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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
DISPOSAL OF EQUITY INTEREST IN YUJING HOTEL

The Board is pleased to announce that, on 22 March 2024, the Company, Yujing Hotel (a non-wholly-owned subsidiary of the Company) and Guangyuan Real Property entered into the Equity and Debt Transfer Agreement, pursuant to which the Company proposed to dispose of the Target Equity Interest (accounting for 90.05% of the total equity interest in Yujing Hotel) and the Target Debts to Guangyuan Real Property for a total consideration of RMB356.5 million.

Upon completion of the Disposal, the Company will cease to have any interest in Yujing Hotel, and Yujing Hotel will cease to be a subsidiary of the Company. Accordingly, the financial results of Yujing Hotel will cease to be included in the consolidated financial statements of the Group.

As at the date of this announcement, as Chenming Holdings directly and indirectly holds approximately 27.79% of the Company's total issued shares (including the Company's A shares, B shares and H shares), Chenming Holdings is a connected person of the Company. As Mr. Chen Hongguo, the chairman of the Company, Mr. Hu Changqing, a vice chairman of the Company, Mr. Li Feng, a director and a deputy general manager of the Company, and Ms. Li Xueqin, a deputy general manager of the Company and spouse of Mr. Chen Hongguo, are shareholders of Shouguang Hengtai holding approximately 83.34% equity interest in Shouguang Hengtai in aggregate, Shouguang Hengtai is a connected person of the Company.

As Chenming Holdings and Shouguang Hengtai hold 40% and 60% equity interest in Guangyuan Real Property respectively, Guangyuan Real Property is also a connected person of the Company. Accordingly, the transactions under the Equity and Debt Transfer Agreement constitute connected transactions of the Company under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio of the Disposal is more than 0.1% but less than 5%, the Disposal is subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that, on 22 March 2024, the Company, Yujing Hotel (a non-wholly-owned subsidiary of the Company) and Guangyuan Real Property entered into the Equity and Debt Transfer Agreement, pursuant to which the Company proposed to dispose of the Target Equity Interest (accounting for 90.05% of the total equity interest in Yujing Hotel) and the Target Debts to Guangyuan Real Property for a total consideration of RMB356.5 million.

Equity and Debt Transfer Agreement

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

Date	22 March 2024
Parties	the Company (as vendor); Guangyuan Real Property (as purchaser); and Yujing Hotel.

Equity Interest and Debts to be Disposed of

Pursuant to the Equity and Debt Transfer Agreement, the Company will dispose of the 90.05% equity interest in Yujing Hotel and the debts of Yujing Hotel payable to the Company with a carrying amount of RMB193.5072 million in total. The Target Debts comprise the funding provided by the Company to Yujing Hotel before the date of the Equity and Debt Transfer Agreement to support the daily operation and development of Yujing Hotel.

The Target Equity Interest is not subject to any mortgage, pledge or other third-party rights, nor any major dispute, litigation or arbitration, nor any judicial measures such as seizure and freezing. The Company did not provide any guarantee for Yujing Hotel, entrust Yujing Hotel for financial management, or act otherwise which would occupy the funds of the Company.

Consideration and Payment Terms

The total consideration of the Disposal shall be RMB356.5 million, including RMB162.9928 million for the Target Equity Interest and RMB193.5072 million for the Target Debts. Guangyuan Real Property shall pay in cash of (i) RMB178.25 million within five working days after the entering into of the Equity and Debt Transfer Agreement; and (ii) the remaining RMB178.25 million by 31 December 2024 to the Company, respectively.

Basis for Determining the Consideration

The consideration of the Disposal is determined on normal commercial terms after arm's length negotiations between the Company and Guangyuan Real Property and with reference to the assessed market value of all shareholders' equity of Yujing Hotel on the Valuation Benchmark Date of RMB180.7176 million (the corresponding assessed value of the Target Equity Interest is RMB162.7362 million) based on the valuation by Tinho International, an independent asset valuer, using the asset-based approach, and the carrying amount of the Target Debts as the basis for pricing.

Completion

The completion date of the Disposal is the date when the change of the Target Equity Interest is registered in the name of Guangyuan Real Property with the relevant market supervision and management department (i.e. the date of change of the industrial and commercial registration). The profits generated by Yujing Hotel from the Valuation Benchmark Date to the date of change of the industrial and commercial registration shall be attributable to the Company in proportion to its shareholding, while the losses shall be borne by Yujing Hotel.

INFORMATION ON YUJING HOTEL

Yujing Hotel is a limited liability company established in the PRC. Its scope of business includes: licensed items: catering services; accommodation services; hairdressing services; life beauty services; high-risk sports (swimming); bathing services; singing and dancing entertainment activities; liquor business; technology import and export; goods import and export. (items that are subject to approval according to law can only be carried out after approval by relevant authorities, and the specific business items are subject to the approval documents or licenses issued by the relevant authorities); general items: exhibition services; fitness and leisure activities; clothing and apparel wholesale; clothing and apparel retail; laundry and ironing services; sales of gift and flower. As at the date of this announcement, the Company holds 90.05% equity interest in Yujing Hotel, and Hong Kong Well Spread Development Limited* (香港康弘發展有限公司), a third party independent of the Company and its connected person, holds 9.95% equity interest in Yujing Hotel. Hong Kong Well Spread Development Limited* (香港康弘發展有限公司) has waived its right of pre-emption.

The audited financial information of Yujing Hotel for the two financial years ended 31 December 2023 is as follows:

	For the year ended 31 December 2022	For the year ended 31 December 2023
	<i>RMB</i>	<i>RMB</i>
	<i>(Audited)</i>	<i>(Audited)</i>
Net profit before tax	-14,878,567.00	-25,954,043.28
Net profit after tax	-14,878,567.00	-25,954,043.28

Based on the valuation by Tinho International, the assessed value of all shareholders' equity of Yujing Hotel on the Valuation Benchmark Date is RMB180.7176 million. The audited net assets and total assets of Yujing Hotel as at 31 December 2023 were RMB-39.7767 million and RMB202.3663 million, respectively.

FINANCIAL IMPLICATIONS OF THE DISPOSAL AND THE USE OF PROCEEDS

Upon completion of the Disposal, the Company will cease to have any interest in Yujing Hotel, and Yujing Hotel will cease to be a subsidiary of the Company. The financial results of Yujing Hotel will cease to be included in the consolidated financial statements of the Group.

Based on the consideration of the Disposal, the Company is expected to record a book gain of approximately RMB256,600, which is calculated with reference to the consideration of the Disposal less the fair value of the Target Equity Interest on the Valuation Benchmark Date and the carrying amount of the Target Debts. The exact amount of gains to be recorded in the consolidated financial statements of the Group for the year ended 31 December 2024 is subject to audit.

The proceeds from the Disposal are proposed to be used for the general working capital of the Group or payment of bank loans.

REASONS AND BENEFITS OF THE ENTERING INTO OF THE EQUITY AND DEBT TRANSFER AGREEMENT

Based on the Company's strategic need to further focus on the development of its principal business of pulp production and paper making by divesting the non-principal business assets, the Disposal will help the Company continuously optimise its asset structure and reduce the operating costs of its assets in non-principal business, so as to increase cash inflow and focus better on the development of its principal business, enhance its profitability, and promote the high quality development of the assets of the Group.

The Disposal is determined on normal commercial terms after arm's length negotiations between the Company and Guangyuan Real Property and with reference to the assessed market value of all shareholders' equity of Yujing Hotel on the Valuation Benchmark Date based on the valuation by Tinho International using the asset-based approach, and the carrying amount of the Target Debts as the basis for pricing. The Board considers that the transaction price is fair and reasonable. Moreover, Guangyuan Real Property possesses sound qualifications and credit and has strong ability to perform contracts. The Disposal will have a positive impact on the Company's current and future financial conditions and operating results.

The Directors (including independent non-executive Directors) consider that the terms of the Equity and Debt Transfer Agreement are determined on normal commercial terms after arm's length negotiations between the parties, are fair and reasonable, and in the interest of the Company and its shareholders as a whole.

INFORMATION ON THE GROUP

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

Information on Guangyuan Real Property

Guangyuan Real Property is a company incorporated in the PRC with limited liabilities, and its scope of operation is development and sales of real estate, construction operation and property management. As at the date of announcement, Chenming Holdings and Shouguang Hengtai hold 40% and 60% equity interest in Guangyuan Real Property respectively. The ultimate beneficial owner of Chenming Holdings is the State-owned Assets Supervision and Administration Office of Shouguang City. The ultimate beneficial owners of Shouguang Hengtai are Mr. Yin Tongyuan, an independent third party of the Company and its connected person holding approximately 15.28% equity interest, Mr. Chen Hongguo, the chairman of the Company holding approximately 70.83% equity interest, Mr. Hu Changqing, a vice chairman of the Company holding approximately 4.17% equity interest, Mr. Li Feng, a director and a deputy general manager of the Company holding approximately 4.17% equity interest, Ms. Li Xueqin, a deputy general manager of the Company and spouse of Mr. Chen Hongguo holding approximately 4.17% equity interest, and Mr. Li Zhenzhong, a deputy general manager of the Company holding approximately 1.38% equity interest.

ABSTENTION FROM VOTING ON BOARD RESOLUTIONS

Since Mr. Chen Hongguo, the chairman of the Company, Mr. Hu Changqing, a vice chairman of the Company and Mr. Li Feng, a director and a deputy general manager of the Company, hold equity interest in Shouguang Hengtai, they are deemed to have material interest and have abstained from voting on the Board resolutions in respect of the approval of the Disposal. Save as disclosed in the foregoing, none of the Directors has any material interest in the Disposal.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, as Chenming Holdings directly and indirectly holds approximately 27.79% of the Company's total issued shares (including the Company's A shares, B shares and H shares), Chenming Holdings is a connected person of the Company. As Mr. Chen Hongguo, the chairman of the Company, Mr. Hu Changqing, a vice chairman of the Company, Mr. Li Feng, a director and a deputy general manager of the Company, and Ms. Li Xueqin, a deputy general manager of the Company and spouse of Mr. Chen Hongguo, are shareholders of Shouguang Hengtai holding approximately 83.34% equity interest in Shouguang Hengtai in aggregate, Shouguang Hengtai is a connected person of the Company.

As Chenming Holdings and Shouguang Hengtai hold 40% and 60% equity interest in Guangyuan Real Property respectively, Guangyuan Real Property is also a connected person of the Company. Accordingly, the transactions under the Equity and Debt Transfer Agreement constitute connected transactions of the Company under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio of the Disposal is more than 0.1% but less than 5%, the Disposal is subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

DEFINITIONS

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

“Board”	the board of Directors of the Company
“Chenming Holdings”	Chenming Holdings Company Limited* (晨鳴控股有限公司), a joint stock company incorporated in the PRC with limited liability
“Company”	Shandong Chenming Paper Holdings Limited* (山東晨鳴紙業集團有限公司), a joint stock company incorporated in the PRC with limited liability whose H shares are listed on the main board of the Stock Exchange (stock code: 1812)
“Directors”	the director(s) of the Company
“Disposal”	Disposal of the Target Equity Interest and Target Debts by the Company pursuant to the Equity and Debt Transfer Agreement
“Equity and Debt Transfer Agreement”	an equity and debt transfer agreement dated 22 March 2024 entered into among the Company (as vendor), Guangyuan Real Property (as purchaser), and Yujing Hotel in relation to the Disposal
“Group”	the Company and its subsidiaries
“Guangyuan Real Property”	Shouguang Chenming Guangyuan Real Property Company Limited* (壽光晨鳴廣源地產有限公司)
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange
“PRC”	the People’s Republic of China, and for the purposes of this announcement, excluding Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shouguang Hengtai”	Shouguang Hengtai Enterprise Investment Company Limited* (壽光市恒泰企業投資有限公司), a company incorporated in the PRC with limited liability

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Debts”	Debts owned by the Company with a carrying amount of RMB193.5072 million owed by Yujing Hotel to the Company
“Target Equity Interest”	90.05% equity interest in Yujing Hotel held by the Company
“Tinho International”	Tinho International Real Estate Land Assets Appraisal Group Co. Ltd* (天昊國際房地產土地資產評估集團有限公司), an independent qualified asset valuer in the PRC
“Valuation Benchmark Date”	31 December 2023
“Yujing Hotel”	Shandong Yujing Grand Hotel Co., Ltd.* (山東御景大酒店有限公司)
“%”	percentage

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

Hong Kong, 22 March 2024

As at the date of this announcement, the executive Directors are Mr. Chen Hongguo, Mr. Hu Changqing, Mr. Li Xingchun, Mr. Li Feng and Mr. Li Weixian; 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, Mr. Yang Biao and Mr. Li Zhihui.

* *For identification purposes only*