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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 TRANSACTIONS
DISPOSAL OF THE LOANS

On 30 March 2022, each of Qingdao Chenming and Shandong Chenming Financial, both are the indirect wholly-owned subsidiaries of the Company, entered into the Loan Transfer Agreement (Qingdao Chenming) and the Loan Transfer Agreement (Shandong Chenming Financial) with Kunpeng Asset, pursuant to which, each of Qingdao Chenming and Shandong Chenming Financial intended to sell the Loans with a total carrying amount of approximately RMB305 million to Kunpeng Asset at a total consideration of RMB304 million.

Chenming Holdings is a connected person of the Company. As Qinghai Chenming Industrial Co., Ltd.* (青海晨鳴實業有限公司) is owned as to 67% by Chenming Holdings and Kunpeng Asset is owned as to 51% by the former, Kunpeng Asset is also a connected person of the Company. Accordingly, the transactions under the Loan Transfer Agreements constitute connected transactions of the Company under Chapter 14A of the Listing Rules. As their applicable percentage ratios are more than 0.1% but less than 5%, the transactions under the Loan Transfer Agreements are subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Board is pleased to announce that, on 30 March 2022, each of Qingdao Chenming and Shandong Chenming Financial, both are the indirect wholly-owned subsidiaries of the Company, entered into the Loan Transfer Agreement (Qingdao Chenming) and the Loan Transfer Agreement (Shandong Chenming Financial) with Kunpeng Asset, pursuant to which, each of Qingdao Chenming and Shandong Chenming Financial intended to sell the Loans with a total carrying amount of approximately RMB305 million to Kunpeng Asset at a total consideration of RMB304 million.

LOAN TRANSFER AGREEMENT (QINGDAO CHENMING)

The principle terms of the Loan Transfer Agreement (Qingdao Chenming) are set out as follows:

Date 30 March 2022

Parties Qingdao Chenming (as the vendor); and
Kunpeng Asset (as the purchaser).

Accounts Receivable to be Transferred

Pursuant to the Loan Transfer Agreement (Qingdao Chenming), Qingdao Chenming will sell the Qingdao Chenming Loans to Kunpeng Asset, namely the accounts receivable with a total carrying amount of approximately RMB105 million (as at 28 February 2022) held by Qingdao Chenming. The Qingdao Chenming Loans comprise the outstanding accounts receivable owed by certain debtors to Qingdao Chenming, which include the principal, interest and other charges. Qingdao Chenming will issue a notice to the relevant debtors and guarantors of the Qingdao Chenming Loans, informing them that the relevant accounts payable will be transferred to Kunpeng Asset. Upon completion of the disposal, the relevant debtors shall pay all the payables under the Qingdao Chenming Loans to Kunpeng Asset.

Consideration and Payment

The consideration for the Qingdao Chenming Loans is RMB105 million. Kunpeng Asset shall pay Qingdao Chenming in cash (i) RMB20 million by 31 March 2022; (ii) RMB45 million by 30 June 2022; and (iii) RMB40 million by 31 December 2022, respectively.

From the date of signing the Loan Transfer Agreement (Qingdao Chenming), Qingdao Chenming has transferred the Qingdao Chenming Loans owned by it to Kunpeng Asset. Since then, Kunpeng Assets has acquired the interests in the Qingdao Chenming Loans in replacement of Qingdao Chenming, and all risks related to the Qingdao Chenming Loans have also been transferred to Kunpeng Asset. Qingdao Chenming shall deliver the relevant loan documents to Kunpeng Asset within 60 working days after the payment of the consideration for the Loan Transfer Agreement (Qingdao Chenming), and until the day when the loan documents are delivered, the amounts collected by Qingdao Chenming from the relevant debtors in relation to the Qingdao Chenming Loans will belong to Kunpeng Asset.

LOAN TRANSFER AGREEMENT (SHANDONG CHENMING FINANCIAL)

The principle terms of the Loan Transfer Agreement (Shandong Chenming Financial) are set out as follows:

Date	30 March 2022
Parties	Shandong Chenming Financial (as the vendor); and Kunpeng Asset (as the purchaser).

Accounts Receivable to be Transferred

Pursuant to the Loan Transfer Agreement (Shandong Chenming Financial), Shandong Chenming Financial will sell the Shandong Chenming Financial Loans to Kunpeng Asset, namely the accounts receivable with a total carrying amount of approximately RMB199 million (as at 28 February 2022) held by Shandong Chenming Financial. The Shandong Chenming Financial Loans comprise the outstanding accounts receivable owed by certain debtors to Shandong Chenming Financial, which include the principal, interest and other charges. Shandong Chenming Financial will issue a notice to the relevant debtors and guarantors of the Shandong Chenming Financial Loans, informing them that the relevant accounts payable will be transferred to Kunpeng Asset. Upon completion of the disposal, the relevant debtors shall pay all the payables under the Shandong Chenming Financial Loans to Kunpeng Asset.

Consideration and Payment

The consideration for the Shandong Chenming Financial Loans is RMB199 million. Kunpeng Asset shall pay Shandong Chenming Financial in cash (i) RMB30 million by 31 March 2022; (ii) RMB85 million by 30 June 2022; and (iii) RMB84 million by 31 December 2022, respectively.

From the date of signing the Loan Transfer Agreement (Shandong Chenming Financial), Shandong Chenming Financial has transferred the Shandong Chenming Financial Loans owned by it to Kunpeng Asset. Since then, Kunpeng Assets has acquired the interests in the Shandong Chenming Financial Loans in replacement of Shandong Chenming Financial, and all risks related to the Shandong Chenming Financial Loans have also been transferred to Kunpeng Asset. Shandong Chenming Financial shall deliver the relevant loan documents to Kunpeng Asset within 60 working days after the payment of the consideration for the Loan Transfer Agreement (Shandong Chenming Financial), and until the day when the loan documents are delivered, the amounts collected by Shandong Chenming Financial from the relevant debtors in relation to the Shandong Chenming Financial Loans will belong to Kunpeng Asset.

BASIS FOR DETERMINING THE CONSIDERATION

The consideration for the Loans is determined based on the carrying amount of the Loans upon negotiation between the parties, taking into account the Loans have become due and the creditworthiness of the relevant debtors. The Board believes that the consideration is fair and reasonable, and is not prejudicial to the interests of the Company and all shareholders, especially the minority shareholders.

FINANCIAL IMPLICATIONS OF THE DISPOSAL

Upon completion of the disposal of the Loans, based on the difference between the carrying amount of the Loans and the consideration for the disposal (net of taxes related to the disposal), the Board expects that the Company will record a loss of approximately RMB840,000 in respect of the disposal of the Loans.

REASONS AND BENEFITS OF THE ENTERING INTO OF THE LOAN TRANSFER AGREEMENTS AND THE USE OF PROCEEDS

The disposal of the Loans can improve the asset management efficiency of the Company, further reduce the size of the financial leasing business, accelerate the capital recovery of the financial leasing business of the Company, enhance the liquidity of the assets of the Company, and improve the asset-liability structure and operating cash flows, which will in turn provide financial support for the sound business development of the Company and is conducive to promoting the business development of the Company.

Upon completion of the disposal of the Loans, the proceeds under the Loan Transfer Agreements will be used for daily business development and repayment of interest-bearing liabilities of the Group.

As Mr. Chen Hongguo, Mr. Hu Changqing and Mr. Li Feng, all are Directors, serve as the directors of Chenming Holdings, and Mr. Li Xingchun, a Director, is the chairman and general manager of Kunpeng Asset, all the aforesaid Directors have abstained from consideration and voting on the proposals on the Loan Transfer Agreements and the transactions thereunder. Save as disclosed above, none of the other Directors has any material interest in the aforesaid transactions or is required to abstain from voting on the relevant resolutions at the Board meeting. The Board (including all independent non-executive Directors), taking into account the reasons and benefits of the disposal of the Loans, considers that the terms of the Loan Transfer Agreements are fair and reasonable, and the disposal of the Loans is also conducted on normal commercial terms, and in the interest of the Company and the shareholders as a whole.

INFORMATION ON THE PARTIES

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

Qingdao Chenming and Shandong Chenming Financial are both principally engaged in financial leasing business, operating financial leasing business, purchase of leased assets and the disposal and maintenance of their residue values, and lease transaction consultation.

Kunpeng Asset is a limited liability company incorporated in the PRC. Its scope of business includes non-performing asset operation (acquisition, operation, management and disposal of debt, equity and physical non-performing assets of financial institutions and non-financial institutions, entrusted management of debt, equity and physical non-performing assets of financial institutions and non-financial institutions); investment business (equity investment, debt investment, securities investment, fund investment, etc.); asset management business (asset management business in terms of various financial equity and financial materials related to non-performing asset operation and investment business, introduction of funds to invest in assets or projects by setting up special funds); entrusted business restructuring; comprehensive financial services (various corporate equity financing, debt financing, lease financing, structured financing, debt-to-equity swap and other investment and financing services related to non-performing asset operation, as well as financial consultation, investment consultation, and management consultation services, provision of professional due diligence, legal consultation, legal analysis and assurance services for domestic and foreign investment in and acquisition of non-performing assets, and carrying out guarantee business and investment banking and other large-scale asset management business and asset value-added services); asset securitisation, issuance of bonds; commercial financing to financial institutions; other businesses approved by the regulatory authorities.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, as Chenming Holdings directly and indirectly held approximately 27.52% 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 Qinghai Chenming Industrial Co., Ltd.* (青海晨鳴實業有限公司) is owned as to 67% by Chenming Holdings and Kunpeng Asset is owned as to 51% by the former, Kunpeng Asset is also a connected person of the Company. Accordingly, the transactions under the Loan Transfer Agreements constitute connected transactions of the Company under Chapter 14A of the Listing Rules. As their applicable percentage ratios are more than 0.1% but less than 5%, the transactions under the Loan Transfer Agreements are 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;
“Chenming Holdings”	Chenming Holdings Company Limited, 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 limited liability company incorporated in the PRC whose H Shares are listed on the Main Board of the Stock Exchange (stock code: 1812);
“Director(s)”	the director(s) of the Company;

“Group”	the Company and its subsidiaries
“Kunpeng Asset”	Kunpeng Asset Management Co., Ltd.* (昆朋資產管理股份有限公司), a limited liability company established in the PRC, and a connected person of the Company;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Loans”	the Qingdao Chenming Loans and the Shandong Chenming Financial Loans;
“Loan Transfer Agreement (Qingdao Chenming)”	the loan transfer agreement dated 30 March 2022 entered into between Qingdao Chenming and Kunpeng Asset;
“Loan Transfer Agreement (Shandong Chenming Financial)”	the loan transfer agreement dated 30 March 2022 entered into between Shandong Chenming Financial and Kunpeng Asset;
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region of the People’s Republic of China and China Taiwan;
“Qingdao Chenming”	Qingdao Chenming Nonghai Financial Leasing Co., Ltd.* (青島晨鳴弄海融資租賃有限公司), a limited liability company established in the PRC, and an indirect wholly-owned subsidiary of the Company;
“Qingdao Chenming Loans”	the accounts receivable owed to Qingdao Chenming by certain debtors sold by Qingdao Chenming to Kunpeng Asset pursuant to the Loan Transfer Agreement (Qingdao Chenming);
“RMB”	Renminbi, the lawful currency of the PRC;
“Shandong Chenming Financial”	Shandong Chenming Financial Leasing Co., Ltd.* (山東晨鳴融資租賃有限公司), a limited liability company established in the PRC, and an indirect wholly-owned subsidiary of the Company;
“Shandong Chenming Financial Loans”	the accounts receivable owed to Shandong Chenming Financial by certain debtors sold by Shandong Chenming Financial to Kunpeng Asset pursuant to the Loan Transfer Agreement (Shandong Chenming Financial);

“Stock Exchange”

The Stock Exchange of Hong Kong Limited;

“%”

per cent.

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

Hong Kong, 30 March 2022

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.