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

DISCLOSABLE TRANSACTION
TRANSFER OF 60% EQUITY INTEREST IN HAIMING MINING

The Board is pleased to announce that, on 16 August 2019 (after trading hours), the Company and Jiangsu Fuda entered into the Equity and Loan Transfer Agreement, pursuant to which, the Company conditionally agreed to sell, and Jiangsu Fuda conditionally agreed to acquire the Sale Shares (representing 60% of the total equity interest in Haiming Mining) and the Sale Loan at a total consideration of RMB1,948,670,000.

Before the Disposal, Haiming Mining is owned as to 60%, 30% and 10% by the Company, Liaoning Beihai Industry Group Ltd. and Shouguang Hengtai Enterprise Investment Company Limited respectively. Immediately after the completion of the Disposal, Jiangsu Fuda will hold 60% equity interest in Haiming Mining with other shareholders remaining unchanged, and the Company will no longer hold any equity interests in Haiming Mining, which will cease to be a subsidiary of the Company.

As the applicable percentage ratios (as calculated in accordance with Rule 14.07 of the Listing Rules) in respect of the Equity and Loan Transfer Agreement exceed 5% but are lower than 25%, the entering into of the Equity and Loan Transfer Agreement constitutes a disclosable transaction of the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that, on 16 August 2019 (after trading hours), the Company and Jiangsu Fuda entered into the Equity and Loan Transfer Agreement, pursuant to which, the Company conditionally agreed to sell, and Jiangsu Fuda conditionally agreed to acquire the Sale Shares (representing 60% of the total equity interest in Haiming Mining) and the Sale Loan at a total consideration of RMB1,948,670,000.

EQUITY AND LOAN TRANSFER AGREEMENT

The principle terms of the Equity and Loan Transfer Agreement are set out as follows:

Date 16 August 2019 (after trading hours)

Parties Purchaser: Jiangsu Fuda

Vendor: the Company

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Jiangsu Fuda and its ultimate beneficial owner are Independent Third Parties.

EQUITY INTEREST TO BE DISPOSED

Before the Disposal, Haiming Mining is owned as to 60%, 30% and 10% by the Company, Liaoning Beihai Industry Group Ltd. and Shouguang Hengtai Enterprise Investment Company Limited respectively. Immediately after the completion of the Disposal, Jiangsu Fuda will hold 60% equity interest in Haiming Mining with other shareholders remaining unchanged, and the Company will no longer hold any equity interests in Haiming Mining, which will cease to be a subsidiary of the Company.

CONSIDERATION AND TERMS OF PAYMENT

The consideration of the Disposal is RMB1,948,670,000, of which the Sale Shares amounts to RMB421,000,000 and the Sale Loan amounts to RMB1,527,670,000.

The Company transferred the Sale Shares and the Sale Loan in Haiming Mining held by it through public tender at the listing transfer price of RMB1,948,670,000 on the Property Rights Exchange. During the listing period, Jiangsu Fuda became the potential transferee. As at the date of this announcement, the Company already received a guarantee deposit of RMB221,000,000 paid by Jiangsu Fuda as partial consideration of the Sale Shares from the Property Rights Exchange. Jiangsu Fuda is required to pay the partial consideration of the Sale Loan of RMB767,670,000 before 31 August 2019, and the remaining balance of RMB960,000,000 (including partial consideration of the Sale Shares of RMB200,000,000 and partial consideration of the Sale Loan of RMB760,000,000) shall be settled by instalment within two years from 31 August 2019, together with the interest which was calculated at the annual interest rate of 7% for the period from 31 August 2019 to the actual payment date on a quarterly basis.

The reference date of the consideration under the Equity and Loan Transfer Agreement is 30 June 2019. The consideration is determined by the Company based on the equity value and loan value as at the reference date as the listing transfer price by taking into account the most recent financial statements and the assets valuation report of Haiming Mining.

Completion

The completion date of the Disposal is on the date when the change of business registration for 60% equity interest is completed. The earnings arising from the completion date shall be vested by the Company based on its 60% shareholding with losses to be assumed by Haiming Mining.

INFORMATION ON HAIMING MINING

Haiming Mining is a limited liability company established in the PRC and its business scope includes the underground mining of magnesite, processing and sales of magnesite and talc, import and export of goods and technologies, and electricity sales (for items subject to the administrative approval, approvals from the relevant authorities must be obtained prior to commencement of operation.).

The consolidated financial information of Haiming Mining for the two financial years ended 31 December 2018 and the six months ended 30 June 2019 is set out as follows:

	For the year ended 31 December 2017	For the year ended 31 December 2018	For the six months ended 30 June 2019
	<i>RMB/yuan</i> (Audited)	<i>RMB/yuan</i> (Audited)	<i>RMB/yuan</i> (Audited)
Profit before tax and extraordinary items	-5,459,132	138,842,600	37,735,200
Profit after tax and extraordinary items	-5,459,132	122,008,200	30,935,700
Total assets	1,257,291,680	1,882,749,300	2,385,375,400

According to the valuation report prepared by Shandong Zhengyuan Hexin Assets Appraisal Limited using the asset-based approach with the reference date of the valuation as at 30 June 2019, the net assets of Haiming Mining is RMB700,489,400.

INFORMATION ON THE GROUP

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

INFORMATION ON JIANGSU FUDA

Jiangsu Fuda is a limited liability company established under the PRC laws and its business scope includes industrial investment, import and export of various proprietary and franchised commodities and technologies (except for the import and export of commodities and technologies to be carried out by companies being prohibited or restricted by the state), domestic trade (for items (excluding those being prohibited or restricted by the state) subject to the special regulations from the state, approvals from the relevant authorities must be obtained prior to commencement of operation) and sales of metallic copper.

REASONS FOR ENTERING INTO THE EQUITY AND LOAN TRANSFER AGREEMENT

In order to integrate the Company's resources, focus its advantages on the principal business and enhance quality and efficiency, the proceeds from disposing of its Sale Shares and Sale Loan by the Company can be used to increase its cash flow.

The consideration of the Sale Shares is determined by reference to the net asset value of total 60% equity interest in Haiming Mining evaluated by Shandong Zhengyuan Hexin Assets Appraisal Limited using the asset-based approach, and the consideration of the Sale Loan is equal to the amount of the Sale Loan.

The Directors, including the independent non-executive Directors, are of the opinion that the valuation result is fair to be the pricing basis by adopting reasonable valuation assumptions and premises for the Disposal and using a valuation approach (asset-based approach) which is relevant to the objective. Therefore, the terms of the Disposal are fair and reasonable and in the interests of the Company and the shareholders as a whole.

LISTING RULES IMPLICATIONS

As the applicable percentage ratios (as calculated in accordance with Rule 14.07 of the Listing Rules) in respect of the Equity and Loan Transfer Agreement exceed 5% but are lower than 25%, the entering into of the Equity and Loan Transfer Agreement constitutes a disclosable transaction of the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Disposal”	the acquisition of the Sale Shares and the Sale Loan by Jiangsu Fuda pursuant to the terms of the Equity and Loan 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 and Loan Transfer Agreement”	the equity and loan transfer agreement dated 16 August 2019 entered into between Jiangsu Fuda (as the Purchaser) and the Company (as the Vendor) in relation to the Disposal
“Group”	the Company and its subsidiaries
“Jiangsu Fuda”	Jiangsu Fuda Enterprise Investment Company Limited* (江蘇富達企業投資有限公司), a limited liability company incorporated in the PRC
“Haiming Mining”	Haicheng Haiming Mining Company Limited* (海城海鳴礦業有限公司), a limited liability company incorporated in the PRC
“Independent Third Party(ies)”	the third party(ies) who is/are independent of and not connected to the Company and the connected persons (as defined under the Listing Rules) of the Company
“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
“RMB”	Renminbi, the lawful currency of the PRC

“Sale Shares”	the 60% equity interest in aggregate in Haiming Mining held by the Company
“Sale Loan”	the loan due from Haiming Mining amounting to RMB1,527,670,000 in aggregate held by the Company
“Property Rights Exchange”	Wuhan Optics Valley United Property Rights Exchange* (武漢光谷聯合產權交易所)
“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, the PRC
16 August 2019

As at the date of this announcement, the executive Directors are Mr. Chen Hongguo, Mr. Hu Changqing, Mr. Li Xingchun and Mr. Chen Gang; 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*