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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
ZHANJIANG CHENMING AND DEEMED DISPOSAL

THE CURRENT CAPITAL CONTRIBUTION AND THE PREVIOUS CAPITAL CONTRIBUTION

On 27 June 2022, the Company, CDB Development Fund, Previous Investor, Current Investor and Zhanjiang Chenming entered into the Current Capital Contribution Agreement, pursuant to which, Current Investor agrees to inject capital in an amount of RMB400,000,000 to Zhanjiang Chenming pursuant to the terms and conditions under the Current Capital Contribution Agreement.

Reference is made to the Overseas Regulatory Announcement dated 23 September 2021 of the Company. On 23 September 2021, the Company, CDB Development Fund, Previous Investor and Zhanjiang Chenming entered into the Previous Capital Contribution Agreement, pursuant to which, the Previous Investor agrees to inject capital in an amount of RMB350,000,000 to Zhanjiang Chenming 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, Zhanjiang Chenming will continue to be the subsidiary of the Company, and the Company will continue to have actual control over Zhanjiang Chenming.

LISTING RULES IMPLICATION

After the completion of the Previous Capital Contribution and the Current Capital Contribution, the Company's equity interest in Zhanjiang Chenming will be diluted. Therefore, the Previous Capital Contribution and the Current Capital Contribution constitute deemed disposal of the Company under Chapter 14 of the Listing Rules. Since the respective maximum applicable percentage ratios of the Previous Capital Contribution and the Current Capital Contribution are less than 5%, the Previous Capital Contribution and the Current Capital Contribution do not constitute discloseable transactions of the Company under Chapter 14 of the Listing Rules, therefore they are not individually 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 percentage 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 27 June 2022, the Company, CDB Development Fund, Previous Investor, Current Investor and Zhanjiang Chenming entered into the Current Capital Contribution Agreement, pursuant to which, Current Investor agrees to inject capital in an amount of RMB400,000,000 to Zhanjiang Chenming pursuant to the terms and conditions under the Current Capital Contribution Agreement.

Reference is made to the Overseas Regulatory Announcement dated 23 September 2021 of the Company. On 23 September 2021, the Company, CDB Development Fund, Previous Investor and Zhanjiang Chenming entered into the Previous Capital Contribution Agreement, pursuant to which, the Previous Investor agrees to inject capital in an aggregate amount of RMB350,000,000 to Zhanjiang Chenming 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, Zhanjiang Chenming will continue to be the subsidiary of the Company, and the Company will continue to have actual control over Zhanjiang Chenming.

2. CURRENT CAPITAL CONTRIBUTION AGREEMENT

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

Date	:	27 June 2022
Parties	:	(1) The Company
		(2) CDB Development Fund
		(3) Previous Investor
		(4) Current Investor
		(5) Zhanjiang Chenming

Current Capital Contribution and consideration : The consideration of the Current Capital Contribution was determined based on the asset valuation result of Zhanjiang Chenming. The asset valuation result of Zhanjiang Chenming was based on the valuation result by adopting the income approach in the Asset Valuation Report (Min Zhong Xing Ping Zi (2022) No. MV30015) (“**Asset Valuation Report**”) issued by Fujian Zhongxing Assets and Real Estate Appraisal Co., Ltd. * (福建中興資產評估房地產土地估價有限責任公司) (“**Fujian Zhongxing**”), an independent valuer in the PRC, with 31 December 2021 as the valuation base date. On the above valuation base date, the audited carrying amount of all equities attributable to shareholders of the parent was approximately RMB7,712,328,800 and the appraised value thereof was approximately RMB8,682,634,500. The valuation of Zhanjiang Chenming after the Current Capital Contribution is the sum of the valuation before the investment and the amount of the current round of capital contribution, namely approximately RMB9,082,634,500.

The Current Investor will subscribe RMB266,351,374 in the new registered capital of Zhanjiang Chenming with RMB400,000,000. After the completion of the Current Capital Contribution, the Current Investor will hold 4.4040% of the total registered capital of Zhanjiang Chenming. RMB266,351,374 in the capital contribution will be the new registered capital of Zhanjiang Chenming and the remaining RMB133,648,626 will be included in the capital reserve of Zhanjiang Chenming as premiums.

The Company, CDB Development Fund and the Previous Investor waive the right of first refusal in the Current Capital Contribution. The shareholding ratio of each shareholder of Zhanjiang Chenming before the completion of the Current Capital Contribution and after the completion of the Current Capital Contribution is set out as follows:

Name of shareholders	Before the completion of the Current Capital Contribution		After the completion of the Current Capital Contribution	
	Subscribed/ paid-in registered capital (RMB0'000)	Shareholding ratio	Subscribed/ paid-in registered capital (RMB0'000)	Shareholding ratio
The Company	513,750.00	88.8598%	513,750.00	84.9464%
CDB Development Fund	41,250.00	7.1347%	41,250.00	6.8205%
Previous Investor	23,157.9082	4.0055%	23,157.9082	3.8291%
Current Investor	—	—	26,635.1374	4.4040%
Total	<u>578,157.9082</u>	<u>100%</u>	<u>604,793.0456</u>	<u>100%</u>

- Use of capital : The capital contribution in the Current Capital Contribution will be mainly used in supplementing the working capital of Zhanjiang Chenming.
- Conditions precedent and payment : The Current Capital Contribution Agreement shall become effective on the date of execution by all parties. The Current Investor will make full payment of the capital contribution in the Current Capital Contribution to the bank account designated by Zhanjiang Chenming within 10 working days after all conditions precedent are satisfied or waived by the Current Investor in writing (namely, the completion date of the Current Capital Contribution). The conditions precedent to the Current Capital Contribution include (among others) the following:
- (1) The consents of third parties and/or governmental authorities (if any) required for the execution, delivery and performance of transaction documents and the completion of the transactions under transaction documents by the Company and Zhanjiang Chenming have been obtained and remained in full effect on the completion date;
 - (2) There are no applicable laws or judgment, decision, ruling, injunction or order of governmental authorities restricting, prohibiting or cancelling the current transaction;
 - (3) All qualifications, licenses and approval conditions required for the normal operation of Zhanjiang Chenming have been approved by relevant governmental authorities and such qualifications, licenses and approval conditions are all within the valid period;
 - (4) There have been no material and adverse changes in the business of Zhanjiang Chenming and no circumstances with significant and adverse effects on the business, operation, property, financial conditions, revenue, profit or development prospects of Zhanjiang Chenming from the execution date of the Current Capital Contribution Agreement; and
 - (5) Zhanjiang Chenming has provided corresponding documents based on the due diligence request issued by the Current Investor and the Current Investor has completed due diligence based on them and is satisfactory with the results of the due diligence.

If any conditions precedent are not satisfied or waived within 3 months after the date of the Current Capital Contribution Agreement, the Current Investor may choose to require supplementing other conditions to continue the completion of the Current Capital Contribution, postpone the completion time or no longer proceed the Current Capital Contribution.

Arrangements during the Transitional Period	:	During The transitional Period, the profits and losses of Zhanjiang Chenming will be shared by the Company, CDB Development Fund, the Previous Investor and the Current Investor based on their shareholding ratios after the completion of the Current Capital Contribution.
Dividend agreement	:	Zhanjiang Chenming shall convene a general meeting to discuss on matters on the annual profit distribution each year. Zhanjiang Chenming may conduct the annual profit distribution based on the Articles of Association after being resolved and approved at the general meeting. If it resolves to conduct the profit distribution, it shall be carried out based on the following provisions: (1) After guaranteeing relevant agreed investment income for CDB Development Fund, it shall be distributed to the Company and the Previous Investor until the annual dividend for the Company and the Previous Investor each year meets the annual dividend target; (2) All shareholders of Zhanjiang Chenming share the net profit of Zhanjiang Chenming for the year based on their shareholding ratios in the paid-in capital contribution. Among them, the profit distributed to the Company and the Previous Investor by Zhanjiang Chenming each year is based on the principal of the investment respectively paid by the Company and the Previous Investor multiplying the expected annualized yield rate (6%); and (3) The specific dividend plan is subject to the resolutions approved by Zhanjiang Chenming at the general meeting of the year. All shareholders of Zhanjiang Chenming shall exercise the voting right on profit distribution at the general meeting of the year under the principles stipulated in the above (1) and (2).
Corporate governance	:	After the completion of the Current Capital Contribution, the board of supervisors of Zhanjiang Chenming shall be composed of 3 supervisors and the Current Investor shall have the right to appoint 1 supervisor.

3. PREVIOUS CAPITAL CONTRIBUTION AGREEMENT

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

Date	:	23 September 2021
Parties	:	(1) The Company
		(2) CDB Development Fund
		(3) Previous Investor
		(4) Zhanjiang Chenming

Previous Capital Contribution and 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 dividends to shareholders and the operation conditions of Zhanjiang Chenming for the half year of 2021 on the basis of the appraised value of all equities attributable to shareholders of the parent of Zhanjiang Chenming as at 31 December 2020, being approximately RMB11,055,000,000.

The Previous Investor will subscribe RMB215,833,333 in the new registered capital of Zhanjiang Chenming with RMB350,000,000. After the completion of the Previous Capital Contribution, the Previous Investor will hold 3.7433% of the total registered capital of Zhanjiang Chenming. RMB215,833,333 in the capital contribution will be the new registered capital of Zhanjiang Chenming and the remaining RMB134,166,667 will be included in the capital reserve of Zhanjiang Chenming as premiums. Zhanjiang Chenming increased the share capital of the Previous investor by RMB15,745,700 through capitalization of its capital reserve after the completion of the Previous Capital Contribution.

The Company and CDB Development Fund waive the right of first refusal in the Previous Capital Contribution.

Use of capital : The capital contribution in the Previous Capital Contribution will be mainly used in supplementing the working capital and repaying external borrowings of Zhanjiang Chenming.

Payment : The Previous Capital Contribution Agreement shall become effective on the date of execution by all parties. The Previous Investor will make full payment of the capital contribution in the Previous Capital Contribution to the bank account designated by Zhanjiang Chenming within 1 month after all conditions precedent under the Previous Capital Contribution Agreement are satisfied or waived by the Previous Investor in writing.

As at the date of this announcement, the Previous Capital Contribution has been completed based on the terms of the Previous Capital Contribution Agreement.

4. REASONS FOR AND BENEFITS OF THE TRANSACTION

The Board believes that the introduction of investors to contribute capital to Zhanjiang Chenming will help reduce the Company's gearing ratio, optimize the capital structure, and further improve the Company's overall capital strength and competitiveness. In the Previous Capital Contribution and the Current Capital Contribution, taking into account Zhanjiang Chenming's operating conditions and the Company's overall strategic considerations, the Board agreed that the Company waived the right of first refusal to Zhanjiang Chenming.

In light of the above reasons and benefits, 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 and on normal or better commercial terms, and the Previous Capital Contribution Agreement, the Current Capital Contribution Agreement, the Previous Capital Contribution and 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, Zhanjiang Chenming is a subsidiary of the Company. After the Previous Capital Contribution and the Current Capital Contribution are completed, Zhanjiang Chenming will continue to be a subsidiary of the Company, and the Company still has the control over Zhanjiang Chenming. Therefore, the financial results of Zhanjiang Chenming continue to be incorporated into the Company's financial statements.

It is expected that the Company will record no gains or losses from the Previous Capital Contribution and the Current Capital Contribution, which therefore 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 supplement the liquidity of Zhanjiang Chenming and repay external borrowings of Zhanjiang Chenming.

6. PROFIT FORECAST ON THE VALUATION METHOD OF ZHANJIANG CHENMING

As mentioned above, the consideration of the Current Capital Contribution is determined based on the asset valuation result of Zhanjiang Chenming as set out in the Asset Valuation Report.

According to the Asset Valuation Report, Zhanjiang Chenming's carrying amount of audited total equity attributable to shareholders of the parent on the valuation base date (being 31 December 2021) was approximately RMB7,712,328,800 and the appraised value thereof was approximately RMB8,682,634,500. The valuation of Zhanjiang Chenming after the Current Capital Contribution is the sum of the valuation before the investment and the amount of the current round of capital contribution, namely approximately RMB9,082,634,500.

Since the value of the entire equity was arrived at by using the income method in the Asset Valuation Report, the calculation on the value of the entire equity of Zhanjiang Chenming as set out in the Asset Valuation Report shall be deemed as 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 are disclosed as follows:

General Assumptions

- (1) Continuing operation assumption: it is assumed that the business operations of the appraised entity are legitimate and there will be no unforeseen factors that will cause a cessation of its ongoing operations. The current use of the appraised assets shall remain unchanged, and such assets shall continue to be utilised in situ.
- (2) Transaction assumption: it is assumed that all appraised assets are in the process of transaction and the assets appraiser will make valuation in a simulated market according to the transaction conditions of the appraised assets. Transaction assumption is one of the most basic premises for the asset valuation to be carried out.
- (3) Open market assumption: it is assumed that, as for the assets traded in the market, or the assets to be traded in the market, the parties are equal to each other in asset transaction and each has the opportunity and time to obtain sufficient market information to make rational judgment on the functions, use and transaction price of the assets. The open market assumption is based on the fact that the subject assets can be publicly traded in the market.

Basic Assumptions

- (1) All information provided by the entrusting party and the appraised entity is legal, true, accurate, complete and valid;
- (2) The external economic environment remains unchanged and there are no significant changes in China's prevailing macro-economy after the valuation base date;
- (3) There are no significant changes in national macro-economic policies, industrial policies and policies on regional development after the valuation base date;
- (4) The tax policies, laws, regulations, interest rates and exchange rates on which the business operations of the appraised entity and the valuation are based have no significant changes that would affect the appraisal conclusion;
- (5) The management team of the appraised entity is responsible and stable after the valuation base date;
- (6) Save for the matters which have been known and disclosed, the appraised entity has no other unreported assets and liabilities, mortgages or guarantees, material litigations or subsequent events, and the appraised entity has the complete and legal right to the assets included in the scope of valuation; and
- (7) No earthquake, fire or events causing significant losses to the assets of the appraised entity will occur.

Specific assumptions

- (1) The appraised entity maintains the existing business scope, business model and scale, and the relationship with the parent does not change significantly;
- (2) The future profit forecast provided by the appraised entity can be realized generally as scheduled, and there will be no material and adverse impact thereon;
- (3) The future tax level of the appraised entity remains stable as compared with that as at the base date; and the relevant preferential treatment will not be considered for the perpetuity period;
- (4) There will be no material asset mergers and acquisitions and major investments of the appraised entity in the future;
- (5) The appraised entity is able to obtain complete ownership certificates as expected for its assets in place whose titles have not been obtained;
- (6) The appraised entity generates cash flow evenly in each year;
- (7) The comparable enterprises and the appraised entity are able to operate as a going concern according to the business model, business structure and capital structure publicly disclosed as of the base date; and
- (8) The information disclosure of comparable enterprises is true, accurate, and complete, and there are no false statements, erroneous records or material omissions that affect the value judgment.

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 value of entire equity of Zhanjiang Chenming arrived in the Asset Valuation Report was formulated after proper and prudent inquiries. The letters issued by Grant Thornton and the board of directors are set out in Appendix I and Appendix II to this announcement, respectively. The following are the qualifications of Fujian Zhongxing and Grant Thornton:

Name	Qualification
Fujian Zhongxing Assets and Real Estate Appraisal Co., Ltd.	Professional Valuer Chinese Certified Public
Grant Thornton (Special General Partnership)	Accountant

To the best of knowledge, information and belief of the Board, having made all reasonable enquiries, Fujian Zhongxing and Grant Thornton are Independent Third Parties. As at the date of this announcement, Fujian Zhongxing 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 Fujian Zhongxing 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 Zhanjiang Chenming will be diluted. Therefore, the Previous Capital Contribution and the Current Capital Contribution constitute deemed disposal of the Company under Chapter 14 of the Listing Rules. Since the respective maximum applicable percentage ratios of the Previous Capital Contribution and the Current Capital Contribution are less than 5%, the Previous Capital Contribution and the Current Capital Contribution do not constitute discloseable transactions of the Company under Chapter 14 of the Listing Rules, therefore they are not individually 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 percentage 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.

Zhanjiang Chenming

Zhanjiang Chenming is principally engaged in soil amelioration, forestry research, construction of raw material bases, operation and acquisition of timber; production and sales of aerated concrete blocks; construction, management and operation of pulp plants; manufacturing, production, processing and sales of paper pulp and relevant products; design, development, construction, operation and maintenance of thermal power plant and other ancillary facilities, as well as sales of electricity and other ancillary products, mechanical equipment and chemical products; production of hazardous chemicals; goods storage; goods transportation; import and export of goods and technologies, and is a subsidiary of the Company.

The audited net profit before and after tax of Zhanjiang Chenming for the years ended 31 December 2020 and 2021 are set out as follows:

	For the year ended 31 December 2020 (audited) (RMB0'000)	For the year ended 31 December 2021 (audited) (RMB0'000)
Net profit before tax	132,167.29	125,519.56
Net profit after tax	119,200.76	109,367.86

According to the Accounting Standards for Business Enterprises of the PRC, the carrying amount of the net assets attributable to parent in the audited consolidated financial statements of Zhanjiang Chenming as of 31 December 2021 was RMB7,712,328,800. As stated in the Asset Valuation Report, the valuation of the total shareholders' equity attributable to parent of Zhanjiang Chenming on the valuation base date (i.e. 31 December 2021) was RMB7,712,328,800 and appraised value thereof was RMB8,682,634,500.

CDB Development Fund

CDB Development Fund is a limited liability company incorporated in the PRC. Its business scope covers investment in non-securities business, investment management and consulting business (the market entity shall select business items and carry out operating activities at its discretion in accordance with laws; for projects subject to approval in accordance with laws, operating activities can only be conducted upon approval by relevant authorities and to the extent authorised by such approval; it is not allowed to engage in operating activities prohibited or restricted by industrial policies of the State and the city where it is located). To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the date of this announcement, CDB Development Fund is directly held as to 100% by China Development Bank. The shareholders of China Development Bank are (a) the Ministry of Finance of the PRC (holding as to 36.5362%); (b) Central Huijin Investment Ltd.* (中央匯金投資有限責任公司) (holding as to 34.6807%, the ultimate beneficial owner of which is the State Council of the PRC); (c) Wutongshu Investment Platform Co., Ltd.* (梧桐樹投資平台有限責任公司) (holding as to 27.1899%, the ultimate beneficial owner of which is the Central Foreign Exchange Business Center of the State Administration of Foreign Exchange of the PRC* (中國國家外匯管理局中央外匯業務中心)) and; (d) National Council for Social Security Fund* (全國社會保障基金理事會) (holding as to 1.5932%); CDB Development Fund, the parties abovementioned (and their ultimate beneficial owners) are Independent Third Parties.

Previous Investor

The Previous Investor is a limited liability company incorporated in the PRC. Its business scope includes: investment management; investment consultancy; asset management; business management consultancy; economic information consultancy; financial consultant; market research; business planning; public relations services; preparation, planning, organization of evening parties, large-scale celebrations, cultural festivals and art festivals; conference services; undertaking exhibitions and shows activities; technical training in business management (not for national enrollment); legal advice (except for lawyers' practice); design, production, agency, release of advertisements; organization of cultural and artistic exchanges (excluding performances); literary and artistic creation; etiquette services; property management; hotel management ("1. it shall not, without the approval of the relevant departments, raise funds in a public manner; 2. it shall not publicly conduct trading activities of securities products and financial derivatives; 3. it shall not grant loans; 4. it shall not provide guarantee for other enterprises other than the invested enterprises; 5. it shall not make any commitment that the investment principal will not suffer any loss or a minimum return"; the company shall select business items and carry out operating activities at its discretion in accordance with laws; for projects subject to approval in accordance with laws, operating activities can only be conducted upon approval by relevant authorities and to the extent authorised by such approval; it is not allowed to engage in operating activities prohibited or restricted by industrial policies of the city where it is located). To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the date of this announcement, both the Previous Investor and its ultimate beneficial owner, the People's Government of Sichuan Province, the PRC, which indirectly holds its entire equity interests, are Independent Third Parties.

Current Investor

The Current Investor is a limited partnership incorporated in the PRC. Its business scope includes licensed projects, such as equity investment, investment management and asset management through private equity funds (subject to the registration and filing to Asset Management Association of China; projects subject to approval in accordance with laws, operating activities of which can only be conducted upon approval by relevant authorities, and the specific business projects shall depend on the approval documents or permit certificates issued by the relevant departments). To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the date of this announcement: (i) Guoxing (Xiamen) Investment management Ltd. *(國興(廈門)投資管理有限公司), which has contributed 0.83% of the investment and its ultimate beneficial owners are Zhang Jiemin* (張潔民), the State-owned Assets Supervision and Administration Commission of Xiamen People' Government *(廈門市人民政府國有資產監督管理委員會) and the State-owned Assets Supervision and Administration Commission of the State Council of the PRC* (中國國務院國有資產監督管理委員會), is the executive partner and funds manager and also the partner of the Current Investor; (ii) the partners who held 10% or above interests in the Current Investor are Xiamen ITG Group Corp., Ltd.* (廈門國貿集團股份有限公司), which has contributed 23.33% and its ultimate beneficial owners is the State-owned Assets Supervision and Administration Commission of Xiamen People' Government, Xiamen Guosheng Development Equity Investment Fund Partnership (Limited Partnership)*(廈門市國升發展股權投資基金合夥企業(有限合夥)), which has contributed 20% and the 99.9997% of shares of which indirectly held by the State-owned Assets Supervision and Administration Commission of Xiamen People' Government, and Xiamen ITG Assets Operation Group Co. Ltd.* (廈門國貿資產運營集團有限公司), which has contributed 17% and its ultimate beneficial owners is the State-owned Assets Supervision and Administration Commission of Xiamen People' Government; and (iii) the Current Investor and the parties abovementioned (and their ultimate beneficial owners) 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
“CDB Development Fund”	CDB Development Fund Co., Ltd.* *(國開發展基金有限公司), a limited liability company 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 Zhanjiang Chenming by the Current Investor pursuant to the terms and conditions of the Current Capital Contribution Agreement
“Current Capital Contribution Agreement”	the capital contribution agreement entered into among the Company, CDB Development Fund, the Previous Investor, the Current Investor I and Zhanjiang Chenming on 27 June 2022, in relation to the proposed capital contribution of an aggregate amount being RMB400,000,000 to Zhanjiang Chenming by the Current Investor
“Current Investor”	Xiamen International Trade Industry Development Equity Investment Fund Partnership (Limited Partnership) * (廈門國貿產業發展股權投資基金合夥企業(有限合夥)), a limited partnership incorporated in the PRC
“Director(s)”	the director(s) of the Company
“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 and the Current Investor
“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 Zhanjiang Chenming 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, CDB Development Fund, the Previous Investor and Zhanjiang Chenming on 23 September 2021, in relation to the proposed capital contribution of an aggregate amount being RMB350,000,000 to Zhanjiang Chenming by the Current Investor
“Previous Investor”	Beijing Chuanfa Investment Management Co., Ltd.*(北京川發投資管理有限公司), a limited liability company incorporated in the PRC
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transitional Period”	a period from 31 December 2021 to the completion date of the Current Capital Contribution Agreement
“Zhanjiang Chenming”	Zhanjiang Chenming Pulp & Paper Co., Ltd.*(湛江晨鳴漿紙有限公司), a limited liability company incorporated in the PRC and a subsidiary of the Company
“%”	percentage

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

Shandong, the PRC, 27 June 2022

As at the date of this announcement, the executive Directors are Mr. Chen Hongguo, Mr. Hu Changqing, Mr. Li Xingchun, Mr. Li Feng and Mr. Li Weixian; the non-executive Directors are Mr. Han Tingde and Mr. Li Chuanxuan; and the independent non-executive Directors are Ms. Yin Meiqun, Mr. Sun Jianfei, Mr. Yang Biao and Mr. Li Zhihui.

* *For identification purposes only*

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 ZHANJIANG CHENMING PULP & 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 Zhanjiang Chenming Pulp & Paper Co., Ltd. (湛江晨鳴漿紙有限公司) as at the benchmark date (i.e. 31 December 2021) (the **"Zhanjiang Chenming Valuation"**) is based. Fujian Zhongxing Assets and Real Estate Appraisal Co., Ltd. (福建中興資產評估房地產土地估價有限公司) issued an asset appraisal report (Min Zhong Xing Ping Zi [2022] No. MV30015) on 25 April 2022, which sets out its valuation of the total shareholders' equity of Zhanjiang Chenming Pulp & Paper Co., Ltd. as at 31 December 2021 using discounted cash flows.

1. RESPONSIBILITIES OF THE DIRECTORS

The directors of Shandong Chenming Paper Holdings Limited shall determine the basis and assumptions, and shall be responsible for the preparation of the discounted future cash flows on which the Zhanjiang Chenming Valuation is based in accordance with such basis and assumptions. Such responsibilities include: the formulation, implementation and maintenance of the internal control relating to the preparation of such discounted future cash flows; the adoption of appropriate basis and assumptions for preparation; making 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 are 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. 5102 – 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 maintain a comprehensive system of quality control including documented policies and procedures regarding the 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 prepare a report on the calculation of the discounted future cash flows on which the Zhanjiang Chenming Valuation is based through the performance of assurance work.

4. OVERVIEW OF OUR WORK

We have conducted our assurance engagement in accordance with the requirements of the “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鑒證業務準則第3101號－歷史財務信息審計或審閱以外的鑒證業務》).

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 Zhanjiang Chenming 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 Zhanjiang Chenming Valuation.

The preparation of the discounted future cash flows on which the Zhanjiang Chenming 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 Zhanjiang Chenming 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 Zhanjiang Chenming 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 only. We do not assume any responsibility to any other persons in respect of the content of this report.

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

27 June 2022

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 25 April 2022 prepared by Fujian Zhongxing Assets and Real Estate Appraisal Co., Ltd. (the “**Appraiser**”) on the valuation of the total shareholders’ equity of Zhanjiang Chenming Pulp & Paper Co., Ltd. by the income approach.

The board of directors (the “**Board**”) of the Company has reviewed and discussed with the Appraiser the basis and assumptions of the valuation. The Board has also considered the report dated 27 June 2022 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 above-mentioned Appraisal Report has been made after due and prudent enquiry.

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

27 June 2022