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**山東晨鳴紙業集團股份有限公司**  
**SHANDONG CHENMING PAPER HOLDINGS LIMITED\***  
*(a joint stock company incorporated in the People's Republic of China with limited liability)*  
**(Stock Code: 1812)**

**CONNECTED TRANSACTION**  
**ACQUISITION OF THE ENTIRE EQUITY INTERESTS IN**  
**WUHAN CHENMING'S SHAREHOLDERS ABERDEEN AND VNN**

The Board announces that on 21 December 2020 (after trading hours), Chenming Overseas, Transferor 1, Transferor 2, Aberdeen and VNN entered into the Equity Transfer Agreement, pursuant to which, (i) Transferor 1 agreed to sell and Chenming Overseas agreed to purchase the Aberdeen Sale Equity; and (ii) Transferor 2 agreed to sell and Chenming Overseas agreed to purchase the VNN Sale Equity.

Prior to the Acquisition, (i) Transferor 1 held the Aberdeen Sale Equity (representing the entire equity interest in Aberdeen), and Aberdeen held 26.41% of the equity interest in Wuhan Chenming, a non-wholly-owned subsidiary of the Company; (ii) Transferor 2 held the VNN Sale Equity (representing the entire equity interest in VNN), and VNN held 8.32% of the equity interest in Wuhan Chenming; and (iii) the Company held 65.21% of the equity interest in Wuhan Chenming. After the completion of the Acquisition, the Company will indirectly own the entire equity interests in Aberdeen and VNN, and the Group will own in aggregate 99.85% of the equity interest in Wuhan Chenming. The Target Companies will become wholly-owned subsidiaries of the Company.

Prior to the Acquisition, the Target Companies provided the Guarantee to secure a bank loan of Runbao Trading. After the completion of the Acquisition, Chenming Overseas will provide Guarantee to secure the bank loan of Runbao Trading.

**IMPLICATIONS UNDER THE LISTING RULES**

As at the date of this announcement, Transferor 1, through its wholly-owned subsidiary Aberdeen, holds 26.41% of the equity interest in Wuhan Chenming, a non-wholly-owned subsidiary of the Company. Aberdeen is a substantial shareholder of Wuhan Chenming and Transferor 1 is an associate of Aberdeen. Therefore, Transferor 1 is a connected person of the Company at the subsidiary level (as defined in the Listing Rules). According to Chapter 14A of the Listing Rules, as one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Acquisition are more than 0.1% but less than 5%, the Acquisition constitutes a connected transaction of the Company and is subject to the reporting and announcement requirements but exempt from the circular (including independent financial advice) and shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

## **INTRODUCTION**

The Board announces that on 21 December 2020 (after trading hours), Chenming Overseas, Transferor 1, Transferor 2, Aberdeen and VNN entered into the Equity Transfer Agreement, pursuant to which, (i) Transferor 1 agreed to sell and Chenming Overseas agreed to purchase the Aberdeen Sale Equity; and (ii) Transferor 2 agreed to sell and Chenming Overseas agreed to purchase the VNN Sale Equity.

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## **EQUITY TRANSFER AGREEMENT**

The principal terms of the Equity Transfer Agreement are set out as follows:

- Date : 21 December 2020 (after trading hours)
- Parties : (1) Transferor 1 (as the transferor of the Aberdeen Sale Equity);
- (2) Transferor 2 (as the transferor of the VNN Sale Equity);
- (3) Aberdeen (as one of the Target Companies under the Equity Transfer Agreement);
- (4) VNN (as one of the Target Companies under the Equity Transfer Agreement);
- (5) Chenming Overseas (as the transferee of the Target Equity);

Transferor 1 is a connected person of the Company at the subsidiary level. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, Transferor 2 is an Independent Third Party.

Target Equity to be acquired	:	(i) the Aberdeen Sale Equity and (ii) the VNN Sale Equity. After the completion of the Acquisition, Chenming Overseas will own the entire equity interests in Aberdeen and VNN, and the Group will own in aggregate 99.85% of the equity interest in Wuhan Chenming.
Transfer price and payment	:	<p>Chenming Overseas intends to acquire the Aberdeen Sale Equity and VNN Sale Equity from Transferor 1 and Transferor 2 at a transfer price of RMB312.6 million and RMB97.4 million, respectively.</p> <p>The method of payment shall be in instalments. After the signing of the Equity Transfer Agreement, Chenming Overseas (or its designated third party) shall pay RMB190 million and RMB60 million to Transferor 1 (or its designated third party) and Transferor 2 (or its designated third party), respectively, as transfer price by 31 December 2020. The remaining transfer price of RMB122.6 million and RMB37.4 million will be paid, when the RMB160 million loan of Runbao Trading becomes due, by Chenming Overseas (or its designated third party) directly to the loan account of Runbao Trading for the purpose of repaying the loan, which payment shall be deemed as a payment made by Chenming Overseas to the Transferors. The Transferors shall assist in handling the procedures for discharging the charge on the Target Equity.</p> <p>The Group intends to use its internal resources to fund the Acquisition.</p>
Taxes and fees	:	Taxes and fees arising from the transfer and change in registration in respect of the Target Equity (including but not limited to the expenses incurred in handling the relevant procedures for the transfer of the Target Equity) shall be borne by the Target Companies, the Transferors and Chenming Overseas respectively in accordance with the law.
Transfer of and change in equity	:	<p>The Transferors shall assist Chenming Overseas in completing the registration of change in the shareholders and directors of the Target Companies, and shall transfer all the information of the Target Companies to Chenming Overseas on the date of completion of the changes.</p> <p>The rights, obligations, risks and responsibilities of the Target Companies prior to the Completion Date shall be borne by the Transferors. The related rights, obligations, risks and responsibilities after the Completion Date shall be shared and borne by the Target Companies.</p>
Liability for breach of contract	:	<p>If Chenming Overseas fails to pay the transfer price on time, it shall pay damages to the Transferors at 0.1% of the unpaid amount payable for every day overdue.</p> <p>After Chenming Overseas has paid the transfer price, if for reasons attributable to the Transferors, the registration of the change in shareholders and directors of the Target Companies fails to complete on time, the Transferor shall pay damages to Chenming Overseas at 0.1% of the transfer price paid for each day overdue. If the registration has not been completed for more than 30 days, Chenming Overseas is entitled to terminate the agreement. On the date of receipt of the notice of termination of the agreement, the Transferors shall pay Chenming Overseas all transfer price received, interest thereon and damages.</p>

## **PRICING BASIS OF THE TARGET EQUITY**

According to the asset appraisal report issued by Zhongshui Zhiyuan Asset Appraisal Co., Ltd. with 30 June 2020 as the valuation date, the appraised value of the total shareholders' equity of Wuhan Chenming was RMB1,184.0170 million. Aberdeen and VNN held 26.41% and 8.32% of the equity interest in Wuhan Chenming, respectively. Save as the above assets, the Target Companies have no other assets and businesses. Except for the Guarantee, the Target Companies have no other liabilities and contingent liabilities.

As at 31 December 2019, the total assets of Aberdeen were US\$33,591,900 and its total liabilities were US\$0; the total assets of VNN were US\$17,954,500 and its total liabilities were US\$0. For the years ended 31 December 2018 and 31 December 2019, the revenue and profit of Aberdeen and VNN were both US\$0 (the above figures have not been audited).

The price of the acquisition of the Target Companies is determined by the negotiation between the parties. The Board considers the price of the Acquisition fair, that there is no harm to the interests of the Company and its shareholders, and the Acquisition is in the interests of the Company and its shareholders as a whole.

## **GUARANTEE**

As at the date of this announcement, the Target Companies pledged their aggregated 34.64% of equity interest in Wuhan Chenming as guarantee to secure a bank loan of Runbao Trading of RMB160,000,000 for a term from 25 April 2017 to 25 April 2022. After the completion of the Acquisition, Chenming Overseas will provide guarantee with the same terms with its 34.64% equity interest in Wuhan Chenming.

Runbao Trading is a limited liability company established in the PRC. Its business scope covers the production and sales of machine-made paper, paperboard and papermaking raw materials, the production, processing and sales of paper machinery, general freight and import and export business. Its entire equity interest is held by a natural person, whom along with Runbao Trading are Independent Third Parties.

## **REASONS AND BENEFITS OF THE ENTERING INTO OF THE EQUITY TRANSFER AGREEMENT**

The Board considers that the acquisition of the entire equity interests in the Target Companies by the Company through Chenming Overseas, thereby realising the acquisition of the minority interest in Wuhan Chenming, will help strengthen the Group's operation and management of Wuhan Chenming, ensure the continuous and stable operation of Wuhan Chenming, and further integrate the resources of the Company's principal businesses, which will help enhance the Company's profitability and comprehensive competitiveness and maximise economic benefits.

The Board (including all independent non-executive Directors) considers the Equity Transfer Agreement and the terms of the Acquisition are fair and reasonable, on normal commercial terms or better and in the interests of the Company and its shareholders as a whole.

## **INFORMATION ON THE GROUP AND THE PARTIES TO THE ACQUISITION**

The principal activities of the Group are production and sales of paper products.

Transfer 1 and Transfer 2 are both natural persons of PRC nationality.

Aberdeen and VNN are both limited liability companies incorporated in the British Virgin Islands with their business being investment holding.

## **IMPLICATIONS UNDER THE LISTING RULES**

As at the date of this announcement, Transferor 1, through its wholly-owned subsidiary Aberdeen, holds 26.41% of the equity interest in Wuhan Chenming, a non-wholly-owned subsidiary of the Company. Aberdeen is a substantial shareholder of Wuhan Chenming and Transferor 1 is an associate of Aberdeen. Therefore, Transferor 1 is a connected person of the Company at the subsidiary level (as defined in the Listing Rules). According to Chapter 14A of the Listing Rules, as one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Acquisition are more than 0.1% but less than 5%, the Acquisition constitutes a connected transaction of the Company and is subject to the reporting and announcement requirements but exempt from the circular (including independent financial advice) and shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

The Board (including all independent non-executive Directors) has approved the Equity Transfer Agreement and the Acquisition and all independent non-executive Directors have confirmed that the Equity Transfer Agreement and the terms of the Acquisition are fair and reasonable, on normal commercial terms or better and in the interests of the Company and its shareholders as a whole. The Company has approved the Equity Transfer Agreement and the Acquisition at the 2020 fifth extraordinary general meeting on 21 December 2020.

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

“Aberdeen”	Aberdeen Industrial Limited, a limited liability company incorporated in the British Virgin Islands, the entire equity interest of which was owned by Transferor 1 prior to the Acquisition and will be owned by Chenming Overseas after the completion of the Acquisition;
“Aberdeen Sale Equity”	the entire equity interest in Aberdeen to be transferred from Transferor 1 to Chenming Overseas pursuant to the terms of the Equity Transfer Agreement;
“Acquisition”	the acquisition of the Target Equity by Chenming Overseas from the Transferors pursuant to the terms of the Equity Transfer Agreement;

“Board”	the board of Directors;
“Chenming Overseas”	Chenming (Overseas) Co., Ltd. (晨鳴(海外)有限公司), a limited liability incorporated in Hong Kong and a wholly-owned subsidiary of the Company;
“Company”	Shandong Chenming Paper Holdings Limited* (山東晨鳴紙業集團有限公司), a joint stock limited liability company incorporated in the PRC whose H Shares are listed on the main board of the Stock Exchange and the holder of the entire equity interest in Chenming Overseas, the transferee under the Equity Transfer Agreement;
“Completion Date”	the date on which the Target Companies complete the registration of the change in equity interest with relevant government departments;
“connected person”	has the meaning ascribed to it under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“Equity Transfer Agreement”	the equity transfer agreement dated 21 December 2020 entered into between Chenming Overseas (as transferee), Transferor 1 (as transferor), Transferor 2 (as transferor), Aberdeen and VNN in relation to the acquisition of the Target Equity by Chenming Overseas;
“Group”	the Company and its subsidiaries;
“Guarantee”	the guarantee provided by the Target Companies prior to the Acquisition with their aggregated 34.64% of equity interest in Wuhan Chenming to secure a bank loan of Runbao Trading of RMB160,000,000 for a term to 25 April 2022. After the completion of the Acquisition, Chenming Overseas will provide guarantee with the same terms with its 34.64% equity interest in Wuhan Chenming;
“H Shares”	overseas listed foreign invested ordinary share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, which was listed on the Stock Exchange and subscribed for and traded in Hong Kong Dollars;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Third Party(ies)”	persons(s) or company(ies) which is(are) independent of the Directors, supervisors, substantial shareholders and chief executive (as defined under the Listing Rules) of the Group;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;



“PRC”	the People’s Republic of China, and for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan;
“RMB”	Renminbi, the lawful currency of the PRC;
“Runbao Trading”	Zhanjiang Runbao Trading Co., Ltd* (湛江潤寶商貿有限公司), a limited liability company incorporated in the PRC;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Target Companies”	Aberdeen and VNN;
“Target Equity”	Aberdeen Sale Equity and VNN Sale Equity;
“Transferor 1”	Yu Jianren (虞建仁), a natural person holding the entire equity interest in Aberdeen prior to the Acquisition;
“Transferor 2”	Yu Jianlong (虞建隆), a natural person holding the entire equity interest in VNN prior to the Acquisition;
“Transferors”	Transferor 1 and Transferor 2;
“VNN”	VNN Holdings Limited, a limited liability company incorporated in the British Virgin Islands, the entire equity interest of which was owned by Transferor 2 prior to the Acquisition and will be owned by Chenming Overseas after the completion of the Acquisition;
“VNN Sale Equity”	the entire equity interest in VNN to be transferred from Transferor 2 to Chenming Overseas pursuant to the terms of the Equity Transfer Agreement;

“Wuhan Chenming”

Wuhan Chenming Hanyang Paper Holdings Co., Ltd.\* (武漢晨鳴漢陽紙業股份有限公司), a limited liability company incorporated in the PRC and a subsidiary of the Company, whose equity interest was owned as to 65.21% by the Company prior the Acquisition and will be owned as to 99.85% by the Group after the completion of the Acquisition; and

“%”

per cent.

By order of the Board  
**Shandong Chenming Paper Holdings Limited**  
**Chen Hongguo**  
*Chairman*

Shandong, the PRC, 21 December 2020

*As at the date of this announcement, the executive Directors are Mr. Chen Hongguo, Mr. Hu Changqing, Mr. Li Xingchun and Mr. Li Feng; the non-executive Directors are Mr. Han Tingde and Mr. Li Chuanxuan; and the independent non-executive Directors are Ms. Yin Meiqun, Mr. Sun Jianfei and Mr. Yang Biao.*

\* *For identification purposes only*