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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
INTRODUCTION OF INVESTORS TO CONTRIBUTE CAPITAL TO
SHOUGUANG MEILUN AND DEEMED DISPOSAL

CURRENT CAPITAL CONTRIBUTION AND PREVIOUS CAPITAL CONTRIBUTION

On 25 June 2021, the Company, Chenrong Fund, Dongxing Investment, Previous Investor, Current Investor I, Current Investor II and Shouguang Meilun entered into the Current Capital Contribution Agreement, pursuant to which, each of Current Investor I and Current Investor II agrees to inject capital in an aggregate amount of RMB1,600,000,000 to Shouguang Meilun pursuant to the terms and conditions under the Current Capital Contribution Agreement.

Reference is made to the Overseas Regulatory Announcement dated 29 September 2020 of the Company. On 29 September 2020, the Company, Chenrong Fund, Dongxing Investment, Previous Investor and Shouguang Meilun entered into the Previous Capital Contribution Agreement, pursuant to which, the Previous Investor agrees to inject capital in an aggregate amount of RMB900,000,000 to Shouguang Meilun pursuant to the terms and conditions under the Previous Capital Contribution Agreement.

Upon the completion of the Previous Capital Contribution and the Current Capital Contribution, Shouguang Meilun will continue to be the subsidiary of the Company, and the Company will continue to have actual control over Shouguang Meilun.

LISTING RULES IMPLICATION

After the completion of the Previous Capital Contribution and the Current Capital Contribution, the Company's equity interest in Shouguang Meilun will be diluted. Therefore, the Previous Capital Contribution and the Current Capital Contribution constitute deemed disposals of the Company under Chapter 14 of the Listing Rules. Since the maximum applicable ratio of the Previous Capital Contribution is less than 5%, the Previous Capital Contribution does not constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules, and it is therefore not subject to relevant reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As the Previous Capital Contribution and the Current Capital Contribution were performed within 12 months, under Rule 14.22 of the Listing Rules, the Current Capital Contribution shall be aggregated with the Previous Capital Contribution. As the maximum applicable ratio of the Current Capital Contribution (aggregated with the Previous Capital Contribution) exceeds 5% but is less than 25%, the Current Capital Contribution constitutes a discloseable transaction of the Company and shall be subject to relevant reporting and announcement requirements, but is exempted from shareholders' approval requirements under Chapter 14 of the Listing Rules.

1. INTRODUCTION

On 25 June 2021, the Company, Chenrong Fund, Dongxing Investment, Previous Investor, Current Investor I, Current Investor II and Shouguang Meilun entered into the Current Capital Contribution Agreement, pursuant to which, each of Current Investor I and Current Investor II agrees to inject capital in an aggregate amount of RMB1,600,000,000 to Shouguang Meilun pursuant to the terms and conditions under the Current Capital Contribution Agreement.

Reference is made to the Overseas Regulatory Announcement dated 29 September 2020 of the Company. On 29 September 2020, the Company, Chenrong Fund, Dongxing Investment, Previous Investor and Shouguang Meilun entered into the Previous Capital Contribution Agreement, pursuant to which, the Previous Investor agrees to inject capital in an aggregate amount of RMB900,000,000 to Shouguang Meilun pursuant to the terms and conditions under the Previous Capital Contribution Agreement.

Upon the completion of the Previous Capital Contribution and the Current Capital Contribution, Shouguang Meilun will continue to be the subsidiary of the Company, and the Company will continue to have actual control over Shouguang Meilun.

2. CURRENT CAPITAL CONTRIBUTION AGREEMENT

The major terms of the Current Capital Contribution Agreement are summarized as follows:

Date : 25 June 2021

Parties : (1) The Company
(2) Chenrong Fund
(3) Dongxing Investment
(4) Previous Investor
(5) Current Investor I
(6) Current Investor II
(7) Shouguang Meilun

Consideration : The consideration of the Current Capital Contribution was determined based on the asset valuation result of Shouguang Meilun. The asset valuation result of Shouguang Meilun was based on the asset valuation result of the Value of All Shareholders' Equity Interests Involved in the Proposed Introduction of Strategic Investors by Shouguang Meilun Paper Co., Ltd. (No.: Kai Yuan Ping Bao Zi [2021] No. 403) ("**Asset Valuation Report**") filed by CAREA Assets Appraisal Co., Ltd..

Based on the Asset Valuation Report, the net asset of Shouguang Meilun on the valuation base date (being 31 December 2020) was RMB6.5 billion. Considering that the investment funds by the Previous Investor were in place in March 2021, the value of all shareholders' equity involved in the Current Capital Contribution is RMB7.4 billion, which corresponds to the registered capital of RMB3,947,526,316.

In the Current Capital Contribution, the capital contribution price per RMB1 registered capital = the value of all shareholders' equity/total registered capital, that is, RMB1.874591.

After the Current Capital Contribution, the registered capital of Shouguang Meilun will be increased from RMB3,947,526,316 to RMB4,801,045,519. The Current Investor I will contribute RMB1.4 billion, of which RMB746,829,303 will be included in the registered capital, and RMB653,170,697 will be included in the capital reserve; the Current Investor II will contribute RMB200 million, of which RMB106,689,900 will be included in the registered capital, and RMB93,310,100 will be included in the capital reserve.

The shareholding ratio of each shareholder of Shouguang Meilun before the completion of the Current Capital Contribution is set out as follows:

Shareholders	Subscribed/ paid-in registered capital (RMB0'000)	Percentage of contribution/ paid-in capital
The Company	300,000	75.9970%
Chenrong Fund	26,100	6.6117%
Dongxing Investment	17,163.1579	4.3478%
Previous Investor	51,489.4737	13.0435%
Total:	394,752.6316	100%

The shareholding ratio of each shareholder of Shouguang Meilun after the completion of the Current Capital Contribution is set out as follows:

Shareholders	Subscribed/ paid-in registered capital (RMB0'000)	Percentage of contribution/ paid-in capital
The Company	300,000	62.4864%
Chenrong Fund	26,100	5.4363%
Dongxing Investment	17,163.1579	3.5749%
Previous Investor	51,489.4737	10.7246%
Current Investor I	74,682.9303	15.5556%
Current Investor II	10,668.9900	2.2222%
Total:	<u>480,104.5519</u>	<u>100%</u>

Payment : Current Investor I and Current Investor II will pay the capital contribution in currency. If all the conditions precedent are satisfied, Shouguang Meilun will issue a payment application to Current Investor I and Current Investor II, who shall then pay Shouguang Meilun for the capital contribution by bank transfer.

Conditions precedent : The conditions precedent of the Current Capital Contribution include:

- (1) The Current Capital Contribution Agreement and other agreements in relation to the Current Capital Contribution have been officially signed and become effective;
- (2) Various necessary approvals, authorizations or filings (if necessary) for the Current Capital Contribution have been obtained from the state-owned assets supervision and administration department or its authorized agencies and other competent institutions, and Shouguang Meilun has delivered the documents regarding the approval by the relevant state-owned assets supervision and administration department or its authorized agencies of the Current Capital Contribution in the form of a private agreement and the state-owned assets valuation documents to Current Investor I and Current Investor II;
- (3) The statements, guarantees and commitments made by the former shareholders of Shouguang Meilun (i.e. the Company, Chenrong Fund, Dongxing Investment and the Previous Investor) and Shouguang Meilun under the Current Capital Contribution Agreement shall remain to be valid, true, complete and accurate in full, and such statements, guarantees and commitments have not been violated by them. Both Shouguang Meilun and the Company have agreed to enter into the Current Capital Contribution Agreement and other registration, and have completed the filing and information disclosure procedures for the Current Capital Contribution in accordance with laws and regulations, regulatory documents, and the articles of association;

- (4) Since the signing of the Current Capital Contribution Agreement, there is no any change in the equity interest of Shouguang Meilun, nor there are judgments, awards, rulings or injunctions of the relevant Chinese government authorities, courts, arbitration institutions or relevant government authorities that restrict, prohibit or cancel the equity transfer under the Current Capital Contribution, or any pending or potential lawsuits, arbitrations, judgments, awards, rulings or injunctions against Shouguang Meilun or its controlling shareholders that have had or will have a material adverse impact on the equity transfer under the Current Capital Contribution;
- (5) There have been no events, facts, conditions, changes or other circumstances that have resulted in or that may have a material adverse impact on Shouguang Meilun's business, assets, financial structure, liabilities, technology, profit prospects and normal operations reasonably foreseen;
- (6) Shouguang Meilun has convened a shareholders' meeting to make a resolution on approval of the capital contribution made by Current Investor I and Current Investor II, and to waive the pre-emptive right, and agree to update the register of members based on the capital contribution ratio of Current Investor I and Current Investor II, and provide Current Investor I and Current Investor II a copy or scan of the resolution of the shareholders' meeting agreeing to the Current Capital Contribution and a copy of the register of members with the company's official seal;
- (7) Shouguang Meilun has amended the articles of association in the form as agreed in the Current Capital Contribution Agreement;
- (8) The capital contributors of the Current Investor I have paid in full the investment amount in accordance with the relevant subscription agreement;
- (9) Shouguang Meilun has opened a specific account with China Construction Bank and signed an account supervision agreement as reviewed and approved by the Current Investor I; and
- (10) Shouguang Meilun's asset valuation has been completed and the official version of the Asset Valuation Report as agreed in the Current Capital Contribution Agreement has been submitted to Current Investor I and Current Investor II.

As at the date of this announcement, the foregoing conditions precedent will be fully satisfied after the Current Capital Contribution Agreement is signed by each party and becomes effective.

Profit distribution	:	Chenrong Fund, Dongxing Investment, Chenchuang Fund, Current Investor I and Current Investor II (“ Five Shareholders ”) shall be entitled to Shouguang Meilun’s net profits based on their respective paid-in shareholding ratios. The parties to the Current Capital Contribution Agreement agree that Shouguang Meilun’s annual profit distribution to Five Shareholders shall at least meet Five Shareholders’ base dividend requirement. When Shouguang Meilun distributes its annual profits, Five Shareholders shall be entitled to be distributed the base dividends prior to the controlling shareholders’ of Shouguang Meilun: $\text{Five Shareholders' base dividends} = \text{investment principal paid by Five Shareholders} \times \text{base dividend rate of } 6\% \times T/365$.
Corporate governance	:	<p>(1) Board of shareholders</p> <p>The board of shareholders of Shouguang Meilun is composed of all contributors of Shouguang Meilun. The original shareholders of Shouguang Meilun (being the Company, Chenrong Fund, Dongxing Investment and Previous Investor) and the new shareholders (being Current Investor I and Current Investor II) equality become shareholders of Shouguang Meilun, and enjoy voting rights and claim for profit distribution in accordance with the proportion of the actual paid-in capital.</p> <p>(2) Board of directors</p> <p>The board of directors of Shouguang Meilun is composed of 5 directors, of which 4 are nominated by the Company and 1 is nominated by CCB Investment. The chairman of the board of directors is a director elected by the Company.</p> <p>(3) Board of supervisors</p> <p>There is no board of supervisors within Shouguang Meilun. It has 1 supervisor nominated by the Company and elected by the board of shareholders. The term of office of the supervisor is three years for each session and upon its expiration, the supervisor may be re-elected.</p>
Restriction on equity transfer	:	During the period when Current Investor I and Current Investor II hold Shouguang Meilun’s equity, the Company shall not directly or indirectly dispose of Shouguang Meilun’s equity, including transfer, sale, grant, gratuitous transfer, or otherwise dispose of any equity in Shouguang Meilun owned or income rights therein. The transfer can be conducted upon approval by the board of shareholders of Shouguang Meilun.

Exit : (1) Exit from the capital market
arrangements

Shouguang Meilun shall take all necessary efforts to procure the equity interests of Shouguang Meilun held by Current Investor I and Current Investor II to be acquired through an IPO on a domestic stock exchange (excluding listing on the NEEQ) or a domestic company listed on main board by, among others, the issuance of shares to acquire assets within 3 years after the date of the Current Capital Contribution.

(2) Exit from non-capital market

After 3 years, if the exit has not been achieved through IPO or asset mergers and acquisitions, and the controlling shareholders and the de facto controller of Shouguang Meilun have not reached an agreement with Current Investor I and Current Investor II on conditions of the equity transfer, neither transferred the equity interests of Shouguang Meilun held by Current Investor I and Current Investor II, subject to the full payment of the price for the equity transfer, Current Investor I and Current Investor II shall have the right to transfer all or part of the equity interests of Shouguang Meilun to any third party.

3. THE PREVIOUS CAPITAL CONTRIBUTION AGREEMENT

The major terms of the Previous Capital Contribution Agreement are summarized as follows:

Date	:	29 September 2020
Parties	:	(1) The Company (2) Chenrong Fund (3) Dongxing Investment (4) Previous Investor (5) Shouguang Meilun
Consideration	:	The consideration of the Previous Capital Contribution has been determined upon negotiation by the parties to the Previous Capital Contribution Agreement in full consideration of the future development prospects of Shouguang Meilun, based on the audited net assets of Shouguang Meilun as at 31 December 2019, being RMB5,325,441,500, and the valuation of Shouguang Meilun, being RMB6.0 billion, after Dongxing Investment's contribution.

The capital contribution made by the Previous Investor to Shouguang Meilun by installments is estimated to be no more than RMB900 million, of which no more than RMB514,894,737 is included in the registered capital of Shouguang Meilun, and the remaining no more than RMB385,105,263 is included in the capital reserve of Shouguang Meilun (The Previous Investor made capital contribution to Shouguang Meilun in RMB, and the specific amount of capital contribution in each instalment is subject to the actual fundraising). The capital contribution paid by Previous Investor should be included in the registered capital of Shouguang Meilun first.

The shareholding ratio of each shareholder of Shouguang Meilun before the completion of the Previous Capital Contribution is set out as follows:

Shareholders	Subscribed/ paid-in registered capital (RMB0'000)	Percentage of contribution/ paid-in capital
The Company	300,000	87.3965%
Chenrong Fund	26,100	7.6035%
Dongxing Investment	17,163.1579	5%
Total:	343,263.1579	100%

The shareholding ratio of each shareholder of Shouguang Meilun after the completion of the Previous Capital Contribution is set out as follows:

Shareholders	Subscribed/ paid-in registered capital (RMB0'000)	Percentage of contribution/ paid-in capital
The Company	300,000	75.9970%
Chenrong Fund	26,100	6.6117%
Dongxing Investment	17,163.1579	4.3478%
Previous Investor	51,489.4737	13.0435%
Total:	<u>394,752.6316</u>	<u>100%</u>

Payment : The Previous Investor shall transfer the corresponding capital contribution payment to the account designated by Shouguang Meilun within three working days after all the conditions precedent stipulated in the Previous Capital Contribution Agreement are met.

Conditions precedent : The conditions precedent of the Previous Capital Contribution include:
Save as those conditions precedent waived by the Previous Investor in written consent, the conditions precedent for the Previous Investor's payment of the initial capital contribution amount to Shouguang Meilun include:

- (1) The investment funds used to pay the initial capital contribution under the Previous Capital Contribution Agreement have been in place and received by the Previous Investor;
- (2) The Previous Investor has completed the filing and registration procedures in Asset Management Association of China;
- (3) the registered capital has been paid in full to Shouguang Meilun, and Shouguang Meilun has provided the Previous Investor with the documents certifying that Chenrong Fund and Dongxing Investment have paid in full the subscribed capital;
- (4) The Previous Capital Contribution Agreement has been signed and become effective, the Previous Investor has become a shareholder of Shouguang Meilun, and Shouguang Meilun has recorded the Previous Investor in the register of members of Shouguang Meilun (the proportion of Shouguang Meilun's equity held is the proportion of Shouguang Meilun's equity held by the Previous Investor after the payment of the initial capital contribution), and has provided the Previous Investor a capital contribution certificate which corresponds to the proportion of Shouguang Meilun's equity in the first batch of the capital contribution;

- (5) Shouguang Meilun, Chenrong Fund, Dongxing Investment, and the Company have signed the Previous Capital Contribution Agreement and agreed to obtain all necessary internal authorizations and approvals for the Previous Capital Contribution, and the Company has performed the corresponding announcement procedures (if necessary) as a listed company;
- (6) Any statements and commitments made by parties to the Previous Capital Contribution Agreement other than the Previous Investor therein shall remain true, accurate and valid, and there shall be no false records, misleading statements or major omissions;
- (7) The parties to the Previous Capital Contribution Agreement other than the Previous Investor has not had any breach of contract or circumstance which may seriously endanger the rights and interests of the Previous Investor; and
- (8) Laws, regulations, or regulatory authorities do not prohibit or restrict the Previous Investor from paying the capital contribution amount under the Previous Capital Contribution Agreement.

Save as those conditions precedent waived by the Previous Investor in written consent, the conditions precedent for the Previous Investor to pay Shouguang Meilun the capital contribution amount for each subsequent period include:

- (1) The investment funds used to pay the subsequent capital contribution amounts have been in place and received by the Previous Investor;
- (2) The conditions precedent (except for item (1)) for the Previous Investor's payment of the initial capital contribution amount to Shouguang Meilun are met; and
- (3) Shouguang Meilun has recorded the Previous Investor in the register of members of Shouguang Meilun (the proportion of Shouguang Meilun's equity held is the proportion of the total Shouguang Meilun's equity held by the Previous Investor after the payment of the capital contribution amount in current period), and has provided the Previous Investor a capital contribution certificate which corresponds to the proportion of the capital contribution in the current period.

The foregoing conditions precedent have been fully satisfied after the Previous Capital Contribution Agreement was signed by the parties thereto and became effective.

Dividends : During the period when Previous Investor held the equity of Shouguang Meilun acquired through capital contribution in accordance with the Previous Capital Contribution Agreement, Shouguang Meilun and its shareholders (being the Company, Chenrong Fund, Dongxing Investment and Previous Investor) shall, subject to the requirements of the Contract Company Law of the People's Republic of China and relevant laws and regulations and the conditions stipulated in the articles of association, actively facilitate Shouguang Meilun to distribute dividends to the Previous Investor in the following amount: [the amount of capital contribution paid by Σ fund \times 6% \times the actual number of days from the date on payment of the capital contribution amount of the period (including the day) to the date of dividend distribution (exclusive)) \div 365].

Acquisition of the subject equity interests : The Company may purchase the equity of Shouguang Meilun held by the Previous Investor by issuing shares to the Previous Investor, that is, share swap. If the Company successfully issues new shares and in the event that the Previous Investor agrees to the share swap (including the circumstance where the Previous Investor has reached an agreement with the Company on matters such as the conversion price and the assessed value of the underlying equity and chooses to perform the share swap) 2 years before the payment date of the first tranche of the capital contribution under the Previous Capital Contribution Agreement, those who purchase Shouguang Meilun's equity held by the Previous Investor with the Company's issued shares will successfully complete the share swap. If by the end of 2 years from the payment date (including that date) of the first tranche of capital contribution amount under the Previous Capital Contribution Agreement, the Company fails to issue shares or fails to achieve share swaps with Previous Investor or the share swap fails due to regulatory approval or otherwise, the Company shall have the right to acquire the equity of Shouguang Meilun held by the Previous Investor in cash before the expiration of 3 years from the payment day (inclusive) of the first tranche of the capital contribution under the Previous Capital Contribution Agreement.

4. REASONS FOR AND BENEFITS OF THE TRANSACTION

The Board believes that the introduction of investors to Shouguang Meilun to contribute capital will help reduce the Company's gearing ratio, optimize the capital structure, and further improve the Company's overall capital strength and competitiveness, which is conducive to improving the Company's overall strength and comprehensive competitiveness. In the Previous Capital Contribution and the Current Capital Contribution, based on Shouguang Meilun's operating conditions and the Company's overall strategic considerations, the Board agreed that the Company waived the priority right to subscribe and contribute capital to Shouguang Meilun.

The Directors (including all independent non-executive Directors) believe that the terms of the Previous Capital Contribution Agreement and Current Capital Contribution Agreement are fair and reasonable, on normal or better commercial terms, and the Previous Capital Contribution Agreement, the Current Capital Contribution Agreement and the Previous Capital Contribution, the Current Capital Contribution are in the interest of the Company and shareholders as a whole.

5. FINANCIAL IMPACT OF THE TRANSACTION

As at the date of this announcement, Shouguang Meilun is a subsidiary of the Company. After the Previous Capital Contribution and the Current Capital Contribution are completed, Shouguang Meilun will continue to be a subsidiary of the Company, and the Company still has the control over Shouguang Meilun. Therefore, the financial results of Shouguang Meilun continue to be incorporated into the Company's financial statements.

It is expected that the Company will not record gains or losses from the Previous Capital Contribution and the Current Capital Contribution, which will have no impact on the income statement of the Company.

The proceeds from the Previous Capital Contribution and the Current Capital Contribution are expected to be used to repay loans from financial institutions of Shouguang Meilun.

6. PROFIT FORECAST ON THE VALUATION MATHOD OF SHOUGUANG MEILUN

As mentioned above, the consideration of the Current Capital Contribution is determined based on the asset valuation result of Shouguang Meilun, which are subject to the appraisal results of the Asset Valuation Report issued by CAREA Assets Appraisal Co., Ltd. ("CAREA").

According to the Asset Valuation Report, Shouguang Meilun's net assets on the valuation base date (being 31 December 2020) were RMB6.5 billion. Considering that the investment funds of Previous Investor were in place in March 2021, the value of all shareholders' equity involved in the Current Capital Contribution is RMB7.4 billion, which corresponds to a registered capital of RMB3,947,526,316.

Since CAREA arrived the value of the entire equity of Shouguang Meilun mainly relying on the income method and with reference to the discounted value of its free cash flow, the Asset Valuation Report constitutes a profit forecast under Rule 14.61 of the Listing Rules. Therefore, this announcement shall be subject to the requirements under Rules 14.60A and 14.62 of the Listing Rules regarding profit forecasts, and the main assumptions (including business assumptions) on which the Asset Valuation Report is based is disclosed as follows:

Pre-conditions assumptions

- (1) Fair trade assumption: Assuming the subject under valuation is already in the process of trading, and the valuer simulates the market for valuation based on the trading conditions of the subject and other principles of fairness.
- (2) Open market assumption: Assuming the subject under valuation is in a fully competitive and comprehensive market (regional, national or international market), where the market positions of the two parties to the proposed transaction are equal to each other, and each has the ability, opportunity and time to obtain sufficient market information; the transaction behaviors of both parties to the transaction are conducted under voluntary, rational rather than compulsory or unrestricted conditions, so that both parties to the transaction can make rational judgments on the function, purpose and transaction price of the transaction target. Under fully competitive market conditions, the exchange value of the subject is subject to market mechanisms and determined by market conditions instead of the transaction price in individual transactions; and
- (3) Continuing operation assumption: Assuming the unit under valuation (the assets of the subject under valuation) continues to operate according to its current model, scale, frequency, environment, etc. This assumption not only sets the survival status of the subject under valuation, but also sets the market conditions or market environment faced by the subject under valuation.

Normal conditions assumptions

- (1) Assuming the current relevant laws and regulations, industry policies, industrial policies and macroeconomic environment of the country and region (the area involved in the business operations of unit under valuation) have not changed significantly from the valuation base date, and there is no material change in the political, economic and social environment in the regions where the parties of the subject transaction located;
- (2) Assuming the fiscal and monetary policies of the regions involved in the business operations of the unit under valuation, as well as the relevant interest rates, exchange rates, tax bases and tax rates, and policy levies, etc., have not undergone major changes; and
- (3) Assuming there is no force majeure and unforeseen factors which will have a material adverse effect on the continuing operation of the unit under valuation.

Special conditions assumptions

- (1) Assuming based on the existing management method (model) and management level of the unit under valuation, its business scope (operation scope) and operation method are basically consistent with the current ones, and the future development trend of its business is basically consistent with the development trend of the industry as at the valuation base date;
- (2) Assuming the manager of the unit under valuation is responsible, and its management is capable of taking up their positions and performing their duties;

- (3) Assuming the data (basic data, financial data, operating data, forecast data, etc.) provided by the principal and the unit under valuation is true, accurate and complete, and all relevant material matters have been fully disclosed;
- (4) Assuming the unit under valuation fully complies with all relevant laws and regulations in force;
- (5) Assuming the business scope, business model, product structure, decision-making procedures of the unit under valuation are basically consistent based on its current management methods and management levels;
- (6) Assuming the time of realizing the annual income of the unit under valuation takes place in the middle point of each year;
- (7) Assuming that the construction in progress of the unit under valuation can be completed on schedule and put into operation smoothly in accordance with the production and operation plan;
- (8) Assuming that the assets with title defects of the unit under valuation may continue to be used normally in the current state, the impact of title defects on the evaluation results is not considered into account; and
- (9) Assuming that high-tech certificate of the unit under valuation can be further obtained after its expiration in the future.

Grant Thornton (Special General Partnership) (“**Grant Thornton**”), the reporting accountant of the Company, has reviewed and reported to the directors the arithmetic accuracy of the discounted free cash flow calculation on which the Asset Valuation Report is based, and in its preparation, no accounting policies were adopted. The directors confirmed that the entire equity value of Shouguang Meilun arrived in the Asset Valuation Report was formulated after proper and prudent inquiries. Grant Thornton and the letter issued by the board of directors are set out in Appendix I and Appendix II of this announcement, respectively. The following are the qualifications of CAREA and Grant Thornton:

Name	Qualification
CAREA Assets Appraisal Co., Ltd.	Professional valuer
Grant Thornton (Special General Partnership)	Chinese Certified Public Accountant

To the best knowledge, information and belief of the board of directors after making all reasonable enquiries, CAREA and Grant Thornton are Independent Third Parties. As at the date of this announcement, CAREA and Grant Thornton did not directly or indirectly hold any equity interest in any member of the Group, nor do they have any right to subscribe for or nominate others to subscribe for the securities in any member of the Group (whether legally enforceable or not). Each of CAREA and Grant Thornton has given and has not withdrawn their written consent to the publication of this announcement with the inclusion of their opinions and suggestions and references to their names in the form and context in which they respectively appear in this announcement.

7. LISTING RULES IMPLICATION

None of the directors had any material interests in the Previous Capital Contribution and the Current Capital Contribution and was required to abstain from voting on board resolutions related to the Previous Capital Contribution and the Current Capital Contribution.

After the completion of the Previous Capital Contribution and the Current Capital Contribution, the Company's equity interest in Shouguang Meilun will be diluted. Therefore, the Previous Capital Contribution and the Current Capital Contribution constitute deemed disposals of the Company under Chapter 14 of the Listing Rules. Since the maximum applicable ratio of the Previous Capital Contribution is less than 5%, the Previous Capital Contribution does not constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules, and it is therefore not subject to relevant reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As the Previous Capital Contribution and the Current Capital Contribution were performed within 12 months, under Rule 14.22 of the Listing Rules, the Current Capital Contribution shall be aggregated with the Previous Capital Contribution. As the maximum applicable ratio of the Current Capital Contribution (aggregated with the Previous Capital Contribution) exceeds 5% but is less than 25%, the Current Capital Contribution constitutes a discloseable transaction of the Company and shall be subject to relevant reporting and announcement requirements, but is exempted from shareholders' approval requirements under Chapter 14 of the Listing Rules.

8. GENERAL INFORMATION

The Group

The Group's business scope covers paper products and raw materials for paper making, such as machine-made paper, paperboards, etc., and the manufacturing, processing and sales of paper-making machines.

Shouguang Meilun

Shouguang Meilun is principally engaged in the production and sale of coated paper, paperboard, paper products, papermaking raw materials, papermaking machinery, fiber feed, germ, protein powder, papermaking additives, chemical products (excluding dangerous chemicals and precursor chemicals), sales of electric power, heat, coal, gypsum, paper-making machinery parts, paper-making technology research and development consulting services, import and export business operations of goods and technologies within the scope permitted by the state. It is a subsidiary of the Company.

The audited net profit/(loss) before and after tax of Shouguang Meilun for the years ended 31 December 2019 and 2020 are set out as follows:

	For the year ended 31 December 2019 (audited) (RMB0'000)	For the year ended 31 December 2020 (audited) (RMB0'000)
Net profit/(loss) before tax	19,705.79	22,643.83
Net profit/(loss) after tax	19,918.47	21,989.37

According to the Accounting Standards for Business Enterprises of the PRC, the carrying amount of the net assets of the audited consolidated financial statements of Shouguang Meilun as of 31 December 2020 was RMB5,880,335,200. As stated in the asset appraisal report based on the income approach by CAREA, the valuation of the total shareholders' equity of Shouguang Meilun on the valuation base date (i.e. 31 December 2020) was RMB6.5 billion. Considering that the investment amount of the Previous Investor has been paid up in March 2021, the valuation of the total shareholders' equity involved in the Current Capital Contribution was RMB7.4 billion, corresponding to a registered capital of RMB3,947,526,316.

Chenrong Fund

Chenrong Fund is a limited partnership incorporated in the PRC. Its business scope includes: equity investment in unlisted enterprises, investment in non-public issuance of shares of listed companies and relevant consultation services (prohibited from engaging in deposit acceptance, granting financial guarantees, entrusted wealth management and other financial activities without approval by financial regulatory department; for projects subject to approval in accordance with laws, operating activities can only be conducted upon approval by relevant department). To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the date of this announcement: (i) the general partner and executive partner of Chenrong Fund is Chenming (Qingdao) Asset Management Co., Ltd., which holds 0.2222% of its shares. Chenming (Qingdao) Asset Management Co., Ltd. is directly held 30% by Hao Yun (郝筠), being its largest natural person shareholder; Hao Yun (郝筠) is an Independent Third Party; and (ii) the limited partners of Chenrong Fund are (a) Shandong Zhemin Trading Co., Ltd.* (山東哲民貿易有限公司), which holds 55.3333% of Chenrong Fund's shares, and Sun Meiling (孫美玲), the ultimate beneficial owner of its largest shareholder and a natural person, is an Independent Third Party; and (b) Weifang Chenming Growth Driver Replacement Equity Investment Fund Partnership (Limited Partnership)* (濰坊晨鳴新舊動能轉換股權投資基金合夥企業(有限合夥)), which holds 44.4444% of Chenrong Fund's shares and 79% shares of which are held by the Company directly.

Dongxing Investment

Dongxing Investment is a limited liability company incorporated in the PRC. Its business scope includes: investment in financial products, project investment and equity investment (all of the above excluding activities which requires specific permit and should comply with laws, regulations and regulatory requirements; for projects subject to approval in accordance with laws, operating activities can only be conducted upon approval by relevant department). To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the date of this announcement, both Dongxing Investment and its ultimate beneficial owner, Dongxing Securities Co., Ltd., which is a company incorporated in the PRC with limited liability and is listed on the Shanghai Stock Exchange and directly holds its entire equity interests, are Independent Third Parties.

Previous Investor

The Previous Investor is a limited partnership incorporated in the PRC. Its business scope includes: engaging in investment activities with its own funds, equity investment (except for projects subject to approval in accordance with the laws, operating activities shall be conducted independently with the business licenses in accordance with the laws). To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the date of this announcement: (i) the general partner of the Previous Investor is (a) Minmetals Investment Management Co., Ltd., which holds 0.2203% of its shares, being the executive partner, and the largest shareholders of which are Zhejiang Construction Engineering Group Co., Ltd., the ultimate beneficial owner of which is Dohia Group Co., Ltd. (a company incorporated in the PRC with limited liability and listed on the Shenzhen Stock Exchange) and Minmetals Hengxin Investment Management (Beijing) Co., Ltd.* (五礦恒信投資管理(北京)有限公司), the ultimate beneficial owner of whose largest shareholder is the State-owned Assets Supervision and Administration Commission of the State Council, both of which hold 40% equity interests of Minmetals Investment Management Co., Ltd.; and (b) Chenming (Qingdao) Asset Management Co., Ltd., which holds 0.1101% of its shares. Chenming (Qingdao) Asset Management Co., Ltd. is directly held 30% by Hao Yun (郝筠), being its largest natural person shareholder; (ii) the limited partners of the Previous Investor are (a) Minmetals International Trust Co., Ltd., which holds 55.6167% of its shares, and the ultimate beneficial owner of whose largest shareholder, Minmetals Capital Company Limited (a company incorporated in the PRC with limited liability and listed on the Shanghai Stock Exchange), is an Independent Third Party; and (b) Weifang Chenming Growth Driver Replacement Equity Investment Fund Partnership (Limited Partnership), which holds 44.0529% of its shares and 79% shares of which is held directly by the Company; and (iii) immediately prior to the Previous Capital Contribution, both the Previous Investor and its ultimate beneficial owners are Independent Third Parties.

Current Investor I

The Current Investor I is a debt-to-equity swap investment scheme established, issued and managed by CCB Investment, the scheme administrator, in the PRC according to law. CCB Investment is a non-banking financial institution approved by the banking regulatory and administrative authorities under the State Council and mainly engaged in bank's debt-to-equity swaps and other supporting businesses. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the date of this announcement, both CCB Investment and its ultimate beneficial owner, China Construction Bank Corporation, which is a company incorporated in the PRC and listed on the Hong Kong Stock Exchange and Shanghai Stock Exchange and directly holds its entire equity interests, are Independent Third Parties.

Current Investor II

The Current Investor II is a limited liability company incorporated in the PRC. Its business scope includes: engaging in equity investment, non-performing asset investment and supply chain finance. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the date of this announcement, both the Current Investor II and its ultimate beneficial owner, Southwest Securities Company, Ltd.* (西南證券股份有限公司), which is a company incorporated in the PRC and listed on the Shanghai Stock Exchange and directly holds its entire equity interests are Independent Third Parties.

9. 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
“CCB Investment”	CCB Financial Asset Investment Company Limited* (建信金融資產投資有限公司), a limited liability company incorporated in the PRC, being a non-banking financial institution approved by the banking regulatory and administrative authorities under the State Council and mainly engaged in bank's debt-to-equity swaps and supporting businesses, and the scheme administrator of the Current Investor I
“Chenrong Fund”	Weifang Chenrong Growth Driver Replacement Equity Investment Fund Partnership (Limited Partnership)* (濰坊晨融新舊動能轉換股權投資基金合夥企業(有限合夥)), a limited partnership incorporated in the PRC
“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

“Current Capital Contribution”	capital contribution to Shouguang Meilun by the Current Investor I and the Current Investor II pursuant to the terms and conditions of the Current Capital Contribution Agreement, respectively
“Current Capital Contribution Agreement”	the capital contribution agreement entered into among the Company, Chenrong Fund, Dongxing Investment, the Previous Investor, the Current Investor I, the Current Investor II and Shouguang Meilun on 25 June 2021, in relation to the proposed capital contribution of an aggregate amount being RMB1,600,000,000 to Shouguang Meilun by the Current Investor I and the Current Investor II
“Current Investor I”	CCB Investment – Shandong Development Debt-to-Equity Swap Investment Scheme* (建信投資－山東發展債轉股投資計劃), a debt-to-equity swap investment scheme legally established, issued and managed by the scheme manager, CCB Investment, in the PRC
“Current Investor II”	SWSC Innovation Investment Co., Ltd* (西證創新投資有限公司), a limited liability company incorporated in the PRC
“Director(s)”	the director(s) of the Company
“Dongxing Investment”	Dongxing Securities Investment Co., Ltd.* (東興證券投資有限公司), a limited liability company incorporated in the PRC
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“H Shares”	overseas listed foreign shares in the share capital of the Company with a nominal value of RMB1.00 each, which are listed on the main board of the Stock Exchange and subscribed for and traded in Hong Kong Dollars
“Independent Third Party(ies)”	an independent third party with no connection with the Company or its connected persons (as defined under the Listing Rules)
“Investors”	the Previous Investor, the Current Investor I and the Current Investor II
“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

“Previous Capital Contribution”	capital contribution to Shouguang Meilun by the Previous Investor pursuant to the terms and conditions of the Previous Capital Contribution Agreement
“Previous Capital Contribution Agreement”	the capital contribution agreement entered into among the Company, Chenrong Fund, Dongxing Investment, the Previous Investor and Shouguang Meilun on 29 September 2020, in relation to the proposed capital contribution of an aggregate amount being RMB900,000,000 to Shouguang Meilun by the Previous Investor
“Previous Investor”	Weifang Chenchuang Equity Investment Fund Partnership (Limited Partnership)* (濰坊晨創股權投資基金合夥企業(有限合夥)), a limited partnership incorporated in the PRC
“RMB”	Renminbi, the lawful currency of the PRC
“Shouguang Meilun”	Shouguang Meilun Paper Co., Ltd.* (壽光美倫紙業有限責任公司), a limited liability company incorporated in the PRC, and a subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	percentage

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

Shandong, the PRC, 25 June 2021

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*

APPENDIX I LETTER FROM GRANT THORNTON (SPECIAL GENERAL PARTNERSHIP) IN RELATION TO PROFIT FORECAST

Set out below is the full text of the letter from Grant Thornton, the reporting accountant, in relation to profit forecast for the purpose of inclusion in this announcement. This letter is prepared in Chinese and translated into English. In case there is any inconsistency, the Chinese version shall prevail.

ASSURANCE REPORT ON THE CALCULATION OF THE DISCOUNTED FUTURE CASH FLOWS ON WHICH THE VALUATION OF THE TOTAL SHAREHOLDERS' EQUITY IN SHOUGUANG MEILUN PAPER CO., LTD. IS BASED

To the board of directors of Shandong Chenming Paper Holdings Limited (山東晨鳴紙業集團股份有限公司):

We have been appointed to conduct a reasonable assurance engagement in respect of the calculation of the discounted future cash flows on which the valuation of the total shareholders' equity in Shouguang Meilun Paper Co., Ltd. (壽光美倫紙業有限責任公司) as at the benchmark date (i.e. 31 December 2020) (the **"Shouguang Meilun Valuation"**) is based. CAREA Assets Appraisal Co., Ltd. issued an asset appraisal report (Kai Yuan Ping Bao Zhi [2021] No. 403) on 11 May 2021, which sets out its valuation of the total shareholders' equity of Shouguang Meilun Paper Co., Ltd. as at 31 December 2020 using discounted cash flow.

1. RESPONSIBILITIES OF THE DIRECTORS

The directors of Shandong Chenming Paper Holdings Limited (山東晨鳴紙業集團股份有限公司) shall determine the basis and assumptions, and shall be responsible for the preparation of the discounted future cash flows on which the Shouguang Meilun Valuation is based in accordance with such basis and assumptions. Such responsibilities include: the internal controls relating to the formulation, implementation, maintenance and preparation of such discounted future cash flows; the adoption of appropriate basis and assumptions for preparation; the making of reasonable estimates under all circumstances; and the provision of true, accurate and complete underlying information to the certified public accountant.

2. INDEPENDENCE AND QUALITY CONTROL OF THE CERTIFIED PUBLIC ACCOUNTANT

We have complied with the independence and other ethical requirements of the Code of Professional Ethics for Chinese Certified Public Accountants (中國註冊會計師職業道德守則) issued by the Chinese Institute of Certified Public Accountants (the **"CICPA"**), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

We apply the Standards on Quality Control of Accounting Firms No. 5101 – Business Quality Control (《會計師事務所質量管理準則第 5101 號 – 業務質量控制》) and the Standards on Quality Control of Accounting Firms No. 5101 – Project Quality Review (《會計師事務所質量管理準則第 5102 號 – 項目質量覆核》) issued by the CICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

3. RESPONSIBILITIES OF THE CERTIFIED PUBLIC ACCOUNTANT

Our responsibilities are to express an assurance conclusion and make a report on the calculation of the discounted future cash flows on which the Shouguang Meilun Valuation is based on the basis of the assurance work implemented.

4. OVERVIEW OF OUR WORK

We have conducted our assurance engagement in accordance with the requirements of “Standards for Other Assurance Engagements of PRC Certified Public Accountants No. 3101 – Assurance Engagements Other Than Audit or Review of Historical Financial Information” (《中國註冊會計師其他鑑證業務準則第 3101 號 – 歷史財務信息審計或審閱以外的鑑證業務》).

The said standards require us to plan and implement our assurance work to reasonably determine whether, so far as calculations are concerned, the discounted future cash flows have been properly prepared in all material aspects in accordance with the basis and assumptions determined by the directors and adopted for the Shouguang Meilun Valuation.

We have not conducted any work in respect of the basis and assumptions adopted for the discounted future cash flows and do not express any opinion thereon, or on the Shouguang Meilun Valuation.

The preparation of the discounted future cash flows on which the Shouguang Meilun Valuation is based has not involved the adoption of any accounting policies.

During the course of assurance engagement, we have implemented procedures deemed necessary by us, such as review and verification. We believe that our assurance work has provided a reasonable basis for our opinion expressed.

5. ASSURANCE CONCLUSION

We are of the view that, so far as calculations are concerned, the discounted future cash flows on which the Shouguang Meilun Valuation is based has been properly prepared in all material aspects in accordance with the basis and assumptions determined by the directors and adopted for the Shouguang Meilun Valuation.

6. LIMITATION OF USE

This assurance report has been prepared for the use by the board of directors of Shandong Chenming Paper Holdings Limited (山東晨鳴紙業集團股份有限公司) only. We do not assume any responsibility to any other persons in respect of the contents of this report.

Grant Thornton (Special General Partnership)
(致同會計師事務所(特殊普通合夥))

25 June 2021

APPENDIX II LETTER FROM THE BOARD IN RELATION TO PROFIT FORECAST

Set out below is the full text of the letter from the Board in relation to profit forecast for the purpose of inclusion in this announcement. This letter is prepared in Chinese and translated into English. In case there is any inconsistency, the Chinese version shall prevail.

To: Listing Division
The Stock Exchange of Hong Kong Limited
12th Floor, Two Exchange Square,
8 Connaught Place, Central, Hong Kong

Dear Sir or Madam,

Company: Shandong Chenming Paper Holdings Limited (the “**Company**”)

Re: Profit Forecast – Letter of Confirmation as required under Rule 14.62(3) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”)

Reference is made to the appraisal report (the “**Appraisal Report**”) dated 11 May 2021 prepared by CAREA Assets Appraisal Co., Ltd. (the “**Appraiser**”) on the valuation of the total shareholders’ equity of Shouguang Meilun Paper Co., Ltd. by the income approach.

The board of directors of the Company (the “**Board**”) has reviewed and discussed the basis and assumptions of the valuation with the Appraiser. The Board has also considered the report dated 25 June 2021 issued by Grant Thornton (Special General Partnership), the accountant of the Company, on the arithmetical accuracy of the calculations of the profit forecast contained in the Appraisal Report.

Pursuant to the requirements under Rule 14.62(3) of the Listing Rules, the Board confirms that the profit forecast used in the abovementioned Appraisal Report has been made after its due and prudent enquiry.

On behalf of the Board
Shandong Chenming Paper Holdings Limited
Chen Hongguo
Chairman

25 June 2021