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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)

**DISCLOSABLE TRANSACTION AND CONNECTED TRANSACTION  
ACQUISITION OF 25% EQUITY INTEREST IN AND LOAN DUE  
FROM HONGTAI REAL ESTATE**

The Board is pleased to announce that, on 20 December 2018 (after trading hours), Shanghai Chenming, a wholly-owned subsidiary of the Company, New Huang Pu Real Estate and Shanghai Xinmin entered into the Equity Transfer Agreement, pursuant to which, the acquisition rights of the Sale Shares and Sale Loan of Shanghai Xinmin, which were successfully bid by New Huang Pu Real Estate through public tender, were transferred to Shanghai Chenming.

New Huang Pu Real Estate agreed with such arrangement, and conditionally agreed to sell to Shanghai Chenming, and Shanghai Chenming conditionally agreed to acquire from New Huang Pu Real Estate, the Sale Shares and Sale Loan for a cash consideration of RMB957,500,000.

Before the Acquisition, Shanghai Chenming held 75% equity interest in the Target Company and New Huang Pu Real Estate held 25% equity interest in the Target Company. Immediately after the completion of the Acquisition, Shanghai Chenming will hold 100% equity interest in the Target Company.

**LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Acquisition exceed 5% but all of the applicable percentage ratios are less than 25%, the Acquisition, whether individually or in aggregate with the Previous Acquisition, constitutes a disclosable transaction of the Company under the Listing Rules and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As at the date of this Announcement, the equity interest of the Target Company is owned as to 75% and 25% by Shanghai Chenming and New Huang Pu Real Estate, respectively. Accordingly, New Huang Pu Real Estate is a substantial shareholder of a non-wholly owned subsidiary of the Company, and hence a connected person of the Company at the subsidiary level (as defined in the Listing Rules). Therefore, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

The Board (including all the independent non-executive Directors) has approved the Equity Transfer Agreement and the Acquisition with the confirmation of all independent non-executive Directors that the terms of the Equity Transfer Agreement and the Acquisition are fair and reasonable, on normal commercial terms or better and in the interests of the Company and the Shareholders as a whole. Given that New Huang Pu Real Estate is a connected person merely at the subsidiary level, the Acquisition is subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules but is exempt from the circular, independent financial advice and Shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules.

## **INTRODUCTION**

The Board is pleased to announce that, on 20 December 2018 (after trading hours), Shanghai Chenming, a wholly-owned subsidiary of the Company, New Huang Pu Real Estate and Shanghai Xinmin entered into the Equity Transfer Agreement, pursuant to which, the acquisition rights of the Sale Shares and Sale Loan of Shanghai Xinmin were transferred to Shanghai Chenming in accordance with the Equity Transaction Contract.

New Huang Pu Real Estate agreed with such arrangement, and conditionally agreed to sell to Shanghai Chenming, and Shanghai Chenming conditionally agreed to acquire from New Huang Pu Real Estate, the Sale Shares and Sale Loan for a consideration of RMB957,500,000.

On 28 November 2017, Shanghai Xinmin and New Huang Pu Real Estate entered into the Equity Transaction Contract, pursuant to which Shanghai Xinmin obtained the right to acquire the Sale Shares and the Sale Loan from New Huang Pu Real Estate for the transaction consideration of RMB957,500,000. The transaction contemplated under the Equity Transaction Contract did not complete.

## **EQUITY TRANSFER AGREEMENT**

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

Date	20 December 2018 (after trading hours)	
Parties	Purchaser:	Shanghai Chenming
	Vendor:	New Huang Pu Real Estate
	Transferor of rights:	Shanghai Xinmin

New Huang Pu Real Estate is a connected person of the Company at the level of subsidiary. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of Shanghai Xinmin and its ultimate beneficial owner are independent third party.

## **SALE SHARES AND SALE LOAN TO BE ACQUIRED**

Before the Acquisition, Shanghai Chenming held 75% equity interest in the Target Company and New Huang Pu Real Estate held 25% equity interest in the Target Company. Immediately after the completion of the Acquisition, Shanghai Chenming will hold 100% equity interest in the Target Company.

Shanghai Chenming agreed to accept the transfer of the Sale Shares and Sale Loan held by Shanghai Xinmin from New Huang Pu Real Estate at a consideration of RMB957,500,000, being the transaction price of Shanghai Xinmin quoted at Shanghai United Assets and Equity Exchange.

New Huang Pu Real Estate agreed that Shanghai Xinmin shall transfer the Sale Shares and Sale Loan, which were transferred through Shanghai United Assets and Equity Exchange, to Shanghai Chenming.

## **CONSIDERATION AND PAYMENT**

Shanghai Chenming proposed to acquire the Sale Shares and Sale Loan from New Huang Pu Real Estate for a consideration of RMB957,500,000, among which, the relevant portion of Sale Shares amounted to RMB909,341,710.54 and the relevant portion of Sale Loan amounted to RMB48,158,289.46.

Payment method:

On 20 December 2018, Shanghai Chenming performed its obligations under the Equity Transaction Contract and paid the consideration in full. Its financial subsidiary has issued 9-month electronic bank acceptances (in case there are at least 5 acceptances with a nominal value below RMB50,000,000 and New Huang Pu Real Estate requests exchange of issued electronic bank acceptances from large amount to smaller amount, Shanghai Chenming and its finance company should fulfill such request) to New Huang Pu Real Estate;

Pursuant to the Equity Transaction Contract, for consideration paid by Shanghai Xinmin subsequent to 23 October 2018, interest should be paid to New Huang Pu Real Estate based on the actual day count at an interest rate of 7.2% per annum. As at 20 December 2018, interest amounted to RMB7,774,900, which was paid by Shanghai Chenming to New Huang Pu Real Estate concurrently with the electronic bank acceptances payment. New Huang Pu Real Estate has to issue value-added tax invoice to Shanghai Chenming in accordance with laws. After making electronic bank acceptances payment by Shanghai Chenming, the payment of contract consideration will be completed and interests will no longer be incurred.

After Shanghai Chenming has paid the consideration to New Huang Pu Real Estate according to the above terms on or before 20 December 2018, New Huang Pu Real Estate and Shanghai Xinmin shall proactively cooperate with Shanghai Chenming in completing relevant procedures for the change in industrial and commercial registration relating to the transfer of the subject equity interests from New Huang Pu Real Estate to Shanghai Xinmin, which were subsequently transferred to Shanghai Chenming. Documents relating to the change in industrial and commercial registration should be submitted to industrial and commercial authorities on the day following payment of consideration. Should any party fail to cooperate causing failure in completing relevant procedures within the timeframe, such party will be deemed to be in default.

## **PRICING OF THE SALE SHARES AND SALE LOAN**

On 1 December 2017, New Huang Pu Real Estate issued the Announcement on Progress of Asset Disposal (Lin 2017-049), transferring 25% of its equity interest in the Target Company and a loan of RMB48,158,290.46 due from the Target Company. Through public tendering on Shanghai United Assets and Equity Exchange, Shanghai Xinmin as a potential transferee expressed interest during the tender period. In accordance with the relevant provisions and procedures of equity transactions, both parties entered into the Equity Transaction Contract, and Shanghai United Assets and Equity Exchange issued the Equity Transaction Certificate. The transaction price amounted to RMB957,500,000.

The Sale Shares and Sale Loan to be transferred to Shanghai Xinmin, as undertaken by New Huang Pu Real Estate under the Equity Transaction Contract, will be transferred to Shanghai Chenming at a transaction price of RMB957,500,000, being the transaction price at which they were awarded to Shanghai Xinmin on Shanghai United Assets and Equity Exchange.

Upon completion of the transactions contemplated under the Equity Transfer Agreement, Shanghai Chenming will have obtained the acquisition rights of such Sale Shares and Sale Loan from Shanghai Xinmin, and shall acquire the Sale Shares and Sale Loan from New Huang Pu Real Estate for the same consideration determined by Shanghai Xinmin and New Huang Pu Real Estate (i.e. RMB957,500,000). Upon completion of the Acquisition, the Target Company will become an indirect wholly-owned subsidiary of the Company.

### **INFORMATION ON THE TARGET COMPANY**

The Target Company is a limited company established in the PRC. Its scope of business includes real estate development and management, leasing and sales on the land parcels granted to it, property management, consultation service, provision of venues and facilities for corresponding ancillary commercial services and car park management.

The consolidated financial information of the Target Company for the two financial years ended 31 December 2016 and 2017 and the six months ended 30 June 2018 is set out as follows:

	<b>For the year ended 31 December 2016</b>	<b>For the year ended 31 December 2017</b>	<b>For the six months ended 30 June 2018</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Unaudited)</i>
Net profit/(loss) before tax	(52,577,800.00)	(173,895,988.04)	(89,442,074.88)
Net profit/(loss) after tax	(60,972,200.00)	(173,895,988.04)	(89,442,074.88)

New Huang Pu Real Estate acquired 55% equity interest of the Target Company at a consideration of RMB244,154,775 in 2009.

The unaudited total assets and net assets of the Target Company as at 30 June 2018 amounted to RMB2,633,934,546.51 and RMB277,974,158.76.

## **INFORMATION ON THE GROUP**

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

## **INFORMATION ON THE PARTIES OF THE TRANSACTION**

Shanghai Chenming is a limited company established under the PRC laws. It is a wholly-owned subsidiary of the Company, and is principally engaged in real estate development and management, the expertise work of building renovation, decoration and construction, property management, real estate consultancy, travel consultancy, industrial investment, import and export of goods and technology, installation and maintenance of machinery and equipments, and sales of construction materials, metal materials, hardware electric products, necessities, electrical tools, vehicle accessories, paper products and chemical product wholesales (excluding hazardous chemicals, restricted chemicals, fireworks and firecrackers, civil explosives and drug-making chemicals). Business activities involving items that need approval are subject to the approval of the relevant authorities.

New Huang Pu Real Estate is a limited company established under the PRC laws. Its scope of business includes real estate operation, reconstruction of old and dilapidated buildings, interior and exterior construction and decoration, property management, real estate consultancy, installation of machinery and equipments (maintenance included), catering, guesthouse accommodation, and sales of decorative materials, metal materials, wood, construction materials, hardware electric products, necessities, chemical raw materials (excluding hazardous goods), electrical supplies and vehicle accessories.

Shanghai Xinmin is a limited company established under the PRC laws. Its scope of business includes industrial investment, warehousing (excluding hazardous chemicals), lease of self-owned equipment, corporate management consultancy, sales of metal materials, construction materials, cement, steel, electrical equipment, electronic components, machinery and equipments, electronic products, hardware electric products, labour supplies and chemical product wholesales (excluding hazardous chemicals, restricted chemicals, fireworks and firecrackers, civil explosives and drug-making chemicals).

## **REASON FOR ENTERING INTO THE EQUITY TRANSFER AGREEMENT**

The aim of the Acquisition is to standardise and better coordinate the management of the Pujiang International Finance Plaza Project (浦江國際金融廣場項目) in Shanghai, so as to improve its operational efficiency. Upon completion of the Acquisition, the Company will wholly own the Target Company and be able to integrate relevant resources in a more reasonable manner, while pressing ahead with

investment promotion and other efforts. Furthermore, real estate in that area has substantial potential in appreciation, which will bring greater economic benefits to the Company. The Company can also revitalise fixed assets by making full use of the various financing methods available in the financial market, which is in the interests of the Company and the Shareholders.

Currently, the Company has sufficient cash flows. The Acquisition will be financed by the Company's own funds, and will not affect the normal operation of the Company's cash flows or have any material effect on the financial position and operating results of the Company.

The Board, including the independent non-executive Directors, is of the opinion that the terms of the Equity Transfer Agreement and the Acquisition are fair and reasonable, on normal commercial terms or better and in the interests of the Company and the Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Acquisition exceed 5% but all of the applicable percentage ratios are less than 25%, the Acquisition, whether individually or in aggregate with the Previous Acquisition, constitutes a disclosable transaction of the Company under the Listing Rules and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As at the date of this Announcement and immediately prior to the completion of the Acquisition, the equity interest of the Target Company is owned as to 75% and 25% by Shanghai Chenming and New Huang Pu Real Estate, respectively. Accordingly, New Huang Pu Real Estate is a substantial shareholder of a non-wholly owned subsidiary of the Company, and hence a connected person of the Company at the subsidiary level (as defined in the Listing Rules). Therefore, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, none of the Directors has material interest in the Asset Transfer Agreement and the transactions contemplated thereunder, thus no Director is required to abstain from voting on the Board resolution on approving the Asset Transfer Agreement and the transactions contemplated thereunder.



The Board (including all the independent non-executive Directors) has approved the Equity Transfer Agreement and the Acquisition with the confirmation of all independent non-executive Directors that the terms of the Equity Transfer Agreement and the Acquisition are fair and reasonable, on normal commercial terms or better and in the interests of the Company and the Shareholders as a whole. Given that New Huang Pu Real Estate is a connected person merely at the subsidiary level, the Acquisition is subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules but is exempt from the circular, independent financial advice and Shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules.

## DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context otherwise requires:

“Acquisition”	the acquisition of the Sale Shares and the Sale Loan by Shanghai Chenming from New Huang Pu Real Estate pursuant to the terms of the Equity Transfer Agreement
“Board”	the board of Directors
“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
“Director(s)”	the director(s) of the Company, including independent non-executive Director(s)
“Equity Transfer Agreement”	the equity transfer agreement dated 20 December 2018 entered into between New Huang Pu Real Estate (as the Vendor), Shanghai Chenming (as the Purchaser) and Shanghai Xinmin (as the Transferor of rights) in relation to the Acquisition
“Group”	the Company and its subsidiaries
“New Huang Pu Real Estate”	Shanghai New Huang Pu Real Estate Co., Ltd.* (上海新黃浦置業股份有限公司), a limited liability company incorporated in the PRC, the vendor of the Equity Transfer Agreement, and a connected person at the subsidiary level of the Company



“Target Company”	Shanghai Hongtai Real Estate Co., Ltd.* (上海鴻泰房地產有限公司), a limited liability company incorporated in the PRC, and its equity interest held by Shanghai Chenming and New Huang Pu Real Estate as to 75% and 25% on the date of this announcement, respectively
“Shanghai Xinmin”	Shanghai Xinmin Industrial Co., Ltd.* (上海鑫旻實業有限公司), a limited liability company incorporated in the PRC, the transferor of rights of the Equity Transfer Agreement and an independent party
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China, which, for the purpose of this announcement, excludes the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan
“Equity Transaction Contract”	a contract entered into on 28 November 2017 in relation to the obtaining of acquisition rights of the Sale Shares and Sale Loan by Shanghai Xinmin from New Huang Pu Real Estate by way of public tendering
“Previous Acquisition”	the acquisition of 30% equity interest in and 30% loan due from the Target Company by Shanghai Chenming from New Huang Pu Real Estate, details of which please refer to the announcement of the Company dated 29 January 2018
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	the 25% equity interest in aggregate in the Target Company held by New Huang Pu Real Estate
“Sale Loan”	the loan due from the Target Company amounting to RMB48,158,289.46 in aggregate held by New Huang Pu Real Estate
“Shanghai Chenming”	Shanghai Chenming Industry Co., Ltd.* (上海晨鳴實業有限公司), a joint stock company incorporated in the PRC with limited liability, and a wholly-owned subsidiary of the Company

“Stock Exchange”

The Stock Exchange of Hong Kong Limited

“%”

per cent.

By Order of the Board  
**SHANDONG CHENMING PAPER  
HOLDINGS LIMITED\***  
**Chen Hongguo**  
*Chairman*

Shandong, China  
20 December 2018

*As at the date of this announcement, the executive Directors are Mr. Chen Hongguo, Mr. Li Feng, Mr. Geng Guanglin, Mr. Hu Changqing and Mr. Chen Gang; the non-executive Directors are Ms. Yang Guihua and Ms. Zhang Hong; and the independent non-executive Directors are Ms. Pan Ailing, Ms. Wang Fengrong, Mr. Huang Lei and Ms. Liang Fu.*

\* *For identification purposes only*