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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 “Announcement on Partial Disposal of Equity Interest in Wuhan Chenming” dated 8 September 2023 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, the PRC
8 September 2023

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*

山东晨鸣纸业集团股份有限公司

SHANDONG CHENMING PAPER HOLDINGS LIMITED*

Announcement on Partial Disposal of Equity Interest in Wuhan Chenming

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.

I. Overview of transaction

1. Basic information

Shandong Chenming Paper Holdings Limited (the “Company”) directly held 65.21% equity interests in Wuhan Chenming Hanyang Paper Holdings Co., Ltd. (hereinafter referred to as “Wuhan Chenming”), a majority-owned subsidiary of the Company and indirectly held its 34.64% equity interests through Aberdeen Industrial Limited and VNN Holdings Limited, both are wholly owned subsidiaries of the Company. The Company held 99.85% equity interests in aggregate. In order to promote industrial upgrading, the Company has relocated the main equipment of household paper production line and special paper production line of Wuhan Chenming to Shouguang production base and Zhanjiang production base respectively, and entered into the Agreement on Recovery of the Right to Use State-owned Construction Land with the Branch Center of Wuhan Land Arranging Storage Center in Wuhan Economic and Technological Development Zone in respects of land collection and storage. For details, please refer to the relevant announcements disclosed by the Company on the Cninfo (www.cninfo.com.cn) on 29 April 2023 and on the website of the Hong Kong Stock Exchange (www.hkex.com.hk) on 28 April 2023.

In order to further optimise the Company’s assets structure, revitalize inefficient assets and improve asset utilization efficiency, recover capitals as soon as possible and increase cash inflows, focus on pulp production and papermaking and enhance profitability, the Company intends to enter into the Equity Transfer Agreement with Wuhan Yuanfeng Yinhu Industrial Investment Partnership (Limited Partnership)* (武漢垣豐隱虎產業投資合夥企業(有限合夥))

(hereinafter referred to as “Wuhan Yuanfeng Yinhu Partnership”). Pursuant to which, the Company will dispose of its 65.21% equity interest in Wuhan Chenming directly held by it at a consideration of RMB480.00 million to Wuhan Yuanfeng Yinhu Partnership. Upon the completion of this transaction, Wuhan Chenming would be a non-controlled company of the Company and cease to be consolidated into the Company’s financial statements.

2. Approval procedure

At the tenth extraordinary meeting of the tenth session of the Board of the Company held on 8 September 2023, the Resolution on the Disposal of 65.21% Equity Interest in Wuhan Chenming was considered and approved with 11 votes for, 0 votes against and 0 votes abstained. According to the Rules Governing Listing of Stocks on Shenzhen Stock Exchange, the Guidelines for Self-discipline Regulation of Listed Companies of Shenzhen Stock Exchange No. 1 – Standard Operation of Listed Companies on the Main Board and the Articles of Association and other relevant provisions, the transaction still needs to be submitted to the third extraordinary general meeting of the Company in 2023 for consideration.

The transaction does not involve related party transactions, nor does it constitute a material asset restructuring as stipulated in the Administrative Measures for Material Asset Restructuring of Listed Companies.

II. Basic information of the counterparty

1. Company name: Wuhan Yuanfeng Yinhu Industrial Investment Partnership (Limited Partnership)*

2. Registered address: Floor 13, Building S5-4, Area B, Wanda Plaza, Wuhan Economic and Technological Development Zone, Wuhan City, Hubei Province

3. Date of establishment: 6 September 2023

4. Type of company: Limited Partnership

5. Unified social credit code: 91420100MACUAB6U46

6. Registered capital: RMB501.00 million

7. Executive partner: Shanghai Yuanfeng Business Consulting Co., Ltd. (上海垣豐商務諮詢有限公司)

8. Business scope: general business: corporate management, investment activities with self-owned capital, asset management services for investment with self-owned capital, information consultation services (excluding information consultation services required permissions), financing consultation services, corporate management consultation and financial consultation.

9. Partner profile: Shanghai Yuanfeng Business Consulting Co., Ltd., as a general partner,

held 0.1996% of the shares, Shanghai Yinhu Industrial Co., Ltd. (上海隱虎實業有限公司), as a limited partner, held 99.8004% of the shares; the de facto controller is Li Songju (李松菊).

10. Wuhan Yuanfeng Partnership is the newly established corporate without any relevant financial data; as at 31 December 2022, Shanghai Yuanfeng Business Consulting Co., Ltd., the executive partner, had the total assets of RMB 191.73 million, the total liabilities of RMB171,640,200 and the net assets of RMB20,089,800, and the net profit of RMB-7,400 (unaudited) for the twelve months ended 31 December 2022.

11. Description of the connected relationship: Wuhan Yuanfeng Partnership neither has connected relationship with the Company and its top ten shareholders regarding property rights, business, assets, debts and liabilities and personnel, nor there is any other relationship that may or has resulted in the interests of the listed company being tilted in its favour.

Wuhan Yuanfeng Partnership is not a discredited party subject to enforcement.

III. Basic information of the target

(I) Overview of the target

1. Company name: Wuhan Chenming Hanyang Paper Holdings Co., Ltd.
2. Registered address: No. 33 Shenlong Avenue, Wuhan Economic & Technological Development Zone
3. Date of establishment: 29 June 2004
4. Type of company: Joint stock company with limited liability (sino-foreign joint venture, unlisted)
5. Registered capital: RMB211.367 million
6. Legal representative: Xin Xiaolin (信效林)
7. Business scope: Production and sales of machine-made paper, paper board and paper making raw materials; production, processing and sales of paper making machinery; general freight; import and export business.
8. Whether it is a discredited party subject to enforcement: No.

(II) History and substantial shareholders

Wuhan Chenming was jointly established by the Company and Hubei Hanyang Paper Factory (湖北省漢陽造紙廠) in December 1997 in Wuhan, Hubei Province. Its registered capital was RMB408.00 million, of which RMB208.00 million was contributed by the Company in monetary funds, equivalent to 51% equity interest in the company, and RMB200.00 million was contributed by Hubei Hanyang Paper Factory in physical assets, equivalent to 49% equity interest in the company.

In November 1998, Hubei Zhiyin Printing Co., Ltd (湖北知音印務有限公司), Hubei

Publishing Paper Company (湖北省出版紙張公司) and Hubei Xinhua Printing Factory (湖北省新華印刷廠) increased the capital of Wuhan Chenming by RMB204,300, respectively. After this capital increase, the registered capital of Wuhan Chenming was changed to RMB408.6129 million and the company was held by the Company, Hubei Hanyang Paper Factory, Hubei Zhiyin Printing Co., Ltd, Hubei Publication Paper Company and Hubei Xinhua Printing Factory as to 50.93%,48.92%, 0.05%, 0.05% and 0.05%, respectively.

In 1999, Wuhan Chenming was converted from a limited liability company to a joint-stock limited company and its shareholders and their respective shareholding ratio remained unchanged after the conversion. The registered capital of Wuhan Chenming before and after the conversion was RMB408.6129 million and RMB422.7340 million, respectively. In April 1999, as approved by the Hubei Provincial Economic Reform Commission in the Approval of the Reduction of the Shares of Wuhan Chenming Hanyang Paper Holdings Co., Ltd. (《關於武漢晨鳴漢陽紙業股份有限公司縮小股份的批復》) (E Ti Gai [1999] No. 64), Wuhan Chenming reduced its shares held by all the shareholders at the ratio of 2:1 and its total share capital was reduced from RMB422.7340 million to RMB211.3670 million. The shareholders of Wuhan Chenming and their respective shareholding ratio remained unchanged after the change.

In 2004, Hubei Hanyang Paper Factory, a shareholder of Wuhan Chenming, transferred its shares of RMB73.23 million to Industrial and Commercial Bank of China Wuhan Jiang'an District Branch and VNN Holding Limited, respectively. After that, the shareholding percentage of each of Wuhan Chenming's shareholders was as follows: 50.93% held by the Company, 14.28% held by Hubei Hanyang Paper Factory, 26.41% held by Industrial and Commercial Bank of China Wuhan Jiang'an District Branch, 8.23% held by VNN Holding Limited, and 0.05% held by Hubei Zhiyin Printing Co., Ltd., Hubei Publishing Paper Company and Hubei Xinhua Printing Factory, respectively.

In 2005, after approved by the resolution of the general meeting of shareholders and by the Ministry of Commerce of the People's Republic of China (Shang Zi Pi [2005] No. 420), Industrial and Commercial Bank of China Wuhan Jiang'an District Branch, the former shareholder of Wuhan Chenming, transferred all 26.41% of its equity interest in the company to Aberdeen Industrial Limited. After that, the foreign shareholding percentage in Wuhan Chenming reached 34.64%. On 25 March 2005, Wuhan Chenming obtained the business license after industrial and commercial change issued by Wuhan Administration for Industry and Commerce, and since then Wuhan Chenming has changed into a sino-foreign joint venture.

In 2018, Hubei Hanyang Paper Factory transferred all its equity interest in Wuhan

Chenming to the Company through public tender for transfer, and as of the valuation basis date, the shareholding structure of Wuhan Chenming is as follows:

No.	Name of shareholders	Capital contribution (RMB0'000)		Percentage of shareholding (%)	
		Subscribed	Paid up	Subscribed	Paid up
1	Shandong Chenming Paper Holdings Limited	13,782.20	13,782.20	65.21	65.21
2	Aberdeen Industrial Limited	5,583.00	5,583.00	26.41	26.41
3	VNN Holdings Limited	1,740.00	1,740.00	8.23	8.23
4	Hubei Changjiang Publishing & Media Group Co., Ltd.	10.50	10.50	0.05	0.05
5	Hubei Zhiyin Printing Co., Ltd.	10.50	10.50	0.05	0.05
6	Hubei Xinhua Printing Industry Park Co., Ltd.	10.50	10.50	0.05	0.05
Total		21,136.70	21,136.70	100.00	100.00

For the disposal of 65.21% equity interest in Wuhan Chenming held by the Company, other shareholders have waived the right of first refusal.

(III) Principal consolidated financial data

Unit: RMB0'000

Item	31 July 2023	31 December 2022
Total assets	133,987.37	161,098.61
Total liabilities	96,146.44	122,909.48
Net assets	37,840.93	38,189.13
Item	January to July 2023	2022
Revenue	6,554.47	63,559.41
Operating profit	-4,464.48	-15,014.83
Net profit	-348.20	-14,534.64
Net cash flows from operating activities	840.91	-19,666.38

Note: Financial data for 2022 and the period from January to July 2023 have been audited.

(IV) Audit appraisal

1. Grant Thornton (Special General Partnership) Jinan Branch issued the "Wuhan Chenming Special Audit Report for the Period from 1 January to 30 July 2023" (Zhi Tong Shen Zi (2023) No. 371C027120), and the audit result was a standard and unqualified opinion.

2. According to the "Asset Appraisal Report" (Lu Ruihua Ping Bao Zi [2023] No. 0219) issued by Shandong Ruihua Asset Appraisal Co., Ltd., after the asset-based appraisal, the appraised value of all shareholders' equity of Wuhan Chenming on the valuation basis date (31 July 2023) was RMB752.3730 million, with an appreciation rate of 68.75%. The specific appraisal results are shown in the following table:

Summary of Assets Appraisal Results

Unit: RMB0'000

Item	Carrying value	Appraised value	Increase or decrease	Appreciation rate %
Current assets	103,665.36	103,501.77	-163.60	-0.16
Non-current assets	36,018.27	66,833.84	30,815.57	85.56
Of which: Debt				
Investments				
Other debt investments				
Long-term receivables				
Long-term equity investments	4,500.00	-2,733.63	-7,233.63	-160.75
Investment property	675.74		-675.74	-100.00
Fixed assets	20,550.61	68,923.18	48,372.57	235.38
Construction in progress				
Bearer biological assets				
oil and gas assets				
Right-of-use assets				
Intangible assets	1,669.29		-1,669.29	-100.00
R&D expenses				
Goodwill				
Deferred income tax assets	8,622.62	644.43	-7,978.19	-92.53
Other non-current assets				
Total assets	139,683.63	170,335.60	30,651.97	21.94
Current liabilities	95,098.30	95,098.30		
Non-current liabilities				
Total liabilities	95,098.30	95,098.30	0.00	0.00
Net assets (Owners' equity)	44,585.33	75,237.30	30,651.97	68.75

(V) Other information

As of the valuation benchmark date, the balance of borrowings provided by the Company and its subsidiary Shouguang Meilun Paper Co., Ltd. to Wuhan Chenming amounted to RMB805.92 million, which would constitute a situation of providing financial assistance to external parties after disposal of some of Wuhan Chenming's equity. Upon friendly negotiations between all parties involved in the transaction, Wuhan Chenming shall repay the

borrowings of RMB595.00 million before the completion date of equity transfer, and the remaining borrowings of RMB210.92 million shall be repaid before 31 December 2025.

The transfer of 65.21% equity interests in Wuhan Chenming is free from any mortgage, pledge or other third-party rights. It does not involve any significant dispute, litigation or arbitration, nor has it been subject to any judicial actions such as seizure or freezing. The Company has not provided guarantees to Wuhan Chenming nor entrusted it with financial management, and Wuhan Chenming has not misappropriated the funds of the listed company.

IV. Basis of pricing of the transaction

The transaction follows the principles of objective, fair, and fair pricing. According to the "Asset Valuation Report" issued by Shandong Ruihua Assets Valuation Company Limited (山東瑞華資產評估有限公司) (Lu Ruihua Ping Bao Zi [2023] No. 0219), based on the valuation value of all shareholders' equity of Wuhan Chenming of RMB752.3730 million as at 31 July 2023, the price for this equity transfer is agreed at RMB480.00 million.

V. Main contents of the transaction agreement

1. Parties

Transferor: Shandong Chenming Paper Holdings Limited (hereinafter referred to as "Party A")

Transferee: Wuhan Yuanfeng Yinhu Industrial Investment Partnership (Limited Partnership) (hereinafter referred to as "Party B")

2. Target equity to be transferred

(1) Party A agrees to transfer its 65.21% equity interests (equivalent to 137,822,000 shares) in the target company (referred to as the "Target Equity" in this agreement) to Party B.

(2) Both parties confirm that the completion date of the Target Equity is the date of completion of the change in the shareholder register of the target company that records Party B as the holder of 65.21% equity interests in the target company. The profit or loss generated by the target company during the period commencing from the valuation benchmark date and ending on the completion date shall be enjoyed or borne by Party A in proportion to its equity holdings of 65.21%, while the profit or loss incurred since the completion date shall be enjoyed or borne by Party B in proportion to its equity holdings of 65.21%.

3. Consideration

Party A has agreed to transfer and Party B has agreed to accept the Target Equity at consideration of RMB480.00 million.

4. Payment of Consideration

The Parties have confirmed that the Consideration shall be paid by installments.

First payment: Party B shall transfer RMB100.00 million of the Consideration to the account specified by Party A within 3 days after date of this agreement;

Second payment: Party B shall transfer another RMB100.00 million of the Consideration to the account specified by Party A within 30 days from the date of completing the change in the shareholder register of the Target Company stating that Party B is the holder of 65.21% equity of the Target Company;

Remaining payment: Party B shall pay the remaining RMB280.00 million of the Consideration in one lump sum before 31 December 2023.

Party B undertakes to unconditionally accept the supervisions of Party A, including but not limited to: (1) Party B cannot change the directors, supervisors or senior management of the Target Company as controlled by Party A until Party A receives all the Consideration for equity transfer; (2) if Party B pledge the equity of the Target Company for financing before the Consideration was paid in full, the payment of the Consideration to Party A for equity transfer shall be prioritized in the utilization of such financing proceeds.

5. Transfer and change of shareholding

Party A shall be considered as having performed its obligation in the transfer of Target Equity after completing the change in the shareholder register of the Target Company stating that Party B is the holder of 65.21% equity of the Target Company.

6. Validity of contract

The Agreement shall come into force on the date of affixing the official seals of both Parties and signing by legal representative (or person(s) in charge or authorized representative(s)).

VI. Other arrangement relating to Sales of Assets

This equity transfer does not involve any personnel placement, land leasing, or other arrangement.

VII. Opinions of independent Directors

After review, we are of the view that the disposal of 65.21% equity interest in Wuhan Chenming is conducive to optimising the Company's asset structure, enhancing its asset efficiency and liquidity, increasing cash flow and further improving the Company's profitability. The transaction price is reasonably determined with reference to the audit and evaluation results issued by the relevant intermediaries and in conjunction with the actual operating conditions of the subject company. The review procedures are in compliance with laws and regulations, and there are no circumstances that will prejudice the interests of the Company and all shareholders, especially the interest of minority shareholders. We agree to

submit the Resolution on the Disposal of 65.21% Equity Interest in Wuhan Chenming to the general meeting of the Company for consideration.

VIII. Purpose of the disposal of assets and the impact on the Company

The equity transfer is in line with the overall development strategy programming and business needs of the Company, which is conducive to revitalising inefficient assets, increasing cash inflow of the Company and focusing resources on the development of the principle business to improve quality and increase efficiency, and to further enhance the Company's ability for achieving sustainable development and profitability. The transaction price is fair, and the counterparty is in good credit standing and has the ability to fulfil its contractual obligations. There are no circumstances that will prejudice the interests of the Company and its shareholders, especially the interest of minority shareholders.

The transaction is expected to generate a gain of approximately RMB193.00 million (the final amount is subject to the results of the audit by the annual auditor). Upon the completion of this transaction, the Company will indirectly hold 34.64% equity interest in Wuhan Chenming, whereas Wuhan Chenming would cease to be consolidated into the Company's financial statements.

IX. Document for inspection

1. Resolution of the tenth extraordinary meeting of the tenth session of the Board;
2. Independent opinions of independent Directors on relevant matters of the tenth extraordinary meeting of the tenth session of the Board;
3. Equity Transfer Agreement;
4. Evaluation Report;
5. Audit Report.

Notice is hereby given.

The Board of SHANDONG CHENMING PAPER HOLDINGS LIMITED*

8 September 2023

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