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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)**

**FURTHER ANNOUNCEMENT**  
**(1) CONNECTED TRANSACTION -**  
**ACQUISITION OF THE ENTIRE EQUITY INTERESTS IN WUHAN**  
**CHENMING'S SHAREHOLDERS ABERDEEN AND VNN; AND**  
**(2) DISCLOSABLE TRANSACTION - ENTERING INTO OF LIMITED**  
**PARTNERSHIP AGREEMENT FOR THE ESTABLISHMENT**  
**OF LIMITED PARTNERSHIP**

Reference is made to (1) the announcement of the Company dated 21 December 2020 in relation to the acquisition of the entire equity interests in Wuhan Chenming's shareholders Aberdeen and VNN by Chenming Overseas, a wholly-owned subsidiary of the Company (the "**Connected Transaction Announcement**"); and (2) the announcement of the Company dated 24 December 2020 in relation to Hengzhen Investment (as the General Partner), Jiangxi Chenming (as a Limited Partner) and Wuhan Chenming (as a Limited Partner) having entered into the Limited Partnership Agreement for the establishment of the Limited Partnership (the "**Disclosable Transaction Announcement**"). Unless otherwise stated, capitalised terms used herein shall bear the same meanings as those defined in the Connected Transaction Announcement and the Disclosable Transaction Announcement.

**IN RELATION TO THE CONNECTED TRANSACTION ANNOUNCEMENT**

As disclosed in the Connected Transaction Announcement, the Company has engaged Zhongshui Zhiyuan Asset Appraisal Co., Ltd. ("**Zhongshui Zhiyuan**") to appraise the market value of the total shareholder's equity of Wuhan Chenming as at 30 June 2020, the valuation date (the "**Valuation Date**"), and issued an appraisal report (the "**Appraisal Report**"). The appraised value of the total shareholders' equity of Wuhan Chenming was RMB1,184.0170 million, which served as the pricing basis of the Target Equity. As Zhongshui Zhiyuan mainly relied on the income approach with reference to the discounted free cash flow of Wuhan Chenming to determine its total shareholder's equity value, the Appraisal Report constitutes a profit forecast under Rule 14.61 of the Listing Rules. This announcement is therefore subject to the requirements under Rules 14.60A and 14.62 of the Listing Rules in relation to profit forecast, disclosing major assumptions (including commercial assumptions) upon which the Appraisal Report was based as follows:

## **General Assumptions**

- (1) Transaction assumption: it is assumed that all assets to be appraised are in the process of transaction and the assets appraiser will make estimations in a simulated market according to the transaction conditions of the assets to be appraised;
- (2) Open market assumption: open market assumption is an assumption made on the conditions of the market where the assets are proposed to enter as well as the impact on the assets under such market conditions. An open market refers to fully developed and perfect market conditions, and refers to a competitive market with voluntary buyers and sellers where the buyers and sellers are in equal position and have opportunity and time to access sufficient market information. Transactions of both the buyers and sellers are all conducted on voluntary, rational, non-mandatory or unrestricted conditions;
- (3) Continuous use of assets assumption: continuous use assumption is an assumption made on the conditions of the market where the assets are proposed to enter as well as the status of the assets under such market conditions. Firstly, the appraised assets are in use, and secondly, it is assumed that the assets which are in use will continue to be used. Under the conditions of continuous use assumption, the change of use or the best utilisation conditions of the assets are not taken into consideration. The scope of applicability of the valuation results is subject to limitations; and
- (4) Enterprise going concern assumption: the production operating business of the appraised entities can continue to operate under its current condition, and its operating condition will not have material changes during the foreseeable operating period.

## **Special Assumptions**

- (1) There will be no significant change to the social and economic environment in the place where the enterprise operates or to any tax policies, exchange rate and tax rate adopted by the enterprise;
- (2) The future management of the enterprise will duly perform their duties and continue to carry out the operation and management in the same manner as currently adopted;
- (3) Assuming Wuhan Chenming will be able to obtain the approval from relevant authorities of its qualifications for conducting each of its businesses upon the expiry of such qualifications and its industrial or business qualification will continue to be effective;
- (4) The appraised entity will fully comply with all relevant laws and regulations and industrial policies of the State and there will be no event of material irregularity which will affect the development of the entity or the realisation of the economic return of the entity;
- (5) The appraisal is based on the actual quantity of each assets as at the Valuation Date and the prevailing market price of such assets is based on the effective domestic price as at the Valuation Date;
- (6) The accounting policies adopted by the appraised entity after the Valuation Date will be consistent in all material respects with the accounting policies adopted as at the time of the preparation of the report;

- (7) The business scope and model of the appraised entity after the Valuation Date will remain the same as that currently adopted and based on the same management approach and standard as currently in effect;
- (8) The enterprises will keep their existing credit policy unchanged and they will not encounter any material fund collection problem; and
- (9) The basic information and financial information provided by the appraised entity are true, accurate and complete.

Grant Thornton (Special General Partnership) (“**Grant Thornton**”), the Company’s reporting accountant, has reviewed and reported to the Directors on the arithmetical accuracy of the calculations of the value of the discounted free cash flow on which the Appraisal Report was based. The preparation of the Appraisal Report does not involve the adoption of accounting policies.

The Directors confirmed that the total shareholders’ equity value of Wuhan Chenming in the Appraisal Report was arrived at after due and prudent enquiry. Letters from Grant Thornton and the Board are set out in Appendix I and Appendix II to this announcement, respectively. The following are the qualifications of Zhongshui Zhiyuan and Grant Thornton:

| <b>Name</b>                                  | <b>Qualification</b>             |
|--|----------------------------------|
| Zhongshui Zhiyuan Asset Appraisal Co., Ltd.  | professional valuer              |
| Grant Thornton (Special General Partnership) | PRC certified public accountants |

To the best of the knowledge, information and belief of the Board having made all reasonable enquiries, each of Zhongshui Zhiyuan and Grant Thornton is an Independent Third Party. As at the date of this announcement, neither Zhongshui Zhiyuan nor Grant Thornton has any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate person(s) to subscribe for securities in any member of the Group. Each of Zhongshui Zhiyuan and Grant Thornton has given and has not withdrawn its consent to the publication of this announcement with inclusion of its opinion and advice and all references to its name in the form and context in which it appears in this announcement.

## **IN RELATION TO THE DISCLOSABLE TRANSACTION ANNOUNCEMENT**

The Company hereby further provides the following information in relation to identities of the ultimate beneficial owners of Hengzhen Investment:

| <b>Shareholders</b> | <b>Whether a natural person</b> | <b>Shareholding ratio in Hengzhen Investment</b> |
|---------------------|---------------------------------|--|
| Ma Yuanyuan (馬園園)   | Yes                             | 50%  |
| Gu Jun (顧均)         | Yes                             | 50%  |

As disclosed in the Disclosable Transaction Announcement, Hengzhen Investment and its ultimate beneficial owners are Independent Third Parties.

Save as disclosed above, all other information in the the Connected Transaction Announcement and the Disclosable Transaction Announcement remains unchanged.

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

Shandong, the PRC, 8 January 2021

*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*

## **APPENDIX I LETTER FROM GRANT THORNTON (SPECIAL GENERAL PARTNERSHIP) IN RELATION TO PROFIT FORECAST**

*Set out below is the full text of the letter from Grant Thornton, the reporting accountant, in relation to profit forecast for the purpose of inclusion in this announcement. This letter is prepared in Chinese and translated into English. In case there is any inconsistency, the Chinese version shall prevail.*

### **ASSURANCE REPORT ON THE CALCULATION OF THE DISCOUNTED FUTURE CASH FLOWS ON WHICH THE VALUATION OF THE TOTAL SHAREHOLDERS' EQUITY IN WUHAN CHENMING HANYANG PAPER HOLDINGS CO., LTD. IS BASED**

To the board of directors of Shandong Chenming Paper Holdings Limited (山東晨鳴紙業集團股份有限公司):

We have been appointed to conduct a reasonable assurance engagement in respect of the calculation of the discounted future cash flows on which the valuation of the total shareholders' equity in Wuhan Chenming Hanyang Paper Holdings Co., Ltd. (武漢晨鳴漢陽紙業股份有限公司) as at the benchmark date (i.e. 30 June 2020) (the **“Wuhan Chenming Valuation”**) is based. Zhongshui Zhiyuan Asset Appraisal Co., Ltd. (中水致遠資產評估有限公司) issued an asset appraisal report (Zhongshui Zhiyuan Ping Bao Zhi [2020] No. 160031) on 30 August 2020, which sets out its valuation of the total shareholders' equity of Wuhan Chenming Hanyang Paper Holdings Co., Ltd. (武漢晨鳴漢陽紙業股份有限公司) as at 30 June 2020 using discounted cash flow.

#### **1. Responsibilities of the Directors**

The directors of Shandong Chenming Paper Holdings Limited (山東晨鳴紙業集團股份有限公司) shall determine the bases and assumptions, and shall be responsible for the preparation of the discounted future cash flows on which the Wuhan Chenming Valuation is based in accordance with such bases and assumptions. Such responsibilities include: the internal controls relating to the formulation, implementation, maintenance and preparation of such discounted future cash flows; the adoption of appropriate bases and assumptions for preparation; the making of reasonable estimates under all circumstances; and the provision of true, accurate and complete underlying information to the certified public accountant.

#### **2. Responsibilities of the Certified Public Accountant**

Our responsibilities are to express an assurance conclusion and make a report on the calculation of the discounted future cash flows on which the Wuhan Chenming Valuation is based on the basis of the assurance work implemented.

### **3. Overview of Our Work**

We have conducted our assurance engagement in accordance with the requirements of “Standards for Other Assurance Engagements of PRC Certified Public Accountants No. 3101 – Assurance Engagements Other Than Audit or Review of Historical Financial Information” (《中國註冊會計師其他鑒證業務準則第3101號－歷史財務信息審計或審閱以外的鑒證業務》).

The said standards require us to plan and implement our assurance work to reasonably determine whether, so far as calculations are concerned, the discounted future cash flows have been properly prepared in all material aspects in accordance with the bases and assumptions determined by the directors and adopted for the Wuhan Chenming Valuation.

We have not conducted any work in respect of the bases and assumptions adopted for the discounted future cash flows and do not express any opinion thereon, or on the Wuhan Chenming Valuation.

The preparation of the discounted future cash flows on which the Wuhan Chenming Valuation is based has not involved the adoption of any accounting policies.

During the course of assurance engagement, we have implemented procedures deemed necessary by us, such as review and verification. We believe that our assurance work has provided a reasonable basis for our opinion expressed.

### **4. Assurance Conclusion**

We are of the view that, so far as calculations are concerned, the discounted future cash flows on which the Wuhan Chenming Valuation is based has been properly prepared in all material aspects in accordance with the bases and assumptions determined by the directors and adopted for the Wuhan Chenming Valuation.

### **5. Limitation of Use**

This assurance report has been prepared for the use by the board of directors of Shandong Chenming Paper Holdings Limited (山東晨鳴紙業集團股份有限公司) only. We do not assume any responsibility to any other persons in respect of the contents of this report.

**Grant Thornton (Special General Partnership)**  
(致同會計師事務所(特殊普通合夥))

8 January 2021

## APPENDIX II LETTER FROM THE BOARD IN RELATION TO PROFIT FORECAST

*Set out below is the full text of the letter from the Board in relation to profit forecast for the purpose of inclusion in this announcement. This letter is prepared in Chinese and translated into English. In case there is any inconsistency, the Chinese version shall prevail.*

To: Listing Division  
The Stock Exchange of Hong Kong Limited  
12th Floor, Two Exchange Square,  
8 Connaught Place, Central, Hong Kong

Dear Sir or Madam,

Company: Shandong Chenming Paper Holdings Limited (the “**Company**”)

Re: Profit Forecast – Letter of Confirmation as required under Rules 14.62(3) and 14A.68(7) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”)

Reference is hereby made to the announcement dated 21 December 2020 of the Company in which the adoption of the income approach in the appraisal report (the “**Appraisal Report**”) dated 30 August 2020 prepared by Zhongshui Zhiyuan Asset Appraisal Co., Ltd.\* (中水致遠資產評估有限公司) (the “**Appraiser**”) on the total value of shareholders’ equity interest of Wuhan Chenming Hanyang Paper Holdings Co., Ltd.\* (武漢晨鳴漢陽紙業股份有限公司) was mentioned.

The board of directors of the Company (the “**Board**”) has reviewed and discussed the basis and assumptions of the valuation with the Appraiser. The Board has also considered the report dated 8 January 2021 issued by Grant Thornton (Special General Partnership), the accountant of the Company, on the arithmetical accuracy of the calculations of the profit forecast contained in the Appraisal Report.

Pursuant to the requirements under Rules 14.62(3) and 14A.68(7) of the Listing Rules, the Board confirms that the profit forecast used in the abovementioned Appraisal Report has been made after its due and prudent enquiry.

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

8 January 2021