooperation between the Group and Xiamen C&D Paper Group in relation to Paperboard Products. As the cooperation had only commenced approximately two months, the period ended 31 March 2022 only recorded relatively low transaction amounts and volumes. However, the utilisation rates for the subsequent two periods, namely the twelve months ended 31 March 2023 and the six months ended 30 September 2023 (after annualization of the actual sales for the six months ended 30 September 2023), were both higher than 85%. The increase in utilization was mainly attributable to the higher transaction volumes driven by the demand of Xiamen C&D Paper Group and its end-customers for the Paperboard Products. These transaction volumes align with the estimated transaction volumes under the annual caps outlined in the Existing Paperboard Sales Framework Agreement. Further, the average estimated volume of Paperboard Products in the amount of 200,000 tons as required by Xiamen C&D Paper Group from the Group for each of the three financial years ending 31 December 2026 increases approximately 64.5% from the volume of Paperboard Products purchased by Xiamen C&D Paper Group from the Group for the financial year ended 31 March 2023 amounted to approximately 121,600 tons. Given Xiamen C&D Paper's business capacity with an annual sales volume of over 3 million tons of the Paperboard Products in 2022 as compared to UPPSD's current annual production capacity of 460,000 tons, such increment in estimated annual sales volume, through arm's length negotiation, represents (a) the increase in demand for the Paperboard Products of the Group from Xiamen C&D Paper Group and its end-customers; and (b) the enhanced business cooperation between Xiamen C&D Paper Group and the Group since the entering into the Existing Paperboard Sales Framework Agreement on 28 December 2021 in terms of Paperboard Products transactions. It will further expand the income stream of the Group; and

(iii) the Paperboard Products production capacity of UPPSD: having considered the existing production capacity of UPPSD of 460,000 tons to meet the existing needs of all customers, including Xiamen C&D Paper Group, the estimated average volume of Paperboard Products under the Paperboard Proposed Caps for each of the three financial years ending 31 December 2026 represents less than 45.0% of UPPSD's current annual production capacity which is expected to further utilise UPPSD's existing production capacity and result in mutual benefits.

In determining the Paperboard Proposed Caps, the parties have also taken into account the assumption that during the term of the Renewed Paperboard Sales Framework Agreement, there will not be any adverse change or disruption in market conditions, operation and business environment or government policies which may materially affect the business of the parties of the Renewed Paperboard Sales Framework Agreement. As mentioned in the interim report of the Company for the six months period ended 30 June 2023, the Directors expect that the PRC is accelerating the pace of economic recovery and actively adjusting its industrial development strategy to provide active support for corporate development. In addition, based on the latest statistics released by the China Paper Association, the operating income and total profit of the PRC's paper industry were approximately RMB1.5 trillion and RMB62.1 billion, respectively, in 2022. From 2013 to 2022, the average annual growth rate of the production and consumption volume of paper and cardboard were approximately 2.3% and 2.7% in the PRC, respectively. The expected economic recovery in the PRC and the positive trend of the historical growth of the PRC's paper industry are in line with the estimated 3% annual growth of the Paperboard Proposed Caps for the three financial years ending 31 December 2026.

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Having considered (i) the recent upward market trend of the price of the Paperboard Products in the recent three months prior to the date of the Renewed Paperboard Sales Framework Agreement; (ii) the pricing basis of the unit sales price of Paperboard Products to be sold to Xiamen C&D Paper Group are based on the prevailing market price, not less favourable than those sold to independent third party customers; (iii) the enhanced business cooperation between Xiamen C&D Paper Group and the Group in terms of the average estimated volume of Paperboard Products under the Paperboard Proposed Caps amounted to 200,000 tons each year after arm's length negotiation, which shows an increment as compared to the actual purchase volume of Paperboard Products by Xiamen C&D Paper Group which amounted to approximately 121,600 tons for the financial year ended 31 March 2023, can further utilise of UPPSD's existing production capacity and result in mutual benefits; and (iv) the expected accelerating pace of economic recovery in the PRC and the positive trend of the historical growth of the PRC's paper industry, the Directors consider the Paperboard Proposed Caps, with the estimated annual growth of approximately 3%, are fair and reasonable.

We have reviewed and compared the terms of the Renewed Paperboard Sales Framework Agreement and the Existing Paperboard Sales Framework Agreement and note that, other than (a) extension of the term of Existing Paperboard Sales Framework Agreement to 31 December 2026; and (b) Paperboard Proposed Caps, there has been no material change between the terms of the two aforesaid agreements.

For our due diligence purpose, we have reviewed and compared 40 sample copies of historical transaction records, including sales invoices, receipt and approval documents, in respective of the sales made by the Group to independent third parties and Xiamen C&D Paper. The samples under review represent the top 5 transactions of each Paperboard Products (coated duplex board and kraft linerboard) between the Group and Xiamen C&D Paper for each of the period (a) from 26 January 2022, being the commencement date of the continuing connected transactions, to 31 March 2023, being the original year end of the Company; and (b) the period from 1 April 2023 to 30 September 2023. Each selected continuing connected transaction sample will be compared with the sample of transactions with independent third parties on the same corresponding date with a similar size and weight of paper. Therefore, each period includes 10 samples of continuing connected transactions and 10 samples of transactions with independent third parties. We consider the above selection criteria

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is fair and reasonable for our analysis as the samples covered all the Paperboard Products over the term of the Existing Paperboard Sales Framework Agreement and all samples represent the top 5 transactions of such period. After reviewing the samples of the continuing connected transactions and comparing with the historical transaction records between the Group and the independent third party, we note that (i) the sales transactions are made in compliance with the internal control measures, including the approval procedures, of the Group; and (ii) the selling price of the products sold to Xiamen C&D Paper is determined in accordance with the pricing policy of the Group and is no less favourable than those provided by independent third party customers.

Having considered that (i) there is no material change between the Renewed Paperboard Sales Framework Agreement and the Existing Paperboard Sales Framework Agreement other than the extension of the term and renewal of the annual caps; (ii) the historical transaction records are in compliance with the internal control measures and the pricing policy of the Group and comparable to the transaction records with independent third parties; and (iii) reasons for and benefits of entering into the Renewed Paperboard Sales Framework Agreement as discussed in the section headed “2. Reasons for and benefits of the Proposed Continuing Connected Transactions” above in this letter, we are of the view that the terms of the Renewed Paperboard Sales Framework Agreement are on normal commercial terms, in the ordinary and usual courses of business of the Company and in accordance with the pricing policy of the Group and fair and reasonable so far as the Independent Shareholders are concerned.

The following table shows the historical transaction amounts under the Existing Paperboard Sales Framework Agreement:

	<b>For the period ended 31 March 2022 (RMB'000)</b>	<b>For the twelve months ended 31 March 2023 (RMB'000)</b>	<b>For the six months ended 30 September 2023 (RMB'000)</b>
Existing annual caps under the Existing Paperboard Sales Framework Agreement	96,400	420,000	420,000 <i>(Note 1)</i>
Actual sales (unaudited)	44,165 <i>(Note 2)</i>	365,636	182,257
Utilisation	45.8%	87.1%	86.8% <i>(Note 3)</i>

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*Notes:*

1. The annual cap of RMB420 million is for the twelve months ending 31 March 2024.
2. The transaction amount under the Existing Paperboard Sales Framework Agreement for the period from the date of resumption of trading of the Company on 26 January 2022 to 31 March 2022.
3. The utilisation rate was calculated based on the annualised actual sales amount for the six months ended 30 September 2023.

As shown in the above table, we note that both utilisation rate for the twelve months ended 31 March 2023 and six months ended 30 September 2023 (after annualised) is higher than 85% but the utilisation rate for the period ended 31 March 2022 is less than 50%. We have discussed with the management of the Company and the Company replied that the reason of low utilisation rate for the period ended 31 March 2022 is that such period represents the early period of the commencement of the continuing connected transactions (approximately two months from the commencement date only) leading to a relative low transactions amount.

In respect of the basis of the Paperboard Proposed Caps, we have discussed with the management of the Company the prevailing market price of the Paperboard Products and the sales target of UPPSD. We have reviewed the market price of the Paperboard Products on the Reference Sites. With reference to the information on the Reference Sites, the price level of coated duplex board and kraft linerboard after excluding the VAT as at the date of the Renewed Paperboard Sales Framework Agreement was RMB3,123.89/ton and RMB2,699.12/ton respectively. Although the market price level of both coated duplex board and kraft linerboard after excluding the VAT has dropped from RMB4,004.42/ton and RMB3,672.57/ton respectively since 26 January 2022, being the commencement date of the continuing connected transactions, the market price of both coated duplex board and kraft linerboard after excluding the VAT has resumed rising starting from August 2023 after reaching the lowest price at RMB2,699.12/ton and at RMB2,500.00/ton on 2 August 2023 respectively. The market price of the coated duplex board and kraft linerboard after excluding the VAT as at the date of the Renewed Paperboard Sales Framework Agreement represents an increase of approximately 15.7% and 8.0% respectively as compared with the lowest price on 2 August 2023. After considering the market trend of the price of the Paperboard Products prior to the date of the Renewed Paperboard Sales Framework Agreement, the Company estimated the average market price of the Paperboard Products in 2024 will be back to the level of the average selling price of Paperboard Products in 2022, which was RMB3,210/ton, and expected to have mild increments of 3% each year afterwards, which lead to the mild increase in Paperboard Proposed Caps, on the assumption that there will not be any adverse change or disruption in market conditions, operation and business environment or government policies which may materially affect the business of the parties of the Renewed Paperboard Sales Framework Agreement. In view of the percentage change of the price of the Paperboard Products from 2 August 2023 to the date of Renewed Paperboard Sales Framework Agreement as discussed above and the average annual growth rate of the

production and consumption volume of paper and cardboard from 2013 to 2022 of approximately 2.3% and 2.7% in the PRC respectively according to the latest statistics released by China Paper Association, we consider the 3% increment of the Paperboard Proposed Caps is acceptable. During our discussion with the management of the Company, we are also informed by the management of the Company that, based on the total historical sales volume of UPPSD (including the continuing connected transactions under the Existing Paperboard Sales Framework Agreement and the transactions with independent third parties), the Paperboard Products production capacity of UPPSD, which is approximately 460,000 tons per year, has not been fully utilised. As such, by comparing the business capacity of Xiamen C&D Paper with an annual sales volume of over 3 million tons of Paperboard Products in 2022, the Company considers that there is an upside potential to broaden the income of the Group by providing further sales of the Paperboard Products to Xiamen C&D Paper Group. For the Paperboard Proposed Caps, after the arm's length negotiation and discussion between Xiamen C&D Paper and the Company, UPPSD will provide an average sales volume of 200,000 tons of Paperboard Products to Xiamen C&D Paper for each of the three financial years ending 31 December 2026.

After considering the prevailing market price of the Paperboard Products, the market growth of paper and cardboard industry, the business capacity of Xiamen C&D Paper, the production capacity of Paperboard Products of UPPSD and the estimated sales volume of the Paperboard Products to Xiamen C&D Paper Group, we consider that the Paperboard Proposed Caps are fair and reasonable.

#### **4. Paper Pulp Procurement Framework Agreement**

On 13 November 2023, UPPSD also entered into the Paper Pulp Procurement Framework Agreement with Xiamen C&D Paper for the procurement of Paper Pulp Products sourced by Xiamen C&D Paper Group from time to time from 1 January 2024 to 31 December 2026.

The principal terms of the Paper Pulp Procurement Framework Agreement are summarized as follows:

Date	:	13 November 2023 (after trading hours)
Parties	:	(1) UPPSD (as the purchaser); and (2) Xiamen C&D Paper (as the vendor).
Term	:	The Paper Pulp Procurement Framework Agreement has a fixed term from 1 January 2024 to 31 December 2026. The condition precedent to the effectiveness of the Paper Pulp Procurement Framework Agreement is that the Company obtains the approval of the Independent Shareholders at the SGM to approve the Paper Pulp Procurement CCT and the Paper Pulp Proposed Caps.

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- Nature of Transactions : UPPSD will purchase the Paper Pulp Products sourced by Xiamen C&D Paper Group on a non-exclusive basis based on the quantity, unit price and specifications set out in the individual orders to be placed by UPPSD from time to time.
- Price : The unit price of the Paper Pulp Products will be determined with reference to the prevailing market price in the Mainland China for the same type of products and in accordance with the pricing policies of the Group made for independent third party customers as detailed in the section headed “Pricing Policy” below.
- Delivery and Payment : Unless otherwise agreed in the individual orders between UPPSD and Xiamen C&D Paper Group, Xiamen C&D Paper Group shall deliver the Paper Pulp Products within one month upon receiving the payment from UPPSD; and the payment of the Paper Pulp Products shall be settled by way of telegraphic transfer.
- Pricing Policy : The basis of determining the prices of the Paper Pulp Products to be supplied by Xiamen C&D Paper Group under the Paper Pulp Procurement Framework Agreement will be on the following principles:
- (i) the historical pricing trend and the prevailing market price of the Paper Pulp Products in the Mainland China of comparable quality, specifications, quantities and related delivery costs based on the market information collected by the Group through primarily, the market price information from the Reference Sites, and secondarily, its network (i.e. the core management team of UPPSD including Mr. Huang Tiansheng, Mr. Lin Ruqin and Mr. Zhou Wei, with over 10 years of experience in the paper industry and therefore with the ability to make objective pricing policies for the Paper Pulp Products); and
  - (ii) the sales terms provided by Xiamen C&D Paper Group to UPPSD must be no less favourable than those provided by Xiamen C&D Paper Group to independent third party customers.

The Reference Sites contains pricing information in relation to the current and historical market price of pulp and paper products; and continuously conduct research and update the market prices of Paperboard Products and Paper Pulp Products in Mainland China on a daily basis.

Through regularly reviewing and approving procurement contracts for Paper Pulp Products and convening monthly management meetings, the core management team of UPPSD, comprising individuals with extensive industry expertise, plays an important role in providing strategic planning and guidance for determining the pricing for the procurement of the Paper Pulp Products by UPPSD, which is based on the following principles:

- (i) Historical pricing trend and market price: The core management team considers the historical pricing trend and the prevailing market price of the same or similar Paper Pulp Products obtained from the Reference Sites;
- (ii) Other suppliers' offers: The recent offers for the same or similar Paper Pulp Products offered by at least two other suppliers are also taken into account for reference, relying on the business network of the core management team as well as the recent public quotations provided by certain suppliers through the Reference Sites;
- (iii) Procurement order terms: Factors such as order quantities, product quality, delivery terms, and payment terms are carefully considered when determining the procurement strategy;
- (iv) Market insight and analysis: The core management team leverages their business network to gain market insight and perform analysis on the business trend of paper manufacturing industry; and
- (v) Production plan and capacity: UPPSD's current production plan and production capacity are also factors considered when determining the procurement strategy.

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Further, additional internal control measurements for the transactions with connected persons will be applied as detailed in the section headed “INTERNAL CONTROL” in the Letter from the Board.

Annual Caps : The transaction amount under the Paper Pulp Procurement Framework Agreement for each of the three financial years ending 31 December 2026 will not exceed the following Paper Pulp Proposed Caps:

	For the year ending 31 December 2024 <i>(RMB'000)</i>	For the year ending 31 December 2025 <i>(RMB'000)</i>	For the year ending 31 December 2026 <i>(RMB'000)</i>
Paper Pulp Proposed Caps	100,000	110,000	120,000

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The Paper Pulp Proposed Caps under the Paper Pulp Procurement Framework Agreement are determined based on the below factors:

- (i) the historical pricing trend and the prevailing market price of the Paper Pulp Products in the Mainland China of comparable quality, specifications, quantities and related delivery costs based on the market information collected by the Group through primarily, the market price information from the Reference Sites, and secondarily, its network (i.e. the core management team of UPPSD including Mr. Huang Tiansheng, Mr. Lin Ruqin and Mr. Zhou Wei, with over 10 years of experience in the paper industry and therefore with the ability to make objective pricing policies for the Paper Pulp Products): the core management team has taken into account the recent upward market trend of the price of the Paper Pulp Products and its market price range in the recent three months prior to the date of the Paper Pulp Procurement Framework Agreement. According to the information on the Reference Sites, the market price of the Paper Pulp Products after excluding VAT has resumed rising starting from May 2023 after reaching the lowest price at RMB3,456.35/ton on 5 May 2023. As at the date of the Paper Pulp Procurement Framework Agreement, the price level of the Paper Pulp Products after excluding VAT was RMB4,800.88/ton, representing approximately 17.4% increment as compared to that in the three months prior to the date of the Paper Pulp Procurement Framework Agreement. The market price of the Paper Pulp Products ranged between RMB4,083.67/ton and RMB5,063.56/ton during such period. Despite the recent upward market trend of the price of Paper Pulp Products, the maximum expected price of Paper Pulp Products under the Paper Pulp Proposed Caps amounted to approximately RMB5,213/ton is within the range of its respective market price fluctuation in 2022 up to the date of the Paper Pulp Procurement Framework Agreement based on the Reference Sites (approximately RMB3,456/ton to RMB6,063/ton) which is in line with the historical pricing fluctuations of the Paper Pulp Products. In addition, under the pricing terms of the Paper Pulp Procurement Framework Agreement and with reference to the historical pricing trend and the prevailing market price of the Paper Pulp Products, the unit selling price of Paper Pulp Products provided by Xiamen C&D Paper Group to UPPSD must be no less favorable than those provided by independent third-party suppliers;

- (ii) the existing production capacity of UPPSD: the core management team has also considered the existing production capacity of UPPSD of 460,000 tons to plan its paper pulps raw material procurements;
  
- (iii) the demand for the Paper Pulp Products based on the production plan and historical demand of UPPSD: in particular, the Paper Pulp Proposed Caps for each of the three financial year ending 31 December 2026 represent less than 16.0% of the total historical purchase amount of paper pulps raw material of UPPSD procured from the independent third party suppliers for the twelve months ended 31 December 2022. As mentioned in the interim report of the Company for the six months period ended 30 June 2023, the Group is in the process of increasing and accelerating production, equipment upgrading and process optimization to build a production base for fine Paperboard Products. Xiamen C&D Paper Group is a leading enterprise of pulp imports and sales in the PRC. It has obtained the FSC-CoC certification (FSCTM Chain-of-Custody) issued by the Forest Stewardship Council, an international, non-governmental organization which sets standards for forestry practices. The FSC-CoC certification is able to evidence that the wood material sourced and distributed by Xiamen C&D Paper Group is legal and responsibly managed. Leveraging the abundant resources and industry experience of Xiamen C&D Paper Group, the quality of the Paper Pulp Products sourced by Xiamen C&D Paper Group from overseas can consummate the management's endeavours on further

enhancing product quality and product mix of UPPSD which is in line with UPPSD's above-mentioned development strategy and production plan. For the twelve months ended 31 December 2022 and the nine months ended 30 September 2023, UPPSD purchased approximately 341,000 tons and 266,000 tons of paper pulps raw materials from independent third party suppliers, respectively. The Group's production plan, which is based on the existing production capacity of UPPSD of 460,000 tons indicates (i) the Paper Pulp Products represent important alternative raw materials sourced and imported through Xiamen C&D Paper Group in replacement of the paper pulps raw materials sourced from certain existing suppliers of UPPSD to enhance both product mix and product quality of the Group; and (ii) it is the plan of the management to apply more volume of Paper Pulp Products to substitute certain existing paper pulp raw materials in each of the three financial years ending 31 December 2026 which mainly attributed to the 10% annual increase in the Paper Pulp Proposed Caps. In light of the above, the annual increase of Paper Pulp Proposed Caps of approximately 10.0% each year is in line with the Group's production plan for enhancement of product quality and product mix; and

- (iv) the existing sales volume of Xiamen C&D Paper Group: Given Xiamen C&D Paper Group is a leading enterprise of pulp imports and sales in the PRC with over 150 paper pulp suppliers across the globe, the Directors consider that Xiamen C&D Paper Group could provide the Group with sufficient overseas source of Paper Pulp Products upon request.

In determining the Paper Pulp Proposed Caps, the parties have also taken into account the assumption that during the term of the Paper Pulp Procurement Framework Agreement, there will not be any adverse change or disruption in market conditions, operation and business environment or government policies which may materially affect the business of the parties of the Paper Pulp Procurement Framework Agreement. Having considered (i) the recent upward market trend of the price of the Paper Pulp Products and its market price range in the recent three months prior to the date of the Paper Pulp Procurement Framework Agreement; (ii) the pricing basis of the unit sales price of Paper Pulp Products to be purchased from Xiamen C&D Paper Group are based on the prevailing market price, not less favourable than those purchased from independent third party suppliers; (iii) leveraging the abundant resources and industry experience of Xiamen C&D Paper Group, the quality of the Paper Pulp Products sourced by Xiamen C&D Paper Group from overseas can consummate the management's endeavours on further enhancing product quality and product mix of UPPSD which is in line with its development strategy and production plan; (iv) the annual increase of Paper Pulp Proposed Caps of approximately 10.0% is mainly attributable to the estimated annual increase of volume of Paper Pulp Products as required by UPPSD to implement its production plan for enhancement of product quality and product mix; and (v) Xiamen C&D Paper Group could provide the Group with sufficient source of overseas Paper Pulp Products upon request, the Directors consider the Paper Pulp Proposed Caps, with the estimated annual growth of approximately 10%, are fair and reasonable.

We have reviewed the terms of the Paper Pulp Procurement Framework Agreement and the internal control documents for the continuing connected transactions of Paper Pulp Procurement Framework Agreement. We consider the pricing policy under the internal control measures of the Company will provide that the prices of the Paper Pulp Products to be supplied by Xiamen C&D Paper Group under the Paper Pulp Procurement Framework Agreement will be accordance with the prevailing market price of the Paper Pulp Products in the PRC and no less favourable than those purchased from independent third party suppliers.

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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We have discussed with the management of the Company and are informed that Paper Pulp Products are important raw material of Paperboard Products and part of the Paper Pulp Products to be supplied by Xiamen C&D Paper Group under the Paper Pulp Procurement Framework Agreement is for the production of Paperboard Products to be provided to Xiamen C&D Paper under the Renewed Paperboard Sales Framework Agreement. We are also informed that, the Group enjoys flexibility on purchase of the Paper Pulp Products from Xiamen C&D Paper Group as the Group is not obliged to purchase the Paper Pulp Products provided by Xiamen C&D Paper Group exclusively and the Group is free to purchase from other independent third parties for a better offer. In case of a shortage of Paper Pulp Products in the market, Xiamen C&D Paper Group will give priority to the Group on purchasing the Paper Pulp Products. Therefore, entering into the Paper Pulp Procurement Framework Agreement will secure a stable supply of Paper Pulp Products to UPPSD's production of Paperboard Products.

Having considered that (i) the adequate pricing policy and internal control measures after reviewing the documents; (ii) the flexibility in purchasing products and securing stable supply to maintain the competitiveness in the market; and (iii) reasons for and benefits of entering into the Paper Pulp Procurement Framework Agreement as discussed in the section headed "2. Reasons for and benefits of the Proposed Continuing Connected Transactions" above in this letter, we are of the view that the terms of the Paper Pulp Procurement Framework Agreement are on normal commercial terms, in the ordinary and usual courses of business of the Company and in accordance with the pricing policy of the Group and fair and reasonable so far as the Independent Shareholders are concerned.

In respect of the basis of the Paper Pulp Proposed Caps, we have discussed with the management of the Company regarding the prevailing market price of the Paper Pulp Products, the existing production level of UPPSD, the production plan of UPPSD and sales volume of Xiamen C&D Paper Group. We have reviewed the market price of the Paper Pulp Products on the Reference Sites. With reference to the information on the Reference Sites, after reaching the highest price of RMB6,063.96/ton on 14 October 2022, the market price of Paper Pulp Products after excluding the VAT experienced a continuous drop to RMB3,456.35/ton on 5 May 2023. Since then, the market price of Paper Pulp Products has resumed recovery to RMB5,063.56/ton on 16 October 2023. As at the date of the Paper Pulp Procurement Framework Agreement, the market price of Paper Pulp Products was RMB4,800.88/ton on the Reference Sites. Due to the overall economic recovery in the PRC and the recent recovery of the price of the Paper Pulp Products, when determining the Paper Pulp Proposed Caps, the Company considers that the market price level of Paper Pulp Products over the period of the three months from the date of the Paper Pulp Procurement Framework Agreement is more appropriate and representative to reflect the recent market trend. As discussed with the management of the Company, when estimating the possible future price of the Paper Pulp Products for the Paper Pulp Proposed Caps, the Company has considered that the factors include (a) the Paper Pulp Products sourced by Xiamen C&D Paper Group are from overseas and can meet higher quality standard of the Group; and (b) the market trend of the price of the paper pulp products

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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(excluding the VAT) on the Reference Sites as discussed above and the average market price of Paper Pulp Products of approximately RMB4,476.10/ton in the three months from the date of the Paper Pulp Procurement Framework Agreement. Based on the above factors, the Company estimated the average market price of Paper Pulp Products would be approximately RMB5,013/ton for the year ending 31 December 2024 and expected to have mild increments each year afterwards on the assumption that there will not be any adverse change or disruption in market conditions, operation and business environment or government policies which may materially affect the business of the parties of the Paper Pulp Procurement Framework Agreement. We note that the average daily price of the paper pulp products after excluding the VAT on the Reference Sites from 4 January 2022 to the date of Paper Pulp Procurement Framework Agreement was approximately RMB5,054.12/ton, therefore, we consider the estimated average market price of Paper Pulp Products for the year ending 31 December 2024 is acceptable. We are also informed by the management of the Company that the Paper Pulp Proposed Caps would represent part of the purchase amount and production plan of UPPSD. Based on the existing production level of UPPSD, UPPSD has purchased approximately RMB784.34 million and RMB475.42 million of paper pulp raw material, which all of them are from independent third parties, for the twelve months ended 31 December 2022 and for period from 1 January 2023 to 30 September 2023 respectively, and the Paper Pulp Proposed Caps for each of the financial year ending 31 December 2024, 2025 and 2026 represent 12.7%, 14.0% and 15.3% of the historical purchase amount of paper pulp raw material of UPPSD for the twelve months ended 31 December 2022, respectively. As discussed with the management of the Company, the increase in Paper Pulp Proposed Caps is mainly due to the increase in procurement volume of Paper Pulp Products by UPPSD from Xiamen C&D Paper as a result of the Company's intention to further enhance product quality and product mix of UPPSD. We have reviewed the production plan of UPPSD as provided by the Company, which includes the information of the type of finished products, the production capacity of each production line of UPPSD, the use and demand of paper pulp raw material (including the Paper Pulp Products) for the production for the three years ending 31 December 2026. The production plan indicates that the Paper Pulp Products sourced and imported through Xiamen C&D Paper Group are provided as alternative raw materials to gradually substitute the paper pulps raw materials sourced from existing suppliers of UPPSD for the enhancement of the product quality and product mix of UPPSD. As such, the estimated procurement amount of Paper Pulp Products from Xiamen C&D Paper Group would increase by approximately 10% each year for the three years ending 31 December 2026. Furthermore, as the Paper Pulp Proposed Caps represents less than 1% of the existing annual sales volume of Paper Pulp Products of Xiamen C&D Paper Group, the Company considers, by entering into the Paper Pulp Procurement Framework Agreement, UPPSD could secure sustainable supply of Paper Pulp Products from Xiamen C&D Paper Group.

After considering the prevailing market price of the Paper Pulp Products, the production level and production plan of UPPSD and the benefits of securing the sustainable supply of Paper Pulp Products from Xiamen C&D Paper Group, we consider that the Paper Pulp Proposed Caps are fair and reasonable.

**5. Internal Control**

As stated in the Letter from the Board, to ensure that the transactions contemplated under the Renewed Paperboard Sales Framework Agreement and the Paper Pulp Procurement Framework Agreement will be on normal commercial terms that are fair and reasonable and will be on terms no less favourable to the Group than those available to the Group for the sale of Paperboard Products to independent third parties and the procurement of Paper Pulp Products from independent third parties, the Company has adopted the following internal control measures:

- (i) The head office of the Company is responsible for regulating the review and approval of connected transactions to be entered into by the Group in the ordinary and usual course of the business of the Group. Each department and subsidiary of the Group shall submit an information sheet for each connected transaction (「關連交易審批確認單」及「合作交易方公司信息備案表」), setting out its terms and conditions and the pricing mechanism, as well as comparison with terms and conditions offered and prices charged by at least two independent third parties to the Group, to the finance department of the Company and the joint company secretaries for review and approval. The procedures for the approval and signing of the agreement for the connected transaction shall only commence after approval of the information sheet has been granted.
- (ii) The joint company secretaries of the Company are responsible for maintaining a list of connected parties and circulating to each of the subsidiaries every half year.
- (iii) The finance department of the Company shall submit the monthly update containing the following information to the joint company secretaries of the Company after each month ends: (a) the total Paper Pulp Products purchase quantity during the month; (b) the supply of Paperboard Products during the month; and (c) the transaction amount of the continuing connected transactions during the month and the cumulative figures as at the end of the month. The joint company secretaries of the Company should consolidate all information reviewed from the finance department, monitor the carrying out of the connected transactions entered into by the Group in the ordinary and usual course of the business of the Group to ensure compliance with the Listing Rules and is responsible for reporting to the audit committee of the Company (which comprises all independent non-executive Directors) on a half year basis so that the Board could keep abreast of the continuing connected transactions conducted by the Group (including the utilization rate of the annual caps).
- (iv) Through reviewing the information gathered from the finance department of the Company, the external auditor of the Company will report to the Board annually on the continuing connected transactions of the Group in relation to their pricing policies and annual caps pursuant to the Listing Rules.

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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The Directors are of the view that the internal control measures above can ensure that the transactions contemplated under the Renewed Paperboard Sales Framework Agreement and the Paper Pulp Procurement Framework Agreement will be on normal commercial terms and that the terms of such transactions are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Accordingly, we have reviewed the documents of the internal control measures in respect of the Proposed Continuing Connected Transactions. Based on our review on documents of the internal control measures and the documents of the historical transactions of the continuing connected transactions under the Existing Paperboard Sales Framework Agreement, which were selected as samples for our assessment on the terms of the Renewed Paperboard Sales Framework Agreement as discussed above in this letter, we consider the internal control measures are adequate and effective to ensure that the Proposed Continuing Connected Transactions will be on normal commercial terms and no less favourable to the Company than those offered by independent third parties.

### RECOMMENDATION

Taking into account the above principal factors and reasons, we consider that the terms of the Renewed Paperboard Sales Framework Agreement and the Paper Pulp Procurement Framework Agreement, including the Proposed Caps and the transactions contemplated thereunder, are on normal commercial terms and in the ordinary and usual course of business of the Group, and are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

Accordingly, we advise the Independent Board Committee to recommend to the Independent Shareholders, as well as the Independent Shareholders, to vote in favour of the ordinary resolution to approve the Proposed Continuing Connected Transactions and the Proposed Caps.

Yours faithfully,  
For and on behalf of  
**INCUCorporate Finance Limited**  
**Gina Leung**  
*Managing Director*

*Ms. Gina Leung is a licensed person registered with the SFC and a responsible officer of INCUCorporate Finance Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. She has over 20 years of experience in the corporate finance industry and has participated in the provision of independent financial advisory services for various transactions involving companies listed in Hong Kong.*

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DISCLOSURE OF INTERESTS

### Interests of Directors

As at the Latest Practicable Date, none of the Directors nor the chief executives of the Company had or was deemed to have any interests or short positions in the shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were 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 (ii) which were required, pursuant to section 352 of the SFO to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules.

### Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

As at the Latest Practicable Date, 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:

#### *Interest in Shares and underlying Shares*

Name	Capacity/ Nature of Interest	Total number of Shares/underlying Shares held <sup>(Note 1)</sup>	Approximate percentage of shareholding interest in the Company <sup>(Note 1)</sup> (%)
NCD <sup>(Note 2)</sup>	Beneficial owner	990,220,583 (L)	70.00
Glenfor Investment Holding Limited <sup>(Note 2)</sup>	Interest of controlled corporation	990,220,583 (L)	70.00
HK Paper <sup>(Note 2)</sup>	Interest of controlled corporation	990,220,583 (L)	70.00

Name	Capacity/ Nature of Interest	Total number of Shares/underlying Shares held <sup>(Note 1)</sup>	Approximate percentage of shareholding interest in the Company <sup>(Note 1)</sup> (%)
Xiamen C&D Paper <sup>(Note 2)</sup>	Interest of controlled corporation	990,220,583 (L)	70.00
Xiamen C&D Inc. <sup>(Note 2)</sup>	Interest of controlled corporation	990,220,583 (L)	70.00
廈門建發集團有限公司 <sup>(Note 2)</sup>	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 <sup>(Note 2)</sup>	Interest of controlled corporation	990,220,583 (L)	70.00
Quinselle Holdings Limited <sup>(Note 3)</sup>	Beneficial owner	73,059,817 (L)	5.16
Lee Seng Jin <sup>(Note 3)</sup>	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	Beneficial owner	114,511 (L)	6.08
Peggy <sup>(Note 3)</sup>	Interest of spouse	85,905,786 (L)	

## Notes:

- As at the Latest Practicable Date, the Company had issued 1,414,600,832 Shares in total. The letter “L” denotes the person’s long position in the Shares.
- The Company issued 990,220,583 Shares to NCD on 26 January 2022. As at the Latest Practicable Date, NCD was owned as to 55% by Glenfor Investment Holding Limited (“Glenfor”) and 45% by HK Paper. Glenfor is directly wholly owned by Hong Kong Paper, which is in turn directly wholly owned by Xiamen C&D Paper. Xiamen C&D Paper is directly and indirectly in aggregation wholly owned by Xiamen C&D Inc., the shares of which are listed on the 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 directly 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, Mr. Huang Tiansheng, being an executive Director, is the deputy general manager (presiding over the work) of Xiamen C&D Paper’s paper business.

3. As at Latest Practicable Date, 73,059,817 Shares were held by Quinselle Holdings Limited which was wholly owned by Mr. Lee Seng Jin (being the former executive Director, chairman and chief executive officer of the Company). Mr. Lee Seng Jin was therefore deemed under the SFO to be interested in such Shares held by Quinselle Holdings Limited. Both Mr. Lee Seng Jin and Ms. Sham Yee Lan Peggy (being the former executive Director and deputy chief executive officer of the Company) were also deemed to be interested in the Shares held by each other due to their spousal relationship.

Save as disclosed above, so far as was known to the Directors or the chief executive of the Company, as at the Latest Practicable Date, there is no other person known to the Directors or chief executive of the Company who, as at the Latest Practicable Date, had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 under Part XV of the SFO or who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company.

### 3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which would not expire or would not be determinable by such member of the Group within one year without payment of compensation (other than statutory compensation).

### 4. DIRECTOR'S INTERESTS IN ASSETS

As at the Latest Practicable Date, none of the Directors has or had any interest, either directly or indirectly, in any assets which have since 31 December 2022 (being the date to which the latest published audited consolidated financial statements of the Group were made up), been acquired or disposed of by or leased to, any member of the Group or are proposed to be acquired or disposed of by, or leased to, any member of the Group.

### 5. DIRECTORS' INTERESTS IN CONTRACT OR ARRANGEMENT OF SIGNIFICANCE

As at the Latest Practicable Date, none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date and which was significant in relation to the business of the Group.

### 6. COMPETING INTERESTS OF DIRECTORS AND ASSOCIATES

Shandong Bairun Paper Co. Ltd.\* (山東佰潤紙業有限公司) (“**Shandong Bairun**”) is a company established in the PRC with limited liability and is wholly-owned by Xiamen C&D Paper and Pulp Co., Ltd.\* (廈門建發紙業有限公司). As at the Latest Practicable Date, Shandong Bairun is principally engaged in the trading business of paper pulps raw materials. Mr. HUANG Tiansheng is one of the directors of Shandong Bairun. 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 as stated in the announcement of the Company dated 22 November 2021, UPPSD had gradually resumed its independent operation and Shandong Bairun has ceased to sell the Paperboard Products on behalf of UPPSD. After completion of the restructuring as stated in the announcement of the Company dated 26 January 2022, Shandong Bairun does not compete or likely to compete, either directly or indirectly, with the business of the Group.

On 22 November 2023, the Company completed the subscription of shares in China Sunshine Paper Holdings Company Limited (“**China Sunshine**”) and Mr. ZHANG Xiaohui, a non-executive Director and chairman of the Company, was appointed as non-executive director of China Sunshine on the same date. China Sunshine is principally engaged in the production/generation and sale of paper products, electricity and steam.

Save as disclosed above and as at the Latest Practicable Date, none of the Directors and their respective close associates had any interest in any business (apart from the Group’s business) which competes or is likely to compete, either directly or indirectly, with the business of the Group (as would be required to be disclosed under Rule 8.10 of the Listing Rules if each of them were a controlling shareholder) or have or may have any other conflict of interest with the Group pursuant to the Listing Rules.

## 7. EXPERT’S QUALIFICATION AND CONSENT

The following is the qualification of the expert who has given opinion or advice, which are contained or referred to in this circular:

<b>Name</b>	<b>Qualification</b>
INCUCorporate Finance Limited	A licensed corporation permitted to carry on type 6 (advising on corporate finance) regulated activity under the SFO

The above expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter or references to its name in the form and context in which it appears.

As at the Latest Practicable Date, the above expert did not have (i) any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; (ii) any direct or indirect interest in any assets which had, since 31 December 2022 (being the date to which the latest published audited consolidated financial statements of the Group were made up), been acquired or disposed of by, or leased to any member of the Group, or are proposed to be acquired or disposed of by, or leased to any member of the Group; and (iii) beneficially been interested in the share capital of any member of the Group and had no right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

## 8. MATERIAL ADVERSE CHANGE

The Group recorded an unaudited net loss of approximately RMB103.6 million for the six months ended 30 June 2023 which is mainly attributable to the following adverse factors:

- (i) decrease in the revenue of the Group due to the substantial decrease in the average unit selling price of the Paperboard Products of the Group for the six months ended 30 June 2023 amid the overall domestic macroeconomic downturn and the sluggish recovery of the consumer market; and
- (ii) although every effort has been made by the Group to control and minimize the overall costs of production of the Group, the decrease in the costs of raw materials was at a pace slower than that in the average unit selling price of the paper products of the Group resulting in a drop of the gross margin of the Group, hence leading to a gross loss recorded for the six months ended 30 June 2023.

Further information is set out in the interim report of the Company for the six months ended 30 June 2023.

Save as the above, as at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2022 (being the date to which the latest published audited consolidated financial statements of the Group were made up).

## 9. GENERAL

- (a) The joint company secretaries of the Company are Dr. Wong Chi Ho, Raymond and Ms. Li Jing.
- (b) The Company's branch share registrar and transfer office in Hong Kong is Boardroom Share Registrars (HK) Limited, at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong.
- (c) The English text of this circular shall prevail over the Chinese text in the case of any inconsistency.

## 10. DOCUMENTS ON DISPLAY

Copies of the following documents are published on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Company ([www.cndnewin.com](http://www.cndnewin.com)) for a period of fourteen (14) days from the date of this circular:

- (a) the Renewed Paperboard Sales Framework Agreement;
- (b) the Paper Pulp Procurement Framework Agreement;
- (c) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out in the section headed "Letter from the Independent Board Committee" in this circular;

- (d) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out in the section headed “Letter from the Independent Financial Adviser” in this circular; and
- (e) the letter of consent referred to in the paragraph headed “Expert’s Qualification and Consent” in this appendix.

\* *For identification purpose only*



## 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)**

## NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (the “SGM”) of C&D Newin Paper & Pulp Corporation Limited (the “**Company**”) will be held at Rooms 2306B & 2307, 23rd Floor, West Tower, Shun Tak Centre, No. 168–200 Connaught Road Central, Hong Kong on Tuesday, 9 January 2024 at 11:00 a.m., for the purposes of considering and, if thought fit, passing, with or without modification, the following resolutions. Capitalised terms contained in the circular dated 20 December 2023 issued by the Company (the “**Circular**”) shall have the same meanings when used herein unless otherwise specified:

### ORDINARY RESOLUTIONS

1. “**THAT:**

- (a) the Renewed Paperboard Sales Framework Agreement (as defined in the Circular) (a copy of the Circular marked “**A**” together with a copy of the Renewed Paperboard Sales Framework Agreement marked “**B**” have been tabled before the Meeting and signed by the Chairman of the Meeting for the purpose of identification), and the transactions contemplated thereunder be and are hereby ratified, confirmed and approved;
- (b) the Paperboard Proposed Caps (as defined in the Circular) for each of the years ending 31 December 2024, 2025 and 2026 as set out in the Circular be and are approved; and
- (c) any one of the Directors be and is hereby authorised to take all steps and to do all acts and things as may be necessary or desirable to give effect to and/or to complete the Renewed Paperboard Sales Framework Agreement and to sign and execute any other documents or to do any other matters incidental thereto and/or contemplated thereunder.”

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## NOTICE OF SGM

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2. “**THAT:**

- (a) the Paper Pulp Procurement Framework Agreement (as defined in the Circular) (a copy of the Paper Pulp Procurement Framework Agreement marked “C” have been tabled before the Meeting and signed by the Chairman of the Meeting for the purpose of identification), and the transactions contemplated thereunder be and are hereby ratified, confirmed and approved;
- (b) the Paper Pulp Proposed Caps in respect of the Paper Pulp Procurement Framework Agreement (as defined in the Circular) for each of the years ending 31 December 2024, 2025 and 2026 as set out in the Circular be and are approved; and
- (c) any one of the Directors be and is hereby authorised to take all steps and to do all acts and things as may be necessary or desirable to give effect to and/or to complete the Paper Pulp Procurement Framework Agreement and to sign and execute any other documents or to do any other matters incidental thereto and/or contemplated thereunder.”

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

Hong Kong, 20 December 2023

*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

*Notes:*

- 1. A member entitled to attend and vote at the above meeting may appoint one or, if he holds two or more Shares, more proxies to attend and vote instead of him. A proxy need not be a member of the Company. On a poll, votes may be given either personally or by proxy.
- 2. Where there are joint holders of any Share, any one of such joint holders may vote, either in person or by proxy, in respect of such Share as if he were solely entitled thereto, but if more than one of such joint holders be present at the SGM, the vote of the most senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holder(s), and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.

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## NOTICE OF SGM

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3. For determining the entitlement to attend and vote at the SGM, the register of members of the Company will be closed from Monday, 8 January 2024 to Tuesday, 9 January 2024 (both days inclusive), during which period no transfer of shares in the Company will be registered. In order to qualify for the entitlement to attend and vote at the SGM, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Boardroom Share Registrars (HK) Limited, at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong, for registration not later than 4:30 p.m. on Friday, 5 January 2024. Shareholders whose names appear on the register of members of the Company on Tuesday, 9 January 2024 are entitled to attend and vote at the SGM or any adjourned meeting thereof.
4. In order to be valid, a form of proxy together with the power of attorney (if any) or other authority (if any) under which it is signed or a certified copy thereof shall be deposited at the Company's branch share registrar and transfer office in Hong Kong, Boardroom Share Registrars (HK) Limited, at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong, not less than 48 hours before the time appointed for the holding of the SGM (i.e. not later than 11:00 a.m. on Sunday, 7 January 2024) or any adjournment thereof. The proxy form will be 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)).
5. The completion of a form of proxy will not preclude you from attending and voting at the SGM in person should you so wish. If you attend and vote at the SGM, the authority of your proxy will be revoked.
6. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person duly authorised to sign the same.
7. Pursuant to Rule 13.39(4) of the Listing Rules, voting for all the resolutions set out in this notice will be taken by poll at the above meeting.
8. If typhoon signal No. 8 or above, or a "black" rainstorm warning is in effect any time after 7:00 a.m. on the date of the SGM, the SGM will be postponed. The Company will publish an announcement on the website of the Company at [www.cndnewin.com](http://www.cndnewin.com) and on the "Latest Company Announcements" page of the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) to notify shareholders of the Company of the date, time and place of the rescheduled meeting.

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

\* For identification purpose only