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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)

DISCLOSABLE TRANSACTION

**ENTERING INTO OF LIMITED PARTNERSHIP AGREEMENT FOR
THE ESTABLISHMENT OF INVESTMENT FUND**

The Board is pleased to announce that, on 6 March 2019, the Company (as a limited partner) has entered into the Limited Partnership Agreement with Chenming Asset Management (as the general partner), Hengxin Capital (as a limited partner), Weifang Financial Holding (as a limited partner) and Shouguang Jintou (as a limited partner) for the establishment of the Investment Fund.

The Investment Fund will focus on investments in new materials for papermaking, with all investments to be made in sub-funds. Capital of the Investment Fund will be fully targeted to the investments in subsidiaries of the Company and the sub-funds as invested and established by subsidiaries of the Company.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios, as defined under Rule 14.07 of the Listing Rules, in respect of the Limited Partnership Agreement exceed 5% but less than 25%, the entering into of the Limited Partnership Agreement constitutes a disclosable transaction of the Company and is subject to the reporting and announcement requirements but exempt from shareholders' approval under Chapter 14 of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that, on 6 March 2019, the Company (as a limited partner) has entered into the Limited Partnership Agreement with Chenming Asset Management (as the general partner), Hengxin Capital (as a limited partner), Weifang Financial Holding (as a limited partner) and Shouguang Jintou (as a limited partner) for the establishment of the Investment Fund.

LIMITED PARTNERSHIP AGREEMENT

The principal terms of the Limited Partnership Agreement are set out as follows:

Date 6 March 2019 (after trading hours)

Parties the Company, as a limited partner

 Chenming Asset Management, as the general partner

 Hengxin Capital, as a limited partner

 Weifang Financial Holding, as a limited partner

 Shouguang Jintou, as a limited partner

The Company directly holds 20% equity interest in Chenming Asset Management. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the remaining shareholders of Chenming Asset Management, Hengxin Capital, Weifang Financial Holding, Shouguang Jintou and their respective ultimate beneficial owners are independent third party.

SCOPE OF OPERATION AND TERM OF THE INVESTMENT FUND

The Investment Fund will focus on investments in new materials for papermaking, with all investments to be made in sub-funds. Capital of the Investment Fund will be fully targeted to the investments in subsidiaries of the Company and the sub-funds as invested and established by subsidiaries of the Company. The capital to be utilised by the Investment Fund and sub-funds for investments in Weifang shall not be less than 40% of their respective total capital contribution.

The establishment of the Investment Fund aims to engage in investment activities as permitted by laws, with focus on supporting the implementation of major works on the replacement of old growth drivers with the new ones in Weifang, protecting the legitimate rights of all partners, as well as earning investment gains through equity investment or other investment method.

The operating term would be the valid term of the Investment Fund, which is tentatively seven years from the date of establishment of the Investment Fund, with the first five years being the investment term. If all partners unanimously agree to extend the operating term within six months prior to its expiry, such extension should be reported to the decision-making committee of the Investment Fund, and the operating term of the Investment Fund can be extended upon approval. Upon extension, the operation term will be extended for another one year, subject to a maximum of twice extension. For the sub-fund to be invested by the Investment Fund, the expiry of operating term of sub-fund shall not later than that of the Investment Fund under normal circumstances.

CAPITAL CONTRIBUTION

The total capital contribution to be made by all partners would be RMB1 billion, which will be fully paid in cash. All capital contribution must be made before 22 February 2026. Capital contribution to be made by each partner is set out below:

Name of partner	Type	Method	Amount (RMB'0,000)	Proportion
Chenming Asset Management	General partner	Cash	1,000	1%
Hengxin Capital	Limited partner	Cash	10,000	10%
The Company	Limited partner	Cash	79,000	79%
Weifang Financial Holding	Limited partner	Cash	5,000	5%
Shouguang Jintou	Limited partner	Cash	5,000	5%
Total			100,000	100%

The Group intends to make capital contribution by utilising its internal cash.

MANAGEMENT OF THE INVESTMENT FUND

Chenming Asset Management manages the Investment Fund as the general partner of the Investment Fund.

Chenming Asset Management will handle and execute external matters in relation to the partnership on behalf of the Investment Fund, while other limited partners shall not handle matters in relation to the partnership. Pursuant to the agreements made under the Limited Partnership Agreement, Chenming Asset Management is entitled to the rights on the management, control, operation and decision-making over the Investment Fund, its investments and other activities. Such rights are exercisable directly by Chenming Asset Management or through its authorised representatives.

During the investment term of the Investment Fund, the annual management fee would be 0.5% of the paid-in capital of the Investment Fund.

Chenming Asset Management will establish an investment decision committee for the Investment Fund, which is comprised of 5 members with the candidates to be determined by Chenming Asset Management.

DISTRIBUTION

Each partner shall be entitled to gains of the Investment Fund as calculated according to their respective proportion in paid-in capital contribution made, unless otherwise especially agreed between all partners.

The distribution of distributable surplus of the Investment Fund shall follow the principle of making profit distribution only upon payback is achieved, with priority in making distribution to limited partners over the general partner.

OPERATING LOSSES AND LIABILITY OBLIGATIONS

If the Investment Fund incurs losses as a result of failure in due diligent performance of management duties by Chenming Asset Management in accordance with the Limited Partnership Agreement, Chenming Asset Management shall share such losses and bear the liability for compensation.

Apart from as a result of the factors, in the event that the Investment Fund incurs losses upon its settlement, the general partner shall firstly bear losses according to its capital contribution to the Investment Fund. The remaining losses shall be borne by other limited partners according to their respective capital contribution to the Investment Fund. Any loss exceeding the total capital contribution of the Investment Fund shall be borne by the general partner.

External lending is prohibited for the Investment Fund.

The aforementioned liabilities of the Investment Fund shall be initially repaid by the properties of the Investment Fund.

TRANSFER RESTRICTIONS

During the valid term of the Investment Fund, the general partner must not transfer all or part of its share in the Investment Fund to any third party unless otherwise unanimously agreed by all partners.

If a limited partner chooses to transfer its share in the Investment Fund, other partners shall have the pre-emptive right under same condition. If two or more partners would like to exercise the pre-emptive right, their respective subscription proportion shall be determined through negotiation. If parties involved fail to reach agreement upon negotiation, the pre-emptive right shall be exercisable according to the proportion of capital contribution. If none of the partners is willing to accept the transfer offer, such share shall be transferred to other third party in accordance with the Limited Partnership Agreement.

REASON FOR AND BENEFIT OF ENTERING INTO THE LIMITED PARTNERSHIP AGREEMENT

In proactive response to the deployment of the replacement of old growth drivers with the new ones in Weifang, the Company initiates the establishment of the Investment Fund, as the parent fund, through cooperation. In the future, the Investment Fund will target on the investments in subsidiaries of the Company and the sub-funds as invested and established by subsidiaries of the Company. With investments gradually made by the parent fund and the sub-funds, the Company's capability in making layout and consolidating the industry chain in papermaking industry will be further enhanced. In addition, the capital strength of subsidiaries of the Company will also be enhanced with improved liability structure, thus lowering the gearing ratio of the Company, improving its sustainable profitability, as well as promoting healthy, stable corporate development.

The Board, including all independent non-executive Directors, is of the opinion that the terms of the Limited Partnership Agreement and the establishment of the Investment Fund are fair and reasonable, on normal commercial terms or better and in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE GROUP AND THE PARTIES TO THE LIMITED PARTNERSHIP AGREEMENT

The Group is primarily engaged in production and sale of paper products.

Chenming Asset Management is a limited liability company established under the PRC laws, which is directly held by the Company as to 20%. It is primarily engaged in asset management, as well as external investment and management using self-owned funds.

Hengxin Capital is a limited liability company established under the PRC laws. Its business scope includes: entrusted management of equity investments, and equity investment management and relevant consultation (prohibited from engaging in deposit acceptance, granting financial guarantees, entrusted wealth management and other financial activities without approval by financial regulatory department, and for projects subject to approval in accordance with laws, operating activities can only be conducted upon approval by relevant department).

Weifang Financial Holding is a limited liability company established under the PRC laws. Its business scope includes making project investments using self-owned assets, and operation of state-owned assets within the authorisation as granted by municipal government.

Shouguang Jintou is a limited liability company established under the PRC laws. Its business scope includes making external investments using self-owned funds.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios, as defined under Rule 14.07 of the Listing Rules, in respect of the Limited Partnership Agreement exceed 5% but less than 25%, the entering into of the Limited Partnership Agreement constitutes a disclosable transaction of the Company and is subject to the reporting and announcement requirements but exempt from shareholders' approval 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
“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, and one of the limited partners under the Limited Partnership Agreement
“Director(s)”	the director(s) of the Company, including independent non-executive Director(s)
“Limited Partnership Agreement”	the limited partnership agreement dated 6 March 2019 entered into between the Company (as a limited partner), Chenming Asset Management (as the general partner), Hengxin Capital (as a limited partner), Weifang Financial Holding (as a limited partner) and Shouguang Jintou (as a limited partner) for the establishment of the Investment Fund
“Group”	the Company and its subsidiaries
“Chenming Asset Management”	Chenming (Qingdao) Asset Management Co., Ltd. (晨鳴(青島)資產管理有限公司), a limited liability company established under the PRC laws, and the general partner under the Limited Partnership Agreement
“Hengxin Capital”	Weifang Hengxin Capital Management Co., Ltd. (濰坊恒新資本管理有限公司), a limited liability company established under the PRC laws, and one of the limited partners under the Limited Partnership Agreement
“Weifang Financial Holding”	Weifang Financial Holding Group Co., Ltd. (濰坊市金融控股集團有限公司), a limited liability company established under the PRC laws, and one of the limited partners under the Limited Partnership Agreement

“Shouguang Jintou”	Shouguang Jintou Asset Management Co., Ltd. (壽光市金投資產管理有限公司), a limited liability company established under the PRC laws, and one of the limited partners under the Limited Partnership Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China, which, for the purpose of this announcement, excludes the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

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

Shandong, PRC
6 March 2019

As at the date of this announcement, the executive Directors are Mr. Chen Hongguo, Mr. Li Feng, Mr. Geng Guanglin, Mr. Hu Changqing and Mr. Chen Gang; the non-executive Directors are Ms. Yang Guihua and Ms. Zhang Hong and the independent non-executive Directors are Ms. Pan Ailing, Ms. Wang Fengrong, Mr. Huang Lei and Ms. Liang Fu.

* *For identification purposes only*