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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)**

**DISCLOSEABLE TRANSACTION**  
**DISPOSAL OF LAND USE RIGHT**

**DISPOSAL**

On 28 April 2023, the Land Reserve Center entered into the Disposal Agreement with Wuhan Chenming, an indirect non-wholly owned subsidiary of the Company, pursuant to which the Land Reserve Center agreed to acquire and Wuhan Chenming agreed to dispose of the Land Use Right at the Compensation Fees of RMB732,077,600.

**LISTING RULES IMPLICATION**

As one or more of the applicable percentage ratios in relation to the Disposal exceed 5% but are less than 25%, the entering into of the Disposal Agreement constitutes a discloseable transaction of the Company, and hence is subject to the reporting and announcement requirements but is exempt from the Company's shareholders' approval requirements under Chapter 14 of the Listing Rules.

**DISPOSAL AGREEMENT**

On 28 April 2023, the Land Reserve Center entered into the Disposal Agreement with Wuhan Chenming, an indirect non-wholly owned subsidiary of the Company, the principal terms of which are set out below:

Date	:	28 April 2023
Parties	:	(1) Land Reserve Center (as the buyer); and (2) Wuhan Chenming (as the seller).
Subject matter	:	The Land Reserve Center agrees to compensate Wuhan Chenming for the repossession of the Land Parcel together with the buildings and facilities constructed thereon.

- Compensation Fees : The Compensation Fees of RMB732,077,600 is determined by Wuhan Chenming and the Land Reserve Center after arm's length negotiation with reference to the audit work conducted and the Special Audit Report issued by Hubei Puhua Lixin.
- Payment terms : The Compensation Fees will be paid in cash and paid by the Land Reserve Center to Wuhan Chenming in installments according to the relevant procedures such as the deregistration of property rights and land change registration as well as the progress of the land vacation work, and the remaining Compensation Fees will be paid to Wuhan Chenming within 30 working days after completion of the net land transfer for the Land Parcel.
- Other terms : Wuhan Chenming will cooperate with the Land Reserve Center to complete the vacation work for the tenants on the Land Parcel.

## BACKGROUND OF THE LAND PARCEL

The Land Parcel is for industrial use and is located at 20MA, Zhuankou Street, Wuhan Economic and Technological Development Zone, the PRC. The Land Use Right has an area of approximately 368,624.21 square meters, and the properties on the Land Parcel include several buildings (structures) and auxiliary facilities, with a total area of 121,256.69 square meters.

Except for approximately 164.55 mu of land which has been leased out, other portion of land in the Land Parcel and above-ground properties constructed thereon are used for self-production purposes. There are no mortgages, guarantees or other third-party rights, nor are there any material disputes, litigations or arbitrations and judicial measures such as seizure and freezing related thereto.

Wuhan Chenming has entered into two leases with independent third parties in respect of portion of land in the Land Parcel. Among which, one lease has a term from 1 January 2018 to 31 December 2027, with an initial annual rent of RMB2,700,975.50 and an annual increment of RMB80,000 during the lease period; the other lease has a term from 18 April 2008 to 17 April 2033, with an annual rent of RMB407,203.50. Other portion of land in the Land Parcel and above-ground properties constructed thereon are not subject to leasing.

## FINANCIAL INFORMATION ON THE LAND PARCEL

In respect of portion of land in the Land Parcel currently earning rental income, net profit attributable to such portion of land in the Land Parcel for the financial years ended 31 December 2022 and 31 December 2021 is as follows:

	<b>For the year ended 31 December 2022 (Unaudited) RMB</b>	<b>For the year ended 31 December 2021 (Unaudited) RMB</b>
Approximate net profit (before tax)	3,428,179.00	3,348,179.00
Approximate net profit (after tax)	2,913,952.15	2,845,952.15

As at 31 December 2022, the unaudited carrying amount of the Land Use Right and the buildings and facilities constructed on the Land Parcel was RMB191,655,838.84.

## **FINANCIAL IMPACT OF THE DISPOSAL AND USE OF PROCEEDS**

The Board expects to recognise an unaudited net gain before tax of approximately RMB518,591,800 from the Disposal, which is determined with reference to (i) the Compensation Fees of RMB732,077,600 to be received by the Group under the Disposal, (ii) the unaudited carrying amount of RMB191,655,838.84 in respect of the Land Use Right and the buildings and facilities constructed on the Land Parcel as at 31 December 2022 and (iii) the estimated expenses of RMB21,830,000 related to the delivery of the Land Parcel. However, the actual gains from the Disposal may vary as the above estimated gains are based on various assumptions and such amount will be calculated upon completion of the Disposal. Shareholders should note that the actual financial impact of the Disposal is subject to review by the Company's auditor.

The proceeds from the Disposal are intended to be used as general working capital of the Group.

Upon completion of the Disposal, Wuhan Chenming will cease to have any interest in the Land Parcel.

## **REASONS FOR AND BENEFITS OF THE DISPOSAL**

As the main equipment of the household paper production line and special paper production line of Wuhan Chenming will be relocated to Shouguang production base and Zhanjiang production base, respectively, the Land Reserve Center repurchases the Land Parcel from the Group. The Land Reserve Center withdraws the Land Parcel held by Wuhan Chenming and the buildings and facilities built on the Land Parcel with compensation, which will help revitalize the Group's idle assets, enhance the liquidity of assets and is in line with the strategic planning and long-term development goals of the Group. There is no harm to the interests of the Group and all shareholders, especially the minority shareholders.

Having considered the above, the Board is of the view that the terms of the Disposal Agreement have provided fair compensation to release the investment value of the Land Parcel at a reasonable price, and the terms and conditions of the Disposal Agreement are fair and reasonable, and on normal commercial terms, and therefore the Disposal is in the interests of the Company and the shareholders as a whole.

## **INFORMATION ON THE PARTIES**

The Group's business scope covers the production, processing and sale of paper products (such as machine paper and paper board), raw materials for paper-making and paper-making machine.

Wuhan Chenming is an indirect non-wholly owned subsidiary of the Company. Its main business scope includes the production and sales of machine paper, paper board and raw materials for paper-making; the production, processing and sales of paper-making machine; general freight; and import and export business.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, (i) the Land Reserve Center is a PRC government authority which is primarily responsible for, among other things, land reserve consolidation and other works within the scope approved by the municipal government; and (ii) both the Land Reserve Center and its ultimate beneficial owners are Independent Third Parties.

## LISTING RULES IMPLICATION

As one or more of the applicable percentage ratios in relation to the Disposal exceed 5% but are less than 25%, the entering into of the Disposal Agreement constitutes a discloseable transaction of the Company, and hence is subject to the reporting and announcement requirements but is exempt from the Company's shareholders' approval 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:

“Board”	the board of Directors of the Company
“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
“Compensation Fees”	the compensation amount of RMB732,077,600 to be received by the Group for the Disposal
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of Land Use Right contemplated under the Disposal Agreement
“Disposal Agreement”	the State-owned Construction Land Use Right Resumption Agreement entered into by the Land Reserve Center and Wuhan Chenming on 28 April 2023, in relation to the Land Reserve Center's intention to withdraw the Land Use Right from Wuhan Chenming and pay the Compensation Fees to Wuhan Chenming
“Group”	the Company and its subsidiaries
“Hubei Puhua Lixin”	Hubei Puhua Lixin Certified Public Accountants Co., Ltd.
“Special Audit Report”	the Special Audit Report on Compensation of Land Acquisition and Reserve of Wuhan Chenming Hanyang Paper Co., Ltd. with E Puhua Lixin Shen Zi (2022) No. 105, issued by Hubei Puhua Lixin on 28 November 2022
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third party(ies) independent of the Company and its connected persons (as defined under the Listing Rules)
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

“PRC”	the People’s Republic of China, and for the purposes of this announcement, excluding Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Land Parcel”	the land parcel located at 20MA, Zhuankou Street, Wuhan Economic and Technological Development Zone, the PRC, with an aggregate area involved in the Land Use Right of 368,624.21 square meters
“Land Use Right”	the land use right of the Land Parcel
“Land Reserve Center”	Branch Center in Wuhan Economic and Technological Development Zone of Wuhan Land Consolidation Reserve Center
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Wuhan Chenming”	Wuhan Chenming Hanyang Paper Co., Ltd. (武漢晨鳴漢陽紙業股份有限公司), an indirect non-wholly owned subsidiary of the Company
“%”	percentage

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

Shandong, the PRC  
28 April 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*