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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)**

**OVERSEAS REGULATORY ANNOUNCEMENT**

This announcement is made pursuant to Rule 13.10B of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Shandong Chenming Paper Holdings Limited (the “Company”) published the “Shandong Chenming Paper Holdings Limited: Announcement on the Acquisition of Non-controlling Interest in a Subsidiary and External Guarantee” dated 4 December 2020 on the website of Shenzhen Stock Exchange. The following is a translation of the official announcement solely for the purpose of providing information.

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

Shandong, PRC  
4 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

Stock code:  
000488 200488

Stock abbreviation:  
Chenming Paper Chenming B

Announcement No.:  
2020-101

## **Shandong Chenming Paper Holdings Limited**

### **Announcement on the Acquisition of Non-controlling Interest in a Subsidiary and External Guarantee**

The Company and all members of its board (the “Board”) of directors (the “Directors” and each a “Director”) hereby warrant the truthfulness, accuracy and completeness of the contents of information disclosure which do not contain any false information, misleading statements or material omissions.

#### **Important notice:**

1. Wuhan Chenming Hanyang Paper Holdings Co., Ltd.\* (“Wuhan Chenming”) is owned as to 65.21% by Shandong Chenming Paper Holdings Limited (the “Company”), 26.41% by Aberdeen Industrial Limited (“Aberdeen”), 8.23% by VNN Holdings Limited (“VNN”), 0.05% by Hubei Xinhua Printing Industry Park Co., Ltd.\*, 0.05% by Hubei Changjiang Publishing & Media Group Co., Ltd.\*, and 0.05% by Hubei Zhiyin Printing Co., Ltd.\*

2. Aberdeen holds 26.41% equity interest in Wuhan Chenming, and has no other assets or liabilities. Its sole shareholder proposes to transfer 100% equity interest held in Aberdeen to Chenming (Overseas) Co., Ltd. (“Chenming Overseas”), a wholly-owned subsidiary of the Company.

3. VNN holds 8.23% equity interest in Wuhan Chenming, and has no other assets or liabilities. Its sole shareholder proposes to transfer 100% equity interest held in VNN held to Chenming Overseas, a wholly-owned subsidiary of the Company.

4. After the above equity acquisitions are completed, Aberdeen and VNN will become wholly-owned subsidiaries of the Company, and the Company will directly and indirectly hold in aggregate 99.85% equity interest in Wuhan Chenming.

#### **I. Transaction overview**

##### **1. Basic information of the transaction**

To better promote the integration of the Company’s existing resources, focus on its principal activities of pulp production and paper making, improve management efficiency and quality, and further enhance the Company’s profitability and comprehensive competitiveness, the Company proposes to acquire 100% equity interest in Aberdeen and VNN, the minority shareholders of Wuhan Chenming, a majority-owned subsidiary of the Company, through Chenming Overseas, a wholly-owned subsidiary of the Company, with its own funds, so as to realise the acquisition of the 26.41% equity interest and the 8.23% equity interest in Wuhan Chenming respectively held by Aberdeen and VNN. The corresponding acquisition prices are RMB312.60 million and RMB97.40 million, respectively. Upon completion of the acquisition, Aberdeen and VNN will become wholly-owned subsidiaries of the Company, and the Company will directly and indirectly hold in aggregate 99.85% equity interest in Wuhan Chenming.

Before the transaction, Aberdeen and VNN have provided a pledge guarantee for a bank loan of RMB160.00 million of Zhanjiang Runbao Trading Co., Ltd. (湛江潤寶商貿有限公司) (“Runbao Trading”) with their respective 26.41% equity interest and 8.23% equity interest in Wuhan Chenming. The term of pledge will end on 25 April 2022. Upon completion of the transaction, an external pledge guarantee of the Company will occur accordingly.

##### **2. Consideration at the meeting**

The fifteenth extraordinary meeting of the ninth session of the Board of the Company was held by means of communication on 4 December 2020. 9 Directors were entitled to be present at the meeting and 9 Directors attended the meeting. The Resolution on the Acquisition of Non-controlling Interest in a Subsidiary and External Guarantee was considered and approved at the meeting with 9 votes for, 0 vote against and 0 vote abstained vote. According to the Rules Governing Listing of Stocks on Shenzhen Stock Exchange and the Articles of Association, the resolution is subject to consideration at the 2020 fifth extraordinary general meeting.

The transaction does not constitute a related party transaction or a material asset restructuring under the Administrative Measures for the Material Asset Reorganisations of Listed Companies.

## **II. Basic information of the counterparties to the transaction**

### **(I) Transferor I**

1. ID number: 330323196912\*\*\*\*\*
2. Address: Wengyang Town, Yueqing City, Zhejiang Province

### **(II) Transferor II**

1. ID number: 330323197509\*\*\*\*\*
2. Address: Wengyang Town, Yueqing City, Zhejiang Province

Both Transferor I and Transferor II are not dishonest persons subject to enforcement, have no related relationship with the Company and the top ten shareholders of the Company in respect of property rights, business, assets, credits and debts and employees and other relationships that may cause or have caused the listed company to have a preference for their interests.

## **III. Basic information of the subject of the transaction**

### **(I) Company name: Aberdeen Industrial Limited**

1. Certificate of incorporation no.: 570507
2. Address: Road Town, British Virgin Islands
3. Establishment date: 3 December 2003
4. Registered capital: USD10,000
5. Shareholding structure: Transferor I holds 100% of its equity interest. Upon completion of the equity transfer, Chenming Overseas will hold 100% of its equity interest.
6. Aberdeen is not a dishonest person subject to enforcement.
7. Major financial data of the subject company for the latest year:

Apart from holding 26.41% equity interest in Wuhan Chenming, Aberdeen has no other assets and liabilities, nor does it carry out other businesses. As at 31 December 2019, its total assets, total liabilities and owners' equity amounted to USD33.5919 million, USD0 and USD33.5919 million, respectively. Revenue and profit were both USD0 for 2019 (the above data is unaudited).

### **8. Others**

Aberdeen has provided a pledge guarantee for the bank financing of RMB160.00 million of Runbao

Trading for a term ending on 25 April 2022 with its 26.41% equity interest in Wuhan Chenming.

(II) Company name: VNN Holdings Limited

1. Certificate of incorporation no.: 462173
2. Address: Road Town, British Virgin Islands
3. Establishment date: 10 September 2001
4. Registered capital: USD10,000
5. Shareholding structure: Transferor II holds 100% of its equity interest. Upon completion of the equity transfer, Chenming Overseas will hold 100% of its equity interest.
6. VNN is not a dishonest person subject to enforcement.
7. Major financial data of the subject company for the latest year:

Apart from holding 8.23% equity interest in Wuhan Chenming, VNN has no other assets and liabilities, nor does it carry out other businesses. As at 31 December 2019, its total assets, total liabilities and owners' equity amounted to USD17.9545 million, USD0 and USD17.9545 million, respectively. Revenue and profit were both USD0 for 2019 (the above data is unaudited).

8. Others

VNN has provided a pledge guarantee for the bank financing of RMB160.00 million of Runbao Trading for a term ending 25 April 2022 with its 8.23% equity interest in Wuhan Chenming.

#### **IV. Valuation and the pricing basis**

According to the asset appraisal report (Zhong Shui Zhi Yuan Ping Bao Zi [2020] No. 160031) issued by Zhongshuizhiyuan Assets Appraisal Co., Ltd. with 30 June 2020 as the valuation date, after evaluation using the income approach, the appraised value of the total shareholders' equity of Wuhan Chenming was RMB1,184.0170 million, which increased by RMB463.5804 million as compared with the audited book net assets of RMB720.4366 million, representing an appreciation rate of 64.35%.

The pricing of the transaction is based on the appraised value of RMB1,184.0170 million of the total equity of Wuhan Chenming as at 30 June 2020, i.e. the valuation date. Aberdeen and VNN hold 26.41% and 8.23% equity interest in Wuhan Chenming, respectively. Both companies have no other assets except the above assets. Both companies have no other liabilities or contingent liabilities except the pledge guarantee provided for the bank loan of RMB160.00 million of Runbao Trading. The consideration for the acquisition of the 100% equity interest in Aberdeen is RMB312.60 million, while the consideration for the acquisition of the 100% equity interest in VNN is RMB97.40 million. The pricing for the transaction is fair, without prejudice to the interests of the Company and the minority shareholders, and is in the interests of the Company and all shareholders.

#### **V. Basic information of the person being guaranteed**

1. Company name: Zhanjiang Runbao Trading Co., Ltd.
2. Establishment date: 12 September 2000
3. Address: Room B2002, 35 Leshan East Road, Zhanjiang Development Zone

4. Legal representative: Liang Jie
5. Registered capital: RMB102.80 million
6. Scope of business: Production and sales of machine-made paper, paper board and paper-making materials; production, processing and sales of paper-making machinery; general freight; exports and imports.
7. Shareholding structure: 100% equity interest in Runbao Trading held by Liang Jie, a natural person.
8. Major financial data of Runbao Trading for the latest year and the latest period

Unit: RMB'0,000

Item	31 December 2019	30 September 2020
Total assets	228,022.47	231,533.91
Total liabilities	90,049.77	79,502.07
Total owners' equity	137,972.70	152,031.84
Item	2019	January to September 2020
Revenue	319,289.07	222,184.13
Total profit	32,604.59	18,745.52
Net profit	24,453.44	14,059.14

Note: The above financial data is unaudited.

9. Runbao Trading is not a dishonest person subject to enforcement, and is not related to the Company.

#### **VI. Subject matter under the agreement to be entered into**

##### 1. Parties of the agreement

Party A: Transferor I

Party B: Transferor II

Party C: Aberdeen Industrial Limited

Party D: VNN Holdings Limited

Party E: Chenming (Overseas) Co., Ltd.

##### 2. Subject equity and consideration of the transfer

① 100% equity interest in Party C held by Party A for the consideration of RMB312.60 million, and

② 100% equity interest in Party D held by Party B for the consideration of RMB97.40 million.

##### 3. Payment of consideration

Payment by instalments: Party E or a third party designated by it shall pay the equity transfer consideration of RMB190.00 million to Party A or a third party designated by it and the equity transfer consideration of RMB60.00 million to Party B or a third party designated by it before 31 December 2020 upon the entering into of the agreement.

The remaining equity transfer consideration of RMB160.00 million shall be directly paid to the loan account of Runbao Trading by Party E or a third party designated by it upon expiry of the loan of RMB160.00 million of Runbao for the purpose of repaying the mortgage loan. The payment of the amount shall be deemed to be a payment of the amount to Party A and Party B by Party E, and Party A and Party B

shall assist the release of the mortgage over the equity interest.

#### 4. Taxes and fees

The taxes arising from the subject equity transfer and change under the agreement (including but not limited to the related handling fees for the equity transfer) shall be borne by each party according to the law.

#### 5. Equity delivery, receipt, and change

① Party A and Party B shall assist Party E in the registration of the change of shareholders and directors of Party C and Party D, and shall transfer all the information of Party C and Party D to Party E on the completion date of change.

② The rights, obligations, risks and responsibilities of Party C and Party D prior to the completion date shall be undertaken by Party A and Party B. The related rights, obligations, risks and responsibilities after the completion date shall be shared and borne by Party C and Party D, respectively.

#### 6. Effectiveness of the agreement

The agreement is established on the date when it is executed by each party and shall come into effect upon consideration and approval by the competent authority of Party E's company.

### **VII. Other arrangements related to asset acquisition**

The equity acquisition is not related to other arrangements such as personnel deployment and land lease.

### **VIII. Opinion of the Board**

The Board of the Company is of the opinion that the acquisition of the 100% equity interest in Aberdeen and VNN, the minority shareholders of Wuhan Chenming, a majority-owned subsidiary of the Company, by the Company, through a wholly-owned subsidiary will, in turn, complete the acquisition of the non-controlling interest in Wuhan Chenming, and facilitate the strengthened operation and management of Wuhan Chenming by the Company, thereby enhancing the profitability of the Company. The external guarantee for the mortgage is a guarantee arising from the above equity acquisition by the Company. The operations of Runbao Trading, the person being guaranteed, is stable and its credit standing is good. At the same time, the Company does not pay the equity transfer consideration corresponding to the mortgage for the time being and the guarantee risk is under control. The Board has agreed that the guarantee shall be submitted to the general meeting for consideration.

### **IX. Opinion of independent Directors**

The Company proposes to acquire 100% equity interest in Aberdeen and VNN, the minority shareholders of Wuhan Chenming, a majority-owned subsidiary through a wholly-owned subsidiary. This will, in turn, complete the acquisition of the non-controlling interest in Wuhan Chenming, and facilitate the strengthened operation and management of Wuhan Chenming by the Company, thereby enhancing the profitability of the Company. The external guarantee for the mortgage is a guarantee arising from the above equity acquisition by the Company. The operations of Runbao Trading, the person being guaranteed, is stable and its credit standing is good. At the same time, the Company does not pay the equity transfer consideration corresponding to the mortgage for the time being and the guarantee risk is under control. The Company is able to earnestly perform the obligation of information disclosure of the external guarantee in strict compliance with the requirement of the Guidelines of the Shenzhen Stock Exchange for Standardised Operation of Listed Companies and the Articles of Association. The decision making procedure for the guarantee is compliance with the law and does no harm to the interest of the Company and the shareholders. We agree with the external guarantee arising from the equity acquisition.

### **X. Aggregate amount of external guarantees and amount of overdue guarantees**

As at the disclosure date of this announcement, the balance of external guarantees provided by the Company and its majority-owned subsidiaries amounts to RMB14.712 billion. After the guarantee, the balance of external guarantees provided by the Company and its majority-owned subsidiaries will amount to RMB14.872 billion, which accounts for 59.09% of the net assets of the Company under its latest audited financial statements. In particular, the balance of guarantees provided by the Company and its

majority-owned subsidiaries to entities not included in the consolidated financial statements will amount to RMB295 million, which accounts for 1.17% of the net assets of the Company under its latest audited financial statements. There is no overdue external guarantee provided by the Company.

#### **XI. Effect of the transaction on the Company**

Upon completion of the transaction, Aberdeen and VNN will become wholly-owned subsidiaries of the Company. The Company will directly and indirectly hold 99.85% equity interest in Wuhan Chenming. This will facilitate the strengthened operation and management of Wuhan Chenming, a majority-owned subsidiary, by the Company, protect the sustainable and stable operations of Wuhan Chenming, further consolidate the resources of the principal activities of the Company, and is conducive to the enhancement of the profitability and comprehensive competitiveness of the Company, thereby realising the maximisation of economic benefits.

The cash flows of the Company are sufficient. The transaction will be financed by its owned funds, and will not affect the normal functioning of cash flows of the Company. It has no material effect on the financial position and the operating results of the Company and does no harm to the interest of the Company and minority shareholders.

#### **XII. Documents for inspection**

1. The resolutions of the fifteenth extraordinary meeting of the ninth session of the Board of the Company;

2. Independent opinion on the acquisition of non-controlling interest in a subsidiary and external guarantee.

Notice is hereby given.

Board of Shandong Chenming Paper Holdings Limited  
4 December 2020

*\* For identification purposes only*