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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)

ANNOUNCEMENT

- (1) PROPOSED NON-PUBLIC ISSUE OF A SHARES;**
(2) PROPOSED AMENDMENT OF ARTICLES OF ASSOCIATION;
AND
(3) SPECIFIC MANDATE

This announcement is made in accordance with Rule 13.09 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and Part XIVA of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong).

The board (the “Board”) of directors (the “Directors”) of Shandong Chenming Paper Holdings Limited* (the “Company”) is pleased to announce that, at the 11th extraordinary meeting of the seventh session of the Board held on 15 April 2016, it was resolved to approve the proposed non-public issue of A shares (the A Share(s)) (the “A Share Issue Proposal”) by the Company. The A Share Issue Proposal will be subject to shareholders’ approval by special resolutions at the 2016 second extraordinary general meeting of the Company (the “EGM”), the 2016 first class meeting for holders of domestic listed shares (A shares and B shares) and the 2016 first class meeting for holders of overseas listed shares (the “H Shares Class Meeting”, together with the aforesaid class meeting for holders of domestic listed shares, the “Class Meetings”) to be held on 31 May 2016, respectively. The notice of the EGM and the notice of the H Share Class Meeting will be despatched to the shareholders of the Company in accordance with the Listing Rules and the articles of association of the Company (the “Articles of Association”).

Proposed Non-Public Issue of A Shares

I. Target investors and their relationship with the Company

The target investors under the Non-Public Issue will be more than 6 but not more than 10 (inclusive) specific investors such as qualified securities investment fund management companies, securities firms, trust investment companies, financial companies, insurance institutional investors, qualified foreign institutional investors, other domestic legal person investors and natural persons, including Chenming Holdings, the controlling shareholder of the Company. A securities investment fund management company which subscribes for shares through 2 or more funds under its management shall be deemed as a single target investor. If the target investor is a trust investment company, its subscription can only be made using its self-owned funds. Upon receipt of approval in respect of the Non-Public Issue by the Company, based on the subscription price quoted by target investors and the principle of price priority, the final target investors will be determined by the Board under the authorisation granted at the general meeting. During the period from the date of the announcement of the Board resolutions to the completion of the Non-Public Issue, in the event of any adjustment made by regulatory authorities to the maximum number of target investors under the Non-Public Issue, the maximum number of target investors under the Non-Public Issue shall be adjusted to the maximum number as approved by regulatory authorities accordingly. In particular, as at 31 March 2016, Chenming Holdings directly held 293,003,657 A Shares of the issuer, representing 15.13% of the total share capital of the Company. Chenming Holdings also indirectly held 21,910,923 B shares and 79,200,000 H shares through its wholly-owned subsidiary, Chenming Holdings (HK) Limited, representing 5.22% of the total share capital of the Company. Hence, Chenming Holdings held 20.35% equity interests of the Company in aggregate, and was the controlling shareholder of the Company.

As there is no other target investor other than Chenming Holdings under the Non-Public Issue, the Company is unable to confirm the relationship of other target investors with the Company. The relationship of other target investors with the Company will be disclosed in the announcement on the issue report to be published upon the completion of the Non-Public Issue.

II. Summary of the proposal on non-public issue of A shares

i. *Class and nominal value of A Shares to be issued*

Domestic listed RMB ordinary shares (A Shares) with a nominal value of RMB1.00 each will be issued under the A Share Issue.

ii. *Method and timing of the issue of A Shares*

All the shares under the issue will be issued to specific targets by way of non-public issue in due course within the valid period as approved by the CSRC.

iii. *Issue price and the principle for pricing*

The price determination date for the Non-Public Issue will be the announcement date of the resolutions of the 11th extraordinary meeting of the seventh session of the Board (i.e. 15 April 2016, on which the price per share was RMB8.8). The issue price of the Non-Public Issue will be not less than the higher of 90% of the average trading price of the Company's A Shares for the 20 trading days prior to the price determination date (the average trading price of the A Shares for the 20 trading days prior to the price determination date = total trading amount of A Shares for the 20 trading days prior to the price determination date/total volume of A Shares for the 20 trading days prior to the price determination date) (i.e. RMB7.53 per share) or the net asset value per share attributable to ordinary shareholders under the latest audited accounts of the Company prior to the issue. Based on the aforesaid floor issue price, the issue price of the Non-Public Issue will be determined by way of book building. Upon receipt of approval from the CSRC in respect of the Non-Public Issue, the final issue price will be determined by the Board under the authorisation granted at the general meeting and the sponsor(s) through negotiation based on the subscription price quoted by target investors and the principle of price priority. Chenming Holdings will not participate in the auction process of the price determination of the Non-Public Issue. However, Chenming Holdings shall accept the auction result of the subscription of other target investors, and subscribe for A shares at the same price as other target investors.

In the event of any ex-right or ex-dividend events of the A Shares of the Company such as dividend distribution, scrip dividend distribution or capitalisation of capital reserve during the period from the price determination date to the issue date, the aforesaid floor issue price will be adjusted accordingly. The formula for the adjustment is set out below:

Assuming P0 as the floor issue price before adjustment, N as the number of shares distributed as scrip dividend or converted from the capital reserve per share, D as the dividend per share, and P1 as the adjusted floor issue price (rounded off to the nearest two decimal places), then:

Dividend distribution: $P1 = P0 - D$

Scrip dividend distribution or capitalisation of capital reserve: $P1 = P0 / (1 + N)$

Both: $P1 = (P0 - D) / (1 + N)$.

iv. *Issue size*

The number of A Shares to be issued under the Non-Public Issue shall not be more than 1,062,416,999 shares (inclusive). In particular, Chenming Holdings has undertaken that it will subscribe for the A Shares to be issued under the Non-Public Issue with not less than RMB2 billion (inclusive). Within the aforesaid scope, based on the actual subscription made, the actual number of A Shares to be issued will be determined by the Board under the authorisation granted at the general meeting and the sponsor(s) (the lead underwriter(s)) through negotiation upon receipt of approval from the CSRC in respect of the Non-Public Issue.

In the event of any ex-right or ex-dividend events of the A Shares of the Company such as dividend distribution, scrip dividend distribution or capitalisation of capital reserve during the period from the price determination date to the issue date, the number of A Shares to be issued under the Non-Public Issue shall be adjusted accordingly based on the total proceeds under the Non-Public Issue and the floor issue price after ex-right and ex-dividend event(s).

v. ***Target investors and method of subscription***

The target investors under the Non-Public Issue of A Shares will be not more than 10 (inclusive) specific investors such as qualified securities investment fund management companies, securities firms, trust investment companies, financial companies, insurance institutional investors, qualified foreign institutional investors, other domestic legal person investors and natural persons, including Chenming Holdings, the controlling shareholder of the Company. A securities investment fund management company which subscribes for A Shares through 2 or more funds under its management shall be deemed as a single target investor. If the target investor is a trust investment company, its subscription can only be made using its self-owned funds. In particular, Chenming Holdings has undertaken that it will subscribe for the A Shares to be issued under the Non-Public Issue with not less than RMB2 billion (inclusive). Upon receipt of approval in respect of the Non-Public Issue by the Company, based on the subscription price quoted by target investors and the principle of price priority, the final target investors other than the controlling shareholder, Chenming Holdings, will be determined by the Board under the authorisation granted at the general meeting. All target investors shall subscribe for A Shares to be issued under the Non-Public Issue at the same price in cash.

vi. ***Lock-up period***

The A Shares to be subscribed by Chenming Holdings under the Non-Public Issue must not be transferred within 36 months from the listing date of the new shares. The A Shares to be subscribed by other investors under the Non-Public Issue must not be transferred within 12 months from the listing date of the new shares.

vii. ***Place of listing of A Shares***

A Shares to be issued under the Non-Public Issue will be traded at Shenzhen Stock Exchange upon the expiration of the lock-up period.

viii. *Amount of Proceeds and their use*

The total proceeds under the Non-Public Issue of A Shares shall not be more than RMB8 billion (inclusive), and will be fully utilised for the following purposes after deducting issuance expenses:

Unit: RMB'0,000

No.	Project name	Total investment for the project	Proposed investment from the proceeds
1	The bleached sulfate chemical pulp project with annual production capacity of 400,000 tonne	411,026	370,000
2	Capital increase of Chenming Financial Leasing	1,100,000	330,000
3	Replenishment of working capital	—	<u>100,000</u>
	Total	<u>1,511,026</u>	<u>800,000</u>

In the event that the actual net proceeds under the Non-Public Issue are less than the proposed total investment from the proceeds as mentioned above, the Company will adjust and determine the proceeds for specific investment projects, their priority and the actual investment amount of various projects, and the shortfall will be funded by the self-owned funds of the Company or through other financing methods. Prior to receipt of the proceeds from the Non-Public Issue, the Company will make investment using its self-owned funds based on the actual progress of the projects, and substitute the proceeds in accordance with the relevant laws and regulations upon receipt of the proceeds.

ix. *The arrangement for accumulated undistributed profit before the completion of the issue*

Upon the completion of the Non-public Issue of A Shares, for the sake of the interests of the new shareholders as well as the existing shareholders, the accumulated undistributed profit before the issue will be distributed among

the new shareholders and the existing shareholders of the Company based on their shareholding percentage after the completion of the Non-public Issue of A Shares.

x. *The validity of the resolution in respect of the issue*

The resolution in respect of the Non-public Issue shall remain valid for 12 months from the date of the approval of the resolution in respect of the Non-public Issue of A Shares at the general meeting of the Company.

xi. *The conditions precedent and the effective date*

The conditional share subscription agreement was entered into on the date when the authorised representatives of both parties executed and sealed the agreement, i.e. 15 April 2016 and is subject to the fulfilment of all the following conditions. The effective date of the agreement will be the date of completion of the followings (whichever is the latest):

- (1) the effective approval of the Non-Public Issue by the Board and the general meeting of the Company;
- (2) the approval of the Non-Public Issue by the State-owned Assets Supervision and Administration Commission of Shandong Provincial Government;
- (3) the approval of the Non-Public Issue by the China Securities Regulatory Commission.

III. Any changes in control over the Company as a result of the A Share Issue

As at 31 March 2016, Chenming Holdings directly held 293,003,657 A Shares of the issuer, representing 15.13% of the total share capital of the Company. Chenming Holdings also indirectly held 21,910,923 B shares and 79,200,000 H shares through its wholly-owned subsidiary, Chenming Holdings (HK) Limited, representing 5.22% of the total share capital of the Company. Hence, Chenming Holdings held 20.35% equity interests of the Company in aggregate, and was the controlling shareholder of the Company. Chenming Holdings was established on 30 December 2005 with registered capital of RMB1.239 billion. Its legal representative is Chen Hongguo, and its scope of operation is investment in paper making, electricity, heat and arboriculture projects.

Jinxin Holdings is deemed as a controlling shareholder of Chenming Holdings by virtue of its 45.21% shareholdings in Chenming Holdings, and is wholly-owned by Shougang Office of State-Owned Asset Supervision and Management. Hence, Shougang Office of State-Owned Asset Supervision and Management is the beneficial controller of Chenming Holdings.

Base on the maximum number of A Shares to be issued under the Non-Public Issue of 1,062,416,999 shares, and the undertaking in respect of the subscription of A Shares to be issued under the Non-Public Issue with not less than RMB2 billion (inclusive) made by Chenming Holdings, upon the completion of the issue, Chenming Holdings will hold not less than 22.00% shares of the Company in aggregate. Its shareholding in the Company will further enhance, and remain as a controlling shareholder of the Company. Hence, there will not be any change in actual control over the Company as a result of the issue.

IV. Approvals from relevant regulatory authorities in respect of the issue proposal and the procedures of pending reports and approvals

The non-public issue proposal has been considered and approved at the 11th extraordinary meeting of the seventh session of the Board of the Company, and is subject to approval at general meeting of the Company, consent and approval from State-Owned Assets Supervision and Management Commission of Shandong Province and other regulatory authorities (if applicable), as well as approval from CSRC.

V. Reasons for the acquisition

The paper manufacturing industry is capital intensive. Recently, as the Company implemented its development strategies, its capital expenditure increased year after year along with its assets scale, which led to increasing funding needs. As at 31 December 2015, the gearing ratio of the Company as set out in the combined financial statement was at a relatively high level of 77.86%. In order to more effectively promote the steady, healthy and rapid development of the Company, it proposed to apply for the Non-Public Issue of A Shares, so as to invest in various projects and replenish working capital. The Non-Public Issue of A Shares will satisfy the capital requirements of the Company for project investment and general working capital. It will also enhance the financial strengths of the Company, lower the financial risks and improve its profitability, which in turn facilitate the continuous enhancement of profitability and the sustainable development of the Company. As a result, the Company will be able to bring better returns to investors.

Specific mandate

The Non-Public Issue of A Shares will be conducted in accordance with the specific mandate to allot, issue and deal with new shares, which is sought to be granted by the Directors by way of shareholders' resolution at the 2015 Annual General Meeting to be held on 17 May 2016.

Fundraising activities by the Company in the past 12 months

Save for the following fundraising activities, the Company did not carry out any equity fundraising activities during the past 12 months prior to the date of this announcement:

Date of announcement	Activity	Approximate net proceeds	Intended use of proceeds	Actual use of proceeds
24 March 2016	Issue of preference shares	RMB2.26 billion	Repayment of bank borrowings, other interest-bearing liabilities and replenishment of working capital.	Repayment of bank borrowings, other interest-bearing liabilities and replenishment of working capital.

Proposed Amendments to the Articles of Association

To comply with the applicable laws and regulations of the PRC with regard to the A Share Issue Proposal, the Company proposed to amend its Articles of Association.

Amendments to the Articles of Association will be subject to shareholders' approval at the EGM and the Class Meetings. The special resolution to consider and approve the amendments to the Articles of Association will be submitted to the EGM and the Class Meetings, respectively. The proposed amendments of the Articles of Association shall obtain required approval or endorsement from or register with the relevant regulatory authorities, and shall come into effect upon the approval by the CSRC and completion of the Preference Share Issue. All proposed amendments to the Articles of Association shall come into effect upon completion of the A Share Issue Proposal.

Details of the proposed amendments to the Articles of Association will be set out in the circular to be dispatched to the shareholders.

General

The EGM and the Class Meetings will be respectively convened on 31 May 2016 for the shareholders to approve, among other things, the A Share Issue Proposal and the proposed amendments to the Articles of Association.

A circular containing, among other things, the A Share Issue Proposal, the specific mandate and proposed amendments to the Articles of Association, will be dispatched to the shareholders in accordance with the Listing Rules as soon as practicable.

There is no assurance that the A Share Issue Proposal will be completed. Shareholders and potential investors should exercise caution when dealing in the H shares of the Company. The Company will disclose further details in respect of the A Share Issue Proposal completed in due course in accordance with the Listing Rules.

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

Shandong, PRC
18 April 2016

As at the date of this announcement, the executive Directors are Mr. Chen Hongguo, Mr. Yin Tongyuan, Mr. Li Feng, Mr. Geng Guanglin, Mr. Hou Huancai and Mr. Zhou Shaohua, the non-executive Directors are Mr. Wang Xiaoqun and Ms. Yang Guihua, and the independent non-executive Directors are Mr. Wang Aiguo, Mr. Zhang Zhiyuan, Ms. Zhang Hong and Ms. Pan Ailing.

* *For identification purposes only*