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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)

PROFIT WARNING

This announcement is made by C&D Newin Paper & Pulp Corporation Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09(2)(a) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

As disclosed in the Company’s announcement dated 30 June 2022 (the “**Announcement**”), the board (the “**Board**”) of directors (the “**Directors**”) of the Company had resolved to change the financial year end date of the Company from 31 March to 31 December; and accordingly, the forthcoming unaudited condensed consolidated financial statements of the Company will be for a period of six months from 1 January 2023 to 30 June 2023 (the “**Reporting Period**”). Please refer to the Announcement for further details.

The Board wishes to inform the shareholders (the “**Shareholders**”) and potential investors of the Company that based on the information currently available to the management of the Company and a preliminary review and assessment of the Group’s latest unaudited consolidated management accounts (the “**Management Accounts**”) for the Reporting Period, the Group expects to record a consolidated net loss from its operations ranging from approximately HK\$94 million to HK\$114 million (the “**Net Loss**”) for the Reporting Period, as compared to that of approximately HK\$70 million for the six months period ended 30 September 2022 (the “**Prior Interim Period**”).

The expected increase in the Net Loss for the Reporting Period was mainly attributable to the following factors:

- (i) decrease in the revenue of the Group due to the substantial decrease in the average unit selling price of the paper products of the Group during the Reporting Period amid the overall domestic macroeconomic downturn and the sluggish recovery of the consumer market. However, the Group's overall sales volume of the major paper products during the Reporting Period had been maintained at a similar level with that in the Prior Interim Period; 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 during the Reporting Period.

As the Company is still in the course of finalising its unaudited interim results for the Reporting Period, the information contained in this announcement is only based on a preliminary review and assessment of the Management Accounts and other information currently available to the Board, which have not been reviewed, confirmed or audited by the auditors of the Company or reviewed by the audit committee of the Company as at the date of this announcement, and is subject to adjustment and finalisation. The unaudited interim results of the Group for the Reporting Period are currently scheduled to be announced on 28 August 2023, in accordance with the Listing Rules.

In 2023, China is expected to speed up its economic recovery and carry out more policies to stimulate consumption, which is expected to play a positive role in the development of enterprises. The Group will continue to pay close attention to the market conditions, monitor its operation and make timely adjustments to its business strategy. The Group has been taking various measures to enhance its profitability and optimise its control and management of various operating costs and expenses, which include, amongst others, (i) continuing new products developments, exploring for new production processes, saving energy and reducing consumption in order to improve product mix and production efficiency; and (ii) continuing exploiting new market opportunities, increasing the proportion of direct sales customers, and expanding customer bases in the markets of Yangtze River region and Tianjin in order to grow its profitability by expanding its market share. The Group will further improve its market recognition and keep up with the policy trend in China, so as to become a green enterprise and create a new profile for green paper manufacturing. Further to the overall economic recovery in China and leveraging on the abundant resources and industry experience of its controlling shareholders (as defined in the Listing Rules), the Group has confidence in its future development.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

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

Hong Kong, 17 August 2023

As at the date of this announcement, the Board comprises two executive Directors, namely Mr. SHI Yaofeng and Mr. HUANG Tiansheng; two non-executive Directors, namely Mr. CHENG Dongfang 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*