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山東晨鳴紙業集團股份有限公司
SHANDONG CHENMING PAPER HOLDINGS LIMITED*
(a joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 1812)

OVERSEAS REGULATORY ANNOUNCEMENT

This announcement is made pursuant to Rule 13.10B of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Shandong Chenming Paper Holdings Limited (the “**Company**”) published the “Announcement on Commencement of Asset Securitisation Operation by Sales Company” dated 13 September 2016 on the website of Shenzhen Stock Exchange. The following is a translation of the official announcement solely for the purpose of providing information.

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

Shandong, PRC
13 September 2016

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

* *For identification purposes only*

Stock abbreviation:
Chenming Paper, Chenming B

Stock code:
000488 200488

Announcement No.:
2016-114

Shandong Chenming Paper Holdings Limited

Announcement on Commencement of Asset Securitisation Operation by Sales Company

The Company and all members of the board (the “Board”) hereby warrant the truthfulness, accuracy and completeness of the contents of information disclosed which do not contain any false information, misleading statements or material omissions, and jointly and severally accept responsibility for the truthfulness, accuracy and completeness of its contents.

In order to facilitate the further development of Shandong Chenming Paper Holdings Limited (“Chenming Paper” or the “Company”), the Company intends to conduct asset securitisation operation for cash flow receivables from sales through its wholly-owned subsidiary, Shandong Chenming Paper Sales Company Limited (the “Sales Company”). An asset-backed security project for cash flow receivables from sales (tentative name and is subject to adjustment, the “Project”) will be established by the financial institution engaged by the Sales Company, and financing activities will be conducted by issuing asset-backed securities pursuant to the Project;

The implementation of the Project will not constitute a material asset reorganization and there will be no material legal obstacle;

The Project is subject to the consideration and approval at the general meeting of the Company;

The Project is subject to the receipt of No Objection Letter to the Listing issued by the stock exchange. Filing should be completed with the Asset Management Association of China upon the completion of issuance.

As the Project is an innovative asset operation model, there might be some uncertainties in its implementation, which is subject to policies, market interest rate and other factors.

I. Overview of the Project

In order to revitalise idle assets, facilitate capital transfer and broaden financing channels, the Sales Company intends to implement the asset securitisation project for cash flow receivables. The “asset-backed security project for cash flow receivables from sales” will be established through financial institution, and financing activities will be conducted by issuing asset-backed securities pursuant to the Project.

Under the Project, it is intended to issue asset-backed securities of not more than RMB2.1 billion (inclusive) by tranches, with terms of not more than 5 years. The asset-backed securities to be issued are classified as prioritised asset-backed securities and subordinated asset-backed securities. Relevant components of prioritised asset-backed securities and subordinated asset-backed securities, such as scale and terms, might be adjusted as required by regulators or based on the market demand.

The interest rate of prioritised asset-backed securities will be determined based on the prevailing market interest rate at the time of issuance through book-building procedure. Dividends for prioritised asset-backed securities will be payable at a fixed rate. Subordinated asset-backed securities will not provide fixed-term return with zero coupon rate.

Upon the establishment of the Project, asset-backed securities will be listed and traded on stock exchange.

II. Basic information about the Project

(I) Underlying assets

The foundation of asset securitization is based on underlying assets which can generate predictable cash flow. The underlying assets for the Project are the cash flow receivables to be generated from the sales of machine-made paper and paper making raw materials by the Sales Company. The abovementioned underlying assets will provide stable revenue with relatively low risk exposure in general.

(II) Transaction structure

Financial institution will raise money by issuing asset-backed securities to investors and establish the Project. The Project will purchase underlying assets from the Sales Company. During the terms of the Project, cash flows generated from capital recovery of underlying assets will be transferred to designated account. The custodian to the Project will allocate cash flows in

accordance with the instructions made by the manager. During the terms of the Project, in case the capital from specific account is insufficient to pay the principal and interest for prioritised asset-backed securities, such shortfall shall be financed by the Sales Company accordingly.

(III) Proposed issuance of asset-based securities

The securities to be issued in capital market pursuant to the Project are classified as prioritised asset-backed securities and subordinated asset-backed securities of not more than RMB2.1 billion (inclusive) in aggregate. Relevant components of prioritised asset-backed securities and subordinated asset-backed securities, such as scale, proportion and terms, might be adjusted as required by regulators or based on the market demand.

III. Impact of the Project on the Sales Company

Through conducting asset securitisation for cash flow receivables by the Sales Company, it can revitalise idle assets, facilitate capital transfer and broaden financing channels, which are beneficial to the business development of the Sales Company. With the implementation of the Project, the Sales Company can improve the efficiency of its capital use, optimise its assets structure, as well as refine the assets and liabilities structure.

IV. Benefits of the Project

1. To broaden financing channels. Asset securitisation is another form of financing on top of equity financing and bond financing. It can serve as a useful replenishment to the current financing methods of the Company;
2. Asset securitisation can revitalise idle assets by transferring idle cash flow receivables into assets with higher liquidity; and
3. Asset securitisation can lower financing cost. It is an innovative financing model which is less affected by credit policy of banks.

V. Impact of the Project on the Company

As the Project is an innovative financing model, there might be some uncertainties in its application, approval and issuance. If the Project has made any solid progress, the Company will perform its disclosure obligations according to relevant requirements of security regulators on a timely basis.

VI. Factors affecting the Project

In view of the fact that the market interest rate at the time of the issuance of asset-based securities will be fluctuated in line with changes in macroeconomic condition, there is a greater fluctuation in market interest rate which might affect financing costs, thus affecting the selection of planned issuance.

Notice is hereby given.

Board of Shandong Chenming Paper Holdings Limited
13 September 2016