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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 “Shandong Chenming Paper Holdings Limited: Announcement on the Cooperation to Establish Changjiang Chenming Equity Investment Fund and Capital Increase of a Subsidiary” dated 23 December 2020 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, PRC
23 December 2020

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.

* *For identification purposes only*

Stock code:
000488 200488

Stock abbreviation:
Chenming Paper Chenming B

Announcement No.:
2020-108

Shandong Chenming Paper Holdings Limited

Announcement on the Cooperation to Establish Changjiang Chenming Equity Investment Fund and Capital Increase of a Subsidiary

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 External Investment

1. General information of the external investment

In order to further implement the development strategy of pulp and paper integration of Shandong Chenming Paper Holdings Limited* (the “Company” or “Chenming Paper”), fully capitalise on the advantages of Huanggang in fund guiding policies, resources and industry orientation, support the phase II project construction of Huanggang Chenming Pulp & Paper Co., Ltd.* (黃岡晨鳴漿紙有限公司) (“Huanggang Chenming”), expand and strengthen the principal activities of pulp production and paper making, and further enhance the Company’s core competitiveness and profitability, the Company established Hubei Huanggang Chenming Equity Investment Fund Management Co., Ltd.* (湖北黃岡晨鳴股權投資基金管理有限公司) (“Huanggang Chenming Fund Management Company”) in cooperation with Hubei Huanggang Changjiang Venture Capital Industrial Fund Management Co., Ltd.* (湖北黃岡長江創投產業基金管理有限公司) (“Changjiang Venture Capital Fund”) through Shandong Chenming Investment Limited* (山東晨鳴投資有限公司) (“Shandong Chenming Investment”), its wholly-owned subsidiary. At the same time, the Company proposed to initiate the establishment of Hubei Changjiang Chenming Huanggang Equity Investment Fund Partnership (Limited Partnership)* (湖北長江晨鳴黃岡股權投資基金合夥企業(有限合夥)) (“Changjiang Chenming Equity Investment Fund”) in cooperation with Hubei Changjiang (Huanggang) Industrial Investment Fund Partnership (Limited Partnership)* (湖北長江(黃岡)產業投資基金合夥企業(有限合夥)) (“Huanggang County Fund”) through Zhanjiang Chenming Pulp & Paper Co., Ltd.* (湛江晨鳴漿紙有限公司) (“Zhanjiang Chenming”) and Huanggang Chenming Fund Management Company, subsidiaries of the Company. In particular:

Huanggang Chenming Fund Management Company has registered capital of RMB3.00 million, including subscribed capital contribution of RMB1.80 million by Shandong Chenming Investment, and subscribed capital contribution of RMB1.20 million by Changjiang Venture Capital Fund.

Changjiang Chenming Equity Investment Fund has registered capital of RMB2,001.00 million, including subscribed capital contribution of RMB1.00 million by Huanggang Chenming Fund Management Company as a general partner, subscribed capital contribution of RMB1,200.00 million by Zhanjiang Chenming as a limited partner, and subscribed capital contribution of RMB800.00 million by Huanggang County Fund as a limited partner.

Changjiang Chenming Equity Investment Fund proposed to increase the capital of Huanggang Chenming by up to RMB2,000.00 million by way of subscribed capital contribution. The Company and CDB Development Fund Co., Ltd.* (國開發展基金有限公司) waived the first right of refusal to subscribe shares under the capital increase. In addition, upon receipt of the above funds, Huanggang Chenming shall proceed with the capital increase of up to RMB2,000.00 million of Huanggang Chenming Paper Technology Co., Ltd.* (黃岡晨鳴紙業科技有限公司) (“Huanggang Technology”), its wholly-owned subsidiary, for the phase II project construction of Huanggang Chenming.

2. Consideration at the meeting

The sixteenth extraordinary meeting of the ninth session of the Board of the Company was

convened by means of communication on 23 December 2020. 9 Directors were entitled to be present at the meeting and 9 Directors attended the meeting. The Resolution on the Cooperation to Establish Changjiang Chenming Equity Investment Fund and the Capital Increase of a Subsidiary was considered and approved at the meeting with 9 votes for, 0 vote against and 0 vote abstained from the resolution. At the same time, the cooperation to establish Huanggang Chenming Fund Management Company was considered and approved by the chairman with his scope of approving authority.

The external investment and capital increase do not involve any related party transaction, nor do they constitute material asset reorganisation. In accordance with relevant regulations such as the Rules Governing Listing of Stocks on Shenzhen Stock Exchange, the Guidelines of the Shenzhen Stock Exchange for Standardised Operation of Listed Companies and the Articles of Association, the subject matter does not need to be submitted to the Board for consideration.

II. General Information of Each Party to the Partnership Agreement

(i) Partner for the cooperation to establish Huanggang Chenming Fund Management Company

1. Hubei Huanggang Changjiang Venture Capital Industrial Fund Management Co., Ltd.*

Legal representative: Xiong Chunming

Registered address: Special No. 1, Gaoxin Avenue, Huangzhou District, Huanggang

Date of establishment: 13 April 2017

Corporate type: Other limited liability company

Registered capital: RMB10.00 million

Business scope: Management or entrusted management of equity investment and relevant consultation services (may not engage in financial businesses involving acceptance of public deposits, acceptance of public deposits in disguised form or granting loans).

Shareholding and controlling relationship: Held by Huanggang Rongchuang Construction Investment Co., Ltd.* (黃岡融創建設投資有限公司) and Hubei Yangtze River Economic Zone Industrial Fund Management Co., Ltd.* (湖北省長江經濟帶產業基金管理有限公司) as to 51% and 49%, respectively.

Registration status: Changjiang Venture Capital Fund has been registered with the Asset Management Association of China* (中國證券投資基金業協會) as a private equity fund manager, with its manager registration code being P1070562, and is not a dishonest person subject to enforcement.

Related party relationship or other interests:

Changjiang Venture Capital Fund does not have any related party relationship or interest arrangement with the Company or its controlling shareholder, actual controller, shareholders holding more than 5% equity interest, Directors, supervisors and senior management, nor does it directly or indirectly hold any shares of the Company.

(ii) Partners for the cooperation to establish Changjiang Chenming Equity Investment Fund

1. General partner: Hubei Huanggang Chenming Equity Investment Fund Management Co., Ltd.*

Registered address: Liufuwan Village, Donghu Office, Huangzhou District, Huanggang

Date of establishment: 11 December 2020

Corporate type: Other limited liability company

Registered capital: RMB3.00 million

Business scope: General projects: Management or entrusted management of equity investment and relevant consultation services (may not engage in financial businesses involving acceptance of public deposits, acceptance of public deposits in disguised form or granting loans).

Shareholding and controlling relationship: Held by Shandong Chenming Investment, a wholly-owned subsidiary of the Company, and Changjiang Venture Capital Fund as to 60% and 40%, respectively.

Huanggang Chenming Fund Management Company is a dishonest person subject to enforcement.

2. Limited partner: Zhanjiang Chenming Pulp & Paper Co., Ltd.*

Registered address: Level 6, Taihua Building, 42 Renmin Avenue, Zhanjiang

Date of establishment: 23 January 2006

Corporate type: Other limited liability company

Registered capital: RMB5,550.00 million

Business scope: Soil improvement, forestry research, construction of raw material forest base, timber management and purchase; production and sales of autoclaved aerated brick; implementation, management and operation of pulp mill construction; manufacturing, production, processing and sales of pulp and related products; design, development, construction, operation and maintenance of thermal power plants and other auxiliary facilities, and sales of other auxiliary products, mechanical equipment and chemical products; production of hazardous chemicals; cargo storage; cargo freight; import and export of goods and technology.

Shareholding and controlling relationship: Held by the Company and CDB Development Fund Co., Ltd. as to 91.08% and 8.92%, respectively.

Zhanjiang Chenming is not a dishonest person subject to enforcement.

3. Limited partner: Hubei Changjiang (Huanggang) Industrial Investment Fund Partnership (Limited Partnership)*

Registered address: Special No. 1, Gaoxin Avenue, Huangzhou District, Huanggang

Date of establishment: 31 December 2019

Corporate type: Limited partnership

Business scope: Equity investment, investment management and investment consultation services.

Shareholding and controlling relationship: Huanggang Dabie Mountain Revitalisation and Development Industry Guidance Fund Partnership (Limited Partnership)* (黃岡市大別山振興發展產業引導基金合夥企業 (有限合夥)), Hubei Yangtze River Economic Belt Industry Guidance Fund Partnership (Limited Partnership)* (湖北省長江經濟帶產業引導基金合夥企業 (有限合夥)) and Hubei Huanggang Changjiang Venture Capital Industrial Fund Management Co., Ltd.* are partners.

Related party relationship with the Company: The Company does not have any related party relationship with Huanggang County Fund and there are no other interest relationships.

Huanggang County Fund is not a dishonest person subject to enforcement.

III. General Information of the Investment Fund

1. Name of the partnership: Hubei Changjiang Chenming Huanggang Equity Investment Fund Partnership (Limited Partnership)*

Fund size: RMB2,001.00 million

Registered address: Liufuwan Village, Donghu Office, Huangzhou District, Huanggang

Business scope: Equity investment, investment management and investment consulting services.

Capital contribution method: Contribution in cash, and the specific subscribed capital contribution amount as follows:

Name of partner	Type	Subscribed capital contribution (RMB0'000)	Subscription ratio (%)
Hubei Huanggang Chenming Equity Investment Fund Management Co., Ltd.*	General partner	100	0.05%
Zhanjiang Chenming Pulp & Paper Co., Ltd.*	General partner	120,000	59.97%
Hubei Changjiang (Huanggang) Industrial Investment Fund Partnership (Limited Partnership)*	General partner	80,000	39.98%
Total	-	200,100	100%

None of the Company's controlling shareholder, actual controller, shareholders holding more than 5% equity interest, Directors, supervisors or senior management participated in the investment fund share subscription, or held office in the investment fund. The external investment does not constitute horizontal competition.

As Huanggang Chenming Fund Management Company as a general partner has not filed with the Asset Management Association of China* for registration as a private equity fund manager, all partners have given their unanimous consent to entrust Changjiang Venture Capital Fund with the task of being the manager of Changjiang Chenming Equity Investment Fund. Upon the filing of Huanggang Chenming Fund Management Company for registration as a private equity fund manager, Huanggang Chenming Fund Management Company will become the manager of Changjiang Chenming Equity Investment Fund.

IV. General Information of the Target under the Capital Increase

1. Huanggang Chenming Pulp & Paper Co., Ltd.*

Legal representative: Zhang Jinyu

Registered address: Special No. 1, Yanjiang Avenue, Huangzhou District, Huanggang

Date of establishment: 26 September 2008

Corporate type: Other limited liability company

Registered capital: RMB2,350.00 million

Business scope: Construction of raw material forest base and timber business acquisition; pulp and related product project construction; goods import and export business (excluding import and export of goods or technology prohibited and restricted by the State); construction, operation and management of biomass power generation and cogeneration projects; manufacture and sales of viscose fibre and spinning and supporting chemicals (excluding flammable, explosive, toxic, harmful and dangerous chemicals); and general cargo transportation.

Shareholding structure:

Unit: RMB0'000

Name of shareholder	Before the capital increase		After the capital increase	
	Registered capital	Shareholding	Registered capital	Shareholding
Shandong Chenming Paper Holdings Limited*	230,000	97.87%	230,000	52.87%
CDB Development Fund Co., Ltd.*	5,000	2.13%	5,000	1.15%
Hubei Changjiang Chenming Huanggang Equity Investment Fund Partnership (Limited Partnership)*			200,000	45.98%
Total	235,000	100%	435,000	100%

Major financial data:

Unit: RMB0'000

Item	31 December 2019	31 October 2020
Total assets	780,202.65	713,893.99
Total liabilities	566,902.79	501,287.35
Total owners' equity	213,299.85	212,606.64
Item	2019	January – October 2020
Operating revenue	13,484.40	125,463.22
Operating profit	-14,685.49	-702.26
Net profit	-14,642.34	-693.21

Note: the financial data for 2019 is audited, and the financial data for January – October 2020 is unaudited.

Huanggang Chenming is not a dishonest person subject to enforcement.

2. Huanggang Chenming Paper Technology Co., Ltd.*

Legal representative: Zhang Jinyu

Registered address: Special No. 1, Yanjiang Avenue, Huangzhou District, Huanggang, Hubei

Date of establishment: 7 January 2020

Corporate type: Limited liability company

Registered capital: RMB20.00 million

Business scope: R&D, production, processing and sales of paper products; sales of pulp and related products; goods and technology import and export business (excluding goods and technology prohibited and restricted by the State).

Shareholding structure: Huanggang Chenming proposed to proceed with the capital increase of up to RMB2,000.00 million of Huanggang Technology with its owned funds. Upon completion of the capital increase, Huanggang Chenming, a subsidiary of the Company, will still hold 100% equity interest in Huanggang Technology.

Major financial data: As at the date of announcement, Huanggang Technology did not have any paid-in registered capital or commence its operations. There was no relevant financial data.

Huanggang Technology is not a dishonest person subject to enforcement.

V. Major Terms of the Signed Agreements

(i) Major terms of the articles of association of Huanggang Chenming Fund Management Company

1. Company name: Hubei Huanggang Chenming Equity Investment Fund Management Co., Ltd.*

2. Business scope:

General projects: Management or entrusted management of equity investment and relevant consultation services (may not engage in financial businesses involving acceptance of public deposits, acceptance of public deposits in disguised form or granting loans).

3. Term of operation: Long-term, commencing from the date of issue of the corporate business licence.

4. Registered capital and capital contribution:

The registered capital is RMB3.00 million, which was contributed in cash, including subscribed capital contribution of RMB1.20 million by Changjiang Venture Capital Fund, with 40% shareholding; and subscribed capital contribution of RMB1.80 million by Shandong Chenming Investment, with 60% shareholding.

5. Corporate governance structure

(1) The company shall convene general meetings, the responsibilities of which have been specified in the articles of association.

(2) The company shall establish a board of directors comprising three directors, including 1 director candidate nominated by Changjiang Venture Capital Fund and 2 director candidates nominated by Shandong Chenming Investment. The chairman of the board of directors shall be assumed by a director nominated by Shandong Chenming Investment.

(3) The company shall not establish a supervisory committee, but shall have a supervisor appointed by Shandong Chenming Investment.

(4) Operation and management. The company shall have a general manager, a financial controller, a risk controller and several deputy general managers. Changjiang Venture Capital Fund shall make a recommendation for the appointment of a financial controller, and have the right to make a recommendation for the appointment of a deputy general manager, while Shandong Chenming Investment shall make recommendations for the appointment of other

members of the senior management.

6. As agreed upon under the partnership agreements for its funds under management, the company shall establish a separate investment committee for each fund, which shall be responsible for the consideration and decision-making of all external investment projects under the fund.

(ii) Partnership Agreement on the establishment of Changjiang Chenming Equity Investment Fund

1. Parties to the agreement

General partner: Hubei Huanggang Chenming Equity Investment Fund Management Co., Ltd.*

Limited partner LP1: Hubei Changjiang (Huanggang) Industrial Investment Fund Partnership (Limited Partnership)*

Limited partner LP2: Zhanjiang Chenming Pulp & Paper Co., Ltd.*

2. Name of partnership: Hubei Changjiang Chenming Huanggang Equity Investment Fund Partnership (Limited Partnership)*

3. Term of partnership and operation

The term of operating of this partnership is 5 years, subject to automatic extension upon maturity. The partnership may be liquidated with the unanimous consent of all partners.

4. Management fee

0.5%/annum of the paid-in capital is payable during the investment period, while 0.5%/annum of the investment principal in the paid-in capital that has been used for project investment but not withdrawn is payable during the withdrawal period.

5. Subscribed capital contribution

A total subscribed capital contribution of RMB2,001.00 million shall be made by the partners of the partnership, including RMB1.00 million by Huanggang Chenming Fund Management Company as a general partner, RMB1,200.00 million by Zhanjiang Chenming as a limited partner and RMB800.00 million by Huanggang County Fund as a limited partner. The contribution shall be made in cash by all partners.

6. Principles of profit distribution

Unless otherwise agreed, the partnership shall distribute its distributable cash in accordance with the following principles and priority:

First, distribution shall be made to each limited partner in accordance with the paid-up capital contribution proportion until it recovers all its paid-up capital contribution to the partnership as of the date of such distribution (exclusive); if there is any remaining amount, distribution shall be made to the general partner until it recovers all its paid-up capital contribution to the partnership as of the date of such distribution (exclusive); if there is any remaining amount, distribution shall be made to all partners until they recover a 6% annualised return on all its paid-up capital contribution to the partnership as of the date of such distribution (exclusive); for the remaining amount as the surplus gain, the general partner shall be entitled to 20% of the surplus gain as performance compensation, and 80% of the surplus gain shall be distributed among the limited partners according to the proportion of their paid-up capital contribution.

7. Share of loss

For the share of loss of the partnership, all parties unanimously agreed to assume the loss in the following ways:

First, the general partner makes up for the loss with its paid-up capital contribution. Then, the limited partner LP2 makes up for the loss with its paid-up capital contribution. Finally, the limited partner LP1 assumes the loss according to its paid-up capital contribution. However, LP1 shall not be required to return any distribution received from the partnership to the partnership.

8. Effectiveness of the agreement

This agreement initially becomes legally binding on the signatories from the date when the parties sign it.

(iii) The Capital Increase Agreement to be entered into

1. Parties to the agreement

Party A: Hubei Changjiang Chenming Huanggang Equity Investment Fund Partnership (Limited Partnership)*

Party B: Shandong Chenming Paper Holdings Limited*

Party C: Huanggang Chenming Pulp & Paper Co., Ltd.*

2. Subscription under the capital increase

The increase in the registered capital of Party C shall be subscribed by Party A in cash. Party A shall subscribe the increase in the registered capital of the company at a total investment price of up to RMB2,000.00 million. This round of investment amount subscribed by Party A will be divided into two stages.

3. Use of investment amount

The parties agreed that Party A's investment amount shall only be used by Party C for the phase II project construction of Huanggang Chenming.

4. Corporate governance

Each party have agreed and undertaken that upon completion of the capital increase, Party C shall establish a board of directors and a supervisory committee during Party A's shareholding period. The board of directors shall comprise three members, and Party A shall have the right to appoint a director of Party C (Huanggang County Fund's representative). The supervisory committee shall comprise three members, and Party A shall have the right to appoint a supervisor of Party C (Huanggang County Fund's representative). Party B shall agree Party A's representatives as a director and a supervisor of Party C.

5. Shareholders' rights

Party A enjoys all shareholders' rights and assumes corresponding shareholders' obligations in accordance with the law, this agreement and the articles of association. The undistributed profit for the previous years before this investment shall be shared by both new and old shareholders in accordance with the actual proportion of their capital contribution at the time of distribution.

6. Restrictions on equity transfer

From entering into of this agreement to withdrawal of Party A in its entirety, without Party A's written consent, Party B shall not sell, transfer, mortgage, gift or otherwise reduce its direct or indirect holding in Party C's equity interest, and set any encumbrance on such equity interest.

7. Effectiveness of the agreement

This agreement is established and becomes effective after it is affixed with the official seal of the parties or the special seal of the contract and signed by the legal representatives or authorised representatives of the parties.

VI. Opinions of the Board and the Independent Directors

Opinions of the Board:

The capital increase of Huanggang Chenming by Changjiang Chenming Equity Investment Fund to support the phase II project construction of Huanggang Chenming fully reflects the high recognition of the Company's strategic layout of pulp and paper integration by the Hubei Provincial Government and the Huanggang Municipal Government, which will help the Company expand and enhance the principal activities of pulp production and paper making, and improve the Company's overall capital strength and core competitiveness. At the same time, the capital increase may further reduce the Company's gearing ratio and optimise its capital structure. Based on the operations of Huanggang Chenming and the overall strategic considerations of the Company, the Board agreed the Company to waive its first right of refusal to subscribe to make capital contribution to Huanggang Chenming.

Opinions of independent Directors:

Huanggang Chenming, a subsidiary of the Company, proposed to introduce Changjiang Chenming Equity Investment Fund to increase its capital and shares, and the funds from the

capital increase will be used for the phase II project construction of Huanggang Chenming, which will help the Company expand and enhance the principal activities of pulp production and paper making, and improve the Company's core competitiveness. The Company waived its corresponding first right of refusal to subscribe to make capital contribution under the capital increase. After the capital and share increase, Huanggang Chenming remains a majority-owned subsidiary of the Company and will not affect the Company's normal operations. The consideration and voting procedures of the Board for Huanggang Chenming's introduction of Changjiang Chenming Equity Investment Fund and the Company's waiver of its first right of refusal to subscribe to make capital contribution are in compliance with the Company Law, the Rules Governing Listing of Stocks on Shenzhen Stock Exchange, the Articles of Association and other relevant laws and regulations, and it is not detrimental to the interests of the Company or its shareholders, particularly the minority shareholders.

VII. Purpose of the Transaction and the Impact on the Company

The participation in the cooperation to establish Changjiang Chenming Equity Investment Fund and the capital increase of Huanggang Chenming supports the phase II project construction of Huanggang Chenming, which fully reflects the high recognition of the Company's strategic layout of pulp and paper integration by the Hubei Provincial Government and the Huanggang Municipal Government and their confidence in the Company's future development. The completion of the capital increase of Huanggang Chenming by Changjiang Chenming Equity Investment Fund is conducive to the optimisation of the debt structure of the subsidiary, which reduces the Company's gearing ratio. In addition, it will effectively enhance the subsidiary's capital strength, help the Company expand and enhance the principal activities of pulp production and paper making, promoting the Company's high quality development, improve the Company's overall profitability and core competitiveness, and promote corporate health and steady development.

Upon completion of the capital increase of Huanggang Chenming by Changjiang Chenming Equity Investment Fund, Huanggang Chenming will remain to be a majority-owned subsidiary of the Company. Upon completion of the capital increase of Huanggang Technology, a wholly-owned subsidiary, by Huanggang Chenming, there will be no change in the shareholding ratio. The transaction will not result in the loss of control of the Company over Huanggang Chenming and Huanggang Technology, and have no material adverse impact on the Company's financial position or operating results, nor will it be detrimental to the interests of the Company or its shareholders, particularly the minority shareholders.

VIII. Documents Available for Inspection

1. Resolutions of the sixteenth extraordinary meeting of the ninth session of the Board of the Company;

2. Independent opinions of independent Directors on the capital increase of a subsidiary by Changjiang Chenming Equity Investment Fund;

3. The Partnership Agreement.

Notice is hereby given.

The Board of Shandong Chenming Paper Holdings Limited
23 December 2020

** For identification purposes only*