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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 Equity Transfer to Repay a Debt” 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.:
2020-102

Shandong Chenming Paper Holdings Limited

Announcement on the Transfer of Equity to Repay Debt

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 reminder:

1. In January 2018, Qingdao Chenming Nonghai Financial Leasing Co., Ltd.* (hereinafter referred to as “Qingdao Chenming Leasing”), a wholly-owned subsidiary of Shandong Chenming Paper Group Co., Ltd.* (hereinafter referred to as the “Company”), entered into the Financial Lease Contract (Leaseback) with Shanghai Herui Investment Co., Ltd.* (hereinafter referred to as “Shanghai Herui” or “Subject Company”). As at the date of this announcement, the outstanding balance of principal and interest of Shanghai Herui amounted RMB619,567,590.

2. Shanghai Shuilan Property Management Co., Ltd.* (hereinafter referred to as “Shanghai Shuilan”), the sole shareholder of Shanghai Herui, entered into the Equity Pledge Contract with Qingdao Chenming Leasing, stipulating that Shanghai Shuilan shall bear guaranteed responsibility to Qingdao Chenming Leasing for all rights and debts such as the debt principal and corresponding interest incurred by Shanghai Herui under the Financial Lease Contract (Leaseback).

3. In order to settle the debt of Shanghai Herui, the parties reached a unanimous agreement. Shanghai Herui agreed to use the property held by it in the “Sea Shuohe City” in Yangpu District, Shanghai to repay the debt due to Qingdao Chenming Leasing; Shanghai Shuilan agreed, pursuant to the signed Equity Pledge Contract, to assume guaranteed responsibility for Shanghai Herui’s debts due to Qingdao Chenming Leasing, and to voluntarily transfer its 100% equity interest in Shanghai Herui to Qingdao Chenming Leasing.

I. Overview of the transaction

1. Basic information of the transaction

In order to settle the debt of a financial leasing client Shanghai Herui, enhance the asset management efficiency of Qingdao Chenming Leasing, further reduce the size of the Company’s financial leasing business, and protect the interests of the Company and all shareholders, the parties reached a unanimous agreement. Shanghai Shuilan voluntarily agreed to transfer its 100% equity interest in Shanghai Herui to Qingdao Chenming Leasing in order to repay the amount of RMB619,567,590 due to Qingdao Chenming Leasing by Shanghai Herui. The consideration for the equity transfer was RMB176.80 million. After the completion of the transaction, Shanghai Herui will become a wholly-owned subsidiary of the Company.

2. Consideration at the meeting

The fifteenth extraordinary meeting of the ninth session of the Board of the Company was held on 4 December 2020 by means of communication. 9 Directors were entitled to be present at the meeting and 9 Directors attended the meeting. The Resolution on the Equity Transfer to Repay a Debt was considered and approved by 9 votes for, 0 vote against and 0 vote abstained.

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, and is not necessary to be approved at a general meeting.

II. Basic information of the transaction party

1. Name of the company: Shanghai Shuilan Property Management Co., Ltd.
2. Unified social credit code: 91310109MA1G5K62XK
3. Registered capital: RMB10.00 million
4. Registered address: 6th Floor, No. 9, Lane 360, Feihong Road, Hongkou District, Shanghai
5. Type of enterprise: limited liability company (natural person investment or holding corporation sole investment)
6. Date of establishment: 23 August 2018
7. Business scope: general projects: property management, business information consulting (excluding investment consulting); sales of building materials, metal materials, hardware and electrical appliances, paper products, plastic products, and wood products. (Except for items subject to approval in accordance with the law, business activities shall be carried out independently with the business license in accordance with the law) Licensed items: import and export of goods; import and export of technology.

8. Shareholding structure: Shanghai Shuilan Industrial Co., Ltd. holds 100% of its shares.

Shanghai Shuilan is not a dishonest person subject to enforcement, and has no related relationship with the Company and the top ten shareholders of the Company in terms of property rights, business, assets, creditor’s rights and debts, personnel, etc., and other relationship that may or have caused the listed company to have a preference for their interests.

II. Basic information of the transaction subject

1. Name of the company: Shanghai Herui Investment Co., Ltd.
2. Unified social credit code: 91310115332698118U
3. Registered capital: RMB301.50 million
4. Registered address: Room J870, Area B, 12th Floor, Building 1, No. 399 Zhongren Road, Jiading District, Shanghai
5. Date of establishment: 5 May 2015
6. Business scope: industrial investment, investment management, asset management, investment consulting (except finance and securities), business consulting, corporate management consulting, self-owned housing lease.
7. Shareholding structure: Shanghai Shuilan holds 100% of its shares. After the equity transfer is completed, Qingdao Chenming Leasing, a wholly-owned subsidiary of the Company, will hold 100% of its equity interest.

8. Major financial data of the Subject Company for the latest year and the latest period

Unit: RMB’0,000

Item	31 December 2019	30 September 2020
Total assets	31,785.12	31,383.07
Total liabilities	60,377.07	63,067.24
Total receivables	8,513.31	8,674.50
Total owners’ equity	-28,591.95	-31,684.17
Item	2019	January – September 2020
Revenue	190.47	276.67
Operating profit	-5,158.90	-3,092.22

Net profit	-5,158.90	-3,092.22
Net cash flows from operating activities	385.80	42.14

Note: (1) Shanghai Herui's assets are the properties of "Sea Shuohe City" on Anbo Road, Yangpu District, Shanghai. There are 252 items in total, including 84 office properties (area 12866.75m²) and 168 parking spaces (area 7397.33m²). The real estate construction area totals 20,264.08 square meters. The land is used for commercial and office purposes, and the land use period is from 27 August 2004 to 26 August 2054. According to the Kaiyuan Valuation Report [2020] No. 763 Asset Appraisal Report issued by Kaiyuan Assets Appraisal Co., Ltd.* with 30 September 2020 as the valuation date, the estimated value of the aforementioned real estate was RMB720,785,100; the total liabilities included RMB619,567,590 due to Qingdao Chenming Leasing.

(2) The financial data for 2019 and January-September 2020 is audited.

9. Shanghai Shuilan is not a dishonest person subject to enforcement.

10. Others

As of the date of announcement, Shanghai Herui mortgaged part of the office property at No. 22, Lane 467, Anbo Road, and part of the parking spaces at the basement level 2 at No. 463 Anbo Road, of which: a mortgage guarantee was provided for Zhanjiang Dingjin Trading Co., Ltd.* (hereinafter referred to as "Dingjin Trading") for a bank loan of RMB135,581,900. The guarantee will expire on 22 November 2022; a mortgage guarantee was provided for the Company's subsidiary Shouguang Meilun Paper Co., Ltd.* (hereinafter referred to as "Shouguang Meilun") for its financing business with non-bank financial institutions. The guarantee amounted to RMB200.00 million, and its term will end on 27 June 2022; a pledge guarantee was provided for the Company's subsidiaries Shouguang Meilun, Wuhan Chenming Hanyang Paper Holdings Co., Ltd.*, and Huanggang Chenming Pulp & Paper Co., Ltd.* for the debt repayment of a total amount of RMB654.00 million to non-bank financial institutions. The term of guarantee will end on 30 October 2023.

IV. Basis for pricing

The pricing is based on the Kaiyuan Valuation Report [2020] No. 763 Assets Appraisal Report issued by Kaiyuan Assets Appraisal Co., Ltd. with 30 September 2020 as the valuation date. After the appraisal by the asset-based method, the appraised value of Shanghai Herui's total assets was RMB807,604,800, and the appraisal value of total liabilities was RMB630,672,400 (including the amount of RMB619,567,590 due to Qingdao Chenming Leasing by Shanghai Herui). The estimated value of all shareholders' equity was RMB176,932,400. It is determined through friendly negotiation by all parties that the transfer price of the subject equity would be RMB176.80 million. The transaction price is fair, and there is no harm to the interests of the Company and minority shareholders, and it is in the interests of the Company and all shareholders.

V. Main content of the agreement to be entered into

(I) Equity Transfer Agreement

1. Agreement subjects

Transferee: Qingdao Chenming Nonghai Financial Leasing Co., Ltd.

Transferor: Shanghai Shuilan Property Management Co., Ltd.

2. Transfer of the subject equity

① The transferor voluntarily transfers 100% of the equity (corresponding to the registered capital of RMB301.50 million) in the Subject Company to the transferee.

② The transferee voluntarily receives the equity transferred by the transferor.

③ Both parties confirm that the delivery date of the subject equity transfer agreed in the agreement is the date when the modification of industrial and commercial registration of the subject equity transfer is completed.

3. The price for the equity transfer

(1) Both parties confirmed and agreed that, according to the Asset Appraisal Report issued by Kaiyuan Assets Appraisal Co., Ltd., the value of all shareholders' equity of the Subject Company was assessed at RMB176,932,400, and the transfer price of the subject equity was determined to be RMB176.80 million after friendly negotiations between the two parties.

(2) As part of the property of the Subject Company was used to provide a guarantee of up to RMB135,581,900 for the bank loan of Dingjin Trading, the transferee will pay RMB40.80 million for the equity transfer to the transferor within 10 working days from the delivery date of the subject equity.

(3) As at the date when the agreement was entered into, the transferor and its related parties owed the Subject Company an open credit of RMB82,041,800. The aforementioned equity transfer price amounted to RMB40.80 million will be used to pay off the aforementioned open credit in full after the transferor received the funds. The transferor and its related parties undertake to settle the remaining open credit before 30 June 2021.

(4) The remaining equity transfer price of RMB136.00 million shall be paid within 10 working days after the Dingjin Trading loan is due and repaid to the bank and the mortgage of the real estate is released. If the Dingjin Trading mortgage loan cannot be repaid to the bank on schedule, the special amount will be used to repay the bank mortgage loan, and the transferor will assist the Subject Company in completing the release procedures of real estate mortgage within 10 days of payment.

4. Taxes and fees

Taxes and fees (including but not limited to other expenses incurred in handling equity transfer procedures and property rights transaction fees) arising from the equity transfer under the agreement shall be borne by the transferor.

5. Effectiveness of the contract

The agreement will become effective on the date when the legal representatives or authorized representatives of both parties sign and affix their official seal (or the special seal of the contract) on the agreement.

(II) Debt Undertaking Contract

1. Agreement subjects

Party A (creditor): Qingdao Chenming Nonghai Financial Leasing Co., Ltd.

Party B (guarantor): Shanghai Shuilan Property Management Co., Ltd.

Party C (debtor): Shanghai Herui Investment Co., Ltd.

2. Debt undertaking and payment

① According to the Financial Lease Contract (Leaseback) entered into by Party C and Party A in January 2018, the balance of debts owed by Party C to Party A is RMB619,567,590.

② Party B agrees to perform its guarantee responsibilities to Party A for the aforementioned debts in accordance with the signed Equity Pledge Contract.

③ In order to settle the debt of Party C, the parties reached a unanimous agreement. Party C agreed to use the property held by it in the "Sea Shuohe City" in Yangpu District, Shanghai to repay the debt due to Party A; Party B agreed, pursuant to the signed Equity Pledge Contract, to assume guaranteed responsibility for Party C's debts due to Party A, and to voluntarily transfer 100% of its shares in Party C to Party A, in order to repay Party C's debts of RMB619,567,590 due to Party A.

3. Taxes and fees

Except as otherwise agreed in the contract, the relevant transaction related taxes and fees under the contract shall be borne by all parties themselves.

4. Effectiveness of the contract

The agreement will become effective on the date when the legal representatives or authorized representatives of both parties sign and affix their official seal (or the special seal of the contract) on the agreement.

VI. Other arrangements involving the acquisition of assets

The acquisition of equity does not involve other arrangements such as personnel placement and land lease.

VII. The impact of the transaction on the Company

Qingdao Chenming Leasing, a wholly-owned subsidiary of the Company, can effectively settle the debt between Shanghai Herui and Qingdao Chenming Leasing through the transfer of the equity of Shanghai Herui, which will help improve the asset management efficiency of Qingdao Chenming Leasing, further reduce the size of financial leasing business and fully protect the interests of the Company and all shareholders. After the completion of the transaction, Shanghai Herui will become a wholly-owned subsidiary of the Company. At present, the Company has sufficient cash flow. The transaction is paid with internal funds, which will not affect the normal operation of the Company's cash flow, and has no significant impact on the Company's financial position and operating results. There is no harm to the interests of the listed company and minority shareholders.

VIII. Documents for inspection

1. Resolutions of the Fifteenth Extraordinary Meeting of the Ninth Session of the Board of the Company;

2. Equity Transfer Agreement;

3. Debt Undertaking Contract.

Notice is hereby given.

The Board of Shandong Chenming Paper Holdings Limited

4 December 2020

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