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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)

**SUPPLEMENTAL AGREEMENTS IN RELATION TO
SHARE TRANSACTION INVOLVING
THE ASSET PURCHASE THROUGH THE ISSUANCE OF
CONSIDERATION SHARES AND CASH PAYMENTS**

Reference is made to the Asset Purchase Announcement of the Company dated 21 November 2022 in relation to the asset purchase through the issuance of consideration shares and cash payments by the Company and its subsidiary, Chenming Investment. Unless otherwise specified, capitalized terms used in this announcement shall have the same meanings as defined in the Asset Purchase Announcement.

1. INFORMATION ABOUT THE REORGANISATION

On 19 January 2023, the Company and Dongxing Investment entered into the Supplemental Agreement 1, which is supplementary to the Asset Purchase Agreement 1.

On the same date, the Company, Chenming Investment, Chongqing Trust and Chenming Asset Management entered into the Supplemental Agreement 2, which is supplementary to the Asset Purchase Agreement 2. The Company, Chenming Investment and Chenming Asset Management also entered into a 3-Party Supplemental Agreement on the same date to amend an inadvertent clerical error in the Supplemental Agreement 2.

2. SUPPLEMENTAL AGREEMENTS

The principal terms of the Supplemental Agreements are summarised as follows:

Date : 19 January 2023

Parties : Supplemental Agreement 1

The Company (as transferee); and

Dongxing Investment (as transferor).

Supplemental Agreement 2

The Company and Chenming Investment
(each as transferee); and

Chongqing Trust and Chenming Asset Management
(each as transferor).

Assessed value and consideration of the Subject Assets : The transaction price of the Subject Assets was determined based on the valuation results under the asset-based approach of the asset valuation report (Lu Rui Hua Ping Bao Zi (2022) No. 0872) (the “**Asset Valuation Report**”) issued and filed by Shandong Ruihua Assets Valuation Company Limited (山東瑞華資產評估有限公司), and with reference to the proportion of shareholders’ equity interests in the Target Company proposed to be transferred by Dongxing Investment and the proportion of shareholders’ equity interests in the Target Company corresponding to the shares of the Target Fund proposed to be transferred by Chongqing Trust and Chenming Asset Management.

The parties have confirmed and agreed that the assessed value of the equities attributable to all shareholders of the Target Company is RMB8,801,538,200 as at 30 September 2022 as the Valuation Benchmark Date in accordance with the Asset Valuation Report.

Pursuant to the Supplemental Agreement 1, the consideration for the transfer of the Subject Assets 1 held by Dongxing Investment (namely 1.19% equity interest of the Target Company) is RMB104,882,063.04; pursuant to the Supplemental Agreement 2, the consideration for the transfer of the Subject Assets 2 held by Chongqing Trust (the corresponding equity ratio of the Target Company is approximately 2.4161%) is RMB212,656,685.64; the consideration for the transfer of the Subject Assets 3 held by Chenming Asset Management (the corresponding equity ratio of the Target Company is approximately 0.0121%) is RMB1,063,178.16.

Cash consideration : Pursuant to the Supplemental Agreement 2, Chenming Investment will pay the relevant consideration of the Subject Assets 3 to Chenming Asset Management in cash, and will be made to Chenming Asset Management in one lump sum upon the fulfillment of conditions to effectiveness under the Asset Purchase Agreement 2 and the CSRC approves the reorganisation proposal and within 30 days after the completion of the delivery of the Subject Assets 3. The source of funds for Chenming Investment to pay relevant consideration to Chenming Asset Management is its own funds.

Number of the Consideration Shares to be issued : Pursuant to the calculation formula for the number of shares to be issued as agreed in Asset Purchase Agreement 1, the total number of Consideration Shares 1 to be issued by the Company will be 23,728,973; pursuant to the calculation formula for the number of shares to be issued as agreed in Asset Purchase Agreement 2, the total number of Consideration Shares 2 to be issued by the Company will be 48,112,372.

The final number of shares issued under the Issuance shall be subject to the number approved by the CSRC. Should there be any distribution of dividend, issue of bonus shares, allotment of shares, conversion of capital reserve into share capital from the Pricing Benchmark Date to the issue date of the Consideration Shares, the issue price of the Issuance and the number of the Consideration Shares to be issued will be adjusted accordingly in accordance with the relevant rules of the CSRC and Shenzhen Stock Exchange and the terms of the Asset Purchase Agreements.

Effective : The Supplemental Agreements will take effect when all the following conditions have been satisfied:

1. the approval from the Board of the Company for the formal scheme of the Reorganisation has been obtained;
2. the approval from the competent state-owned assets management organization for this transaction has been obtained;
3. the approval from the extraordinary general meeting for the Reorganisation and related matters has been obtained; and
4. the approval from the CSRC for the Reorganisation has been obtained.

If any of the above conditions are not fulfilled, the Supplemental Agreements will not come into force, and the Company will not proceed the Reorganisation.

Termination

: Pursuant to the Supplemental Agreements, the Supplemental Agreements will be terminated or dissolved in any of the following circumstances:

1. the parties agree to terminate the Supplemental Agreements in writing;
2. the Supplemental Agreements cannot be performed due to force majeure;
3. If one party seriously breaches the Supplemental Agreements, which makes the other party unable to achieve the fundamental purpose of signing the Supplemental Agreements, the other party shall have the right to terminate the transactions contemplated under the Supplemental Agreements and dissolve the Supplemental Agreements in writing;
4. If one party breaches the agreement or commitment under the Supplemental Agreements and still fails to correct within 20 working days after the other party's written notice, the other party shall have the right to propose in writing to terminate the transactions contemplated under the Supplemental Agreements and dissolve the Supplemental Agreements; and
5. If a major adverse event occurs and the rectification cannot be completed within a reasonable period (or the rectification measures are insufficient to eliminate the adverse effects), the Company and Chenming Investment shall have the right to propose in writing to terminate the transactions contemplated under the Supplemental Agreements and dissolve the Supplemental Agreements.

If the Supplemental Agreements are terminated or dissolved, the Reorganisation will not be proceeded.

3. REASONS FOR ENTERING INTO THE SUPPLEMENTAL AGREEMENTS

Pursuant to the Asset Purchase Agreements, the parties agreed that the consideration of the Subject Assets under the Reorganisation payable by the Group shall be determined by the parties through fair negotiation based on the valuation results of the Asset Valuation Report, and shall be agreed by the parties through entering into supplemental agreements. Accordingly, the parties entered into the Supplemental Agreements on 19 January 2023 to determine, among others, the Consideration and the number of Consideration Shares to be issued.

Given the reasons above, the Directors (including all independent non-executive Directors) believe that the terms of the Supplemental Agreements are fair and reasonable and on normal or better commercial terms, and the Supplemental Agreements and the Reorganisation are in the interests of the Company and shareholders as a whole.

4. LISTING RULES IMPLICATION

As set out in the Asset Purchase Announcement, as all applicable percentage ratios in relation to the Reorganisation are less than 5%, but the consideration for the transactions will be partly financed by the issuance of Consideration Shares, the transactions contemplated under the Asset Purchase Agreements constitute a share transaction and are therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Save as disclosed above, other principal terms and conditions of the Asset Purchase Agreements remain unchanged and continue in full force and effect in all respects.

The Reorganisation is subject to the satisfaction of certain conditions and may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

DEFINITIONS

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

“Asset Purchase Announcement”	the announcement of the Company dated 21 November 2022 in relation to the asset purchase through the issuance of consideration shares and cash payments by the Company and its subsidiary Chenming Investment
“Supplemental Agreement 1”	the supplemental agreement to the agreement on asset purchase through the issuance of shares entered into between the Company and Dongxing Investment on 19 January 2023, to supplement the Asset Purchase Agreement 1
“Supplemental Agreement 2”	the supplemental agreement to the agreement on asset purchase through the issuance of shares and cash payments entered into among the Company, Chenming Investment, Chongqing Trust and Chenming Asset Management on 19 January 2023 (as amended and supplemented by the 3-Party Supplemental Agreement) to supplement the Asset Purchase Agreement 2
“3-Party Supplemental Agreement”	the 3-Party supplemental agreement entered into among the Company, Chenming Investment and Chenming Asset Management on 19 January 2023 to amend an inadvertent clerical error in the Supplemental Agreement 2
“Supplemental Agreements”	Supplemental Agreement 1 and Supplemental Agreement 2

By order of the Board
Shandong Chenming Paper Holdings Limited
Chen Hongguo
Chairman

Shandong, the PRC
19 January 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*