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

**DISCLOSABLE TRANSACTION**  
**ENTERING INTO OF LIMITED PARTNERSHIP AGREEMENT FOR**  
**THE ESTABLISHMENT OF FUND PARTNERSHIP**

The Board is pleased to announce that, on 23 December 2020, Chenming Sub-Fund Management Company (as the General Partner) has entered into the Fund Partnership Agreement with Huanggang County Fund and Zhanjiang Chenming (as Limited Partners) for the establishment of the Fund Partnership. After the establishment of the Fund Partnership, its financial information will be consolidated into the consolidated statements of the Group.

The Fund Partnership focuses on investing in papermaking and related industries, including subscription of the newly-increased registered capital of Huanggang Chenming of no more than RMB2 billion for the Huanggang Chenming Phase II Project.

**LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratio(s) in respect of the Fund Partnership Agreement calculated under Rule 14.07 of the Listing Rules exceed(s) 5% but all of the applicable percentage ratios are less than 25%, the Fund Partnership Agreement constitutes a disclosable transaction of the Company and is subject to the announcement requirement but exempt from the circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As all applicable percentage ratios (except the profit ratio) in respect of the Entrusted Management Agreement calculated under Rule 14.07 of the Listing Rules are less than 0.1%, which is a de minimis transaction under Rule 14A.76 of the Listing Rules, the Entrusted Management Agreement constitutes a full exempt de minimis transaction.

## INTRODUCTION

The Board is pleased to announce that, on 23 December 2020, Chenming Sub-Fund Management Company (as the General Partner) has entered into the Fund Partnership Agreement with Huanggang County Fund and Zhanjiang Chenming (as Limited Partners) for the establishment of the Fund Partnership. After the establishment of the Fund Partnership, its financial information will be consolidated into the consolidated statements of the Group.

The Fund Partnership focuses on investing in papermaking and related industries, including the subscription of the newly-increased registered capital of Huanggang Chenming of RMB2 billion for the Huanggang Chenming Phase II Project.

### Fund Partnership Agreement

Major terms of the Fund Partnership Agreement are set out below:

**Date:** 23 December 2020

**Name of Fund Partnership:** Hubei Changjiang Chenming Huanggang Equity Investment Fund Partnership (Limited Partnership)\* (subject to registration with relevant authorities)

**Parties:**

- (1) Chenming Sub-Fund Management Company (as the General Partner);
- (2) Huanggang County Fund (as a Limited Partner); and
- (3) Zhanjiang Chenming (as a Limited Partner).

Both Chenming Sub-Fund Management Company and Zhanjiang Chenming are subsidiaries of the Company. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Huanggang County Fund and its respective ultimate beneficial owners are Independent Third Parties.

**Purpose of the Fund Partnership:** Promote the development of papermaking and related industries in Huanggang, provided that the strategic intention of equality and mutual benefit has been fully embodied.

**Scope of the Fund Partnership:** Equity investment, investment management and investment consulting services (subject to the business scope approved by company registration authority). The investment fund focuses on investments in papermaking and related industries, including the subscription of the newly-increased registered capital of Huanggang Chenming for the Huanggang Chenming Phase II Project.

The Fund Partnership shall not make external investment for the establishment of any sub-funds.

**Term of the Fund Partnership and operation:**

The term of operation is five years, subject to automatic extension upon expiry. The Fund Partnership may be liquidated with the unanimous consent of all Partners. Upon the third anniversary of operation, the Partners will be no longer obliged to fulfill their outstanding capital contribution commitments.

**Capital contribution made by Partners:**

The total subscribed capital contribution of RMB2,001 million shall be made in cash by all Partners. The actual payment will be made in installments according to the investment project progress of the Fund Partnership. Under consensus of all Partners, the subscribed capital contribution to be made by each Partner is set out below:

Name of partner	Type	Method	Subscribed capital contribution (in RMB'00 million)	Subscription ratio
Chenming Sub-Fund Management Company	General Partner	Cash	0.01	0.05%
Huanggang County Fund	Limited Partner	Cash	8.00	39.98%
Zhanjiang Chenming	Limited Partner	Cash	12.00	59.97%
Total			20.01	100%

Chenming Sub-Fund Management Company, as the General Partner, shall make a one-off subscribed capital contribution of RMB1 million within 60 working days from the date of establishment of the Fund Partnership. The subscribed capital contribution of Huanggang County Fund and Zhanjiang Chenming, as the Limited Partners, shall be RMB1 billion in the first phase and RMB1 billion in the second phase, which shall be contributed at a ratio of 4:6 at each phase (subject to the approval by company registration authority).

The Group intends to use its internal resources to fund its capital contribution.

**Investment area, investment purpose and investment scope:**

In principle, the Fund Partnership shall make investments within the Huanggang Administrative Area, which includes providing support to local enterprises for their investments and merger and acquisition projects outside Huanggang, and support investees outside Huanggang to conduct new investment projects in Huanggang.

The Fund Partnership will make use of equity investment, actively utilise the capital market and adopt different capital operation to make investments that are beneficial for the national and Hubei industry development.

The Fund Partnership, as a special fund, will make direct investment through equity investment.

During its existence, the Fund Partnership shall not borrow any external debts in any form, and shall not engage in businesses relating to provision of guarantees, mortgages and entrusted loans.

The Fund Partnership, the Company and Huanggang Chenming will enter into the Capital Increase Agreement in relation to the subscription of the increase of the registered capital of Huanggang Chenming by the Fund Partnership. According to the Capital Increase Agreement, the Fund Partnership proposed to increase the capital of Huanggang Chenming by no more than RMB2 billion by way of subscribed capital contribution. The Company and CDB Development Fund Co., Ltd.\* (國開發基金有限公司) waived the first right of refusal to subscribe shares under the capital and share increase. Upon completion of the capital increase, Huanggang Chenming will remain a subsidiary of the Company, and the Company will directly and indirectly hold 98.85% of its equity interests. Upon receipt of the above funds, Huanggang Chenming shall proceed with the capital increase of up to RMB2 billion of Huanggang Chenming Paper Technology Co., Ltd.\* (黃岡晨鳴紙業科技有限公司), its wholly-owned subsidiary, for the Huanggang Chenming Phase II Project. Before and after the capital increase under the Capital Increase Agreement, the shareholding structure of Huanggang Chenming is as follows:

Name of shareholder	Registered capital before the capital increase under the Capital Increase Agreement		Registered capital after the capital increase under the Capital Increase Agreement	
	(RMB0'000)	Shareholding	(RMB0'000)	Shareholding
The Company	230,000	97.87%	230,000	52.87%
CDB Development Fund Co., Ltd.*	5,000	2.13%	5,000	1.15%
The Fund Partnership			200,000	45.98%
Total	235,000	100%	435,000	100%

**Fund Partnership management, partners meetings and investment decision committee:**

Chenming Sub-Fund Management Company, as the General Partner of the Fund Partnership, is responsible for the management and execution of the Fund Partnership. The Limited Partners shall not engage in execution of the Fund Partnership, nor represent the Fund Partnership externally. As agreed under the Fund Partnership Agreement, Chenming Sub-Fund Management Company is entitled to the rights on the management, control, operation and decision-making of the Fund Partnership, its investment businesses and other activities. Such rights shall be exercised directly by Chenming Sub-Fund Management Company or by its delegated representative.

At the Partners meeting of the Fund Partnership, the Partners shall exercise their voting rights on proportion of their actual capital contributions. If all Partners have not actually paid their capital contributions, they shall exercise their voting rights on proportion of subscribed capital contributions of each Partner. Matters to be discussed at the Partners meeting shall be considered and approved as a resolution by Limited Partners representing more than two-thirds of the actual capital contribution made by Limited Partners, except for other matters as stipulated in the Fund Partnership Agreement that require unanimous consent by Limited Partners at a meeting with full attendance of all Limited Partners.

The investment decision of the Fund Partnership is made independently by the investment decision committee established by the Fund Partnership. The investment decision committee is comprised of five members, including a chairman. The chairman, who will be appointed by Chenming Sub-Fund Management Company, is responsible for the convening of and presiding over meetings of the investment decision committee. Huanggang County Fund, Zhanjiang Chenming and Chenming Sub-Fund Management Company shall nominate two, two and one member to the investment decision committee. Decisions on investment projects shall be subject to voting by all members of the investment decision committee. All matters decided by the investment decision committee shall be subject to voting and approval by all members.

**Manager and  
management fee:**

Chenming Sub-Fund Management Company will entrust Huanggang Changjiang Venture Capital as the manager of the Fund Partnership, and delegate all its rights to execute Fund Partnership affairs to Huanggang Changjiang Venture Capital. After Chenming Sub-Fund Management Company obtains the registration and filing of private equity fund managers, the manager of the Fund Partnership will be changed to Chenming Sub-Fund Management Company.

The annual management fee during the investment period is charged at 0.5% of the actual capital contribution, and the annual management fee during the withdrawal period is charged at 0.5% of the investment principal that has been used for project investment but has not yet withdrawn from the actual capital contribution. Such fee shall be paid by the Fund Partnership to the manager. The specific payment method shall be separately agreed by the manager and each Partner through an Entrusted Management Agreement.

- Profit Distribution:** Profits shall be distributed in accordance with the following principles and priority:
- (1) Distribution shall be made to the Limited Partners in accordance with the paid-in capital contribution proportion until they recovers all their respective paid-up capital contribution to the Fund Partnership as of the date of such distribution (exclusive);
  - (2) If there is any remaining amount, distribution shall be made to Chenming Sub-Fund Management Company until it recovers all its paid-up capital contribution to the Fund Partnership as of the date of such distribution (exclusive);
  - (3) If there is any remaining amount, distribution shall be made to all Partners until it recovers an annualised return of 6% on all their paid-up capital contribution to the Fund Partnership as of the date of such distribution (exclusive);
  - (4) For the remaining amount as the surplus gain, Chenming Sub-Fund Management Company shall be entitled to 20% of the surplus gain as performance compensation, and 80% of the surplus gain shall be distributed among Huanggang County Fund and Zhanjiang Chenming according to the proportion of their respective paid-up capital contribution.
- Share of loss:** Firstly, Chenming Sub-Fund Management Company makes up for the loss with its paid-up capital contribution. Then, Zhanjiang Chenming makes up for the loss with its paid-up capital contribution. Finally, Huanggang County Fund assumes the loss according to its paid-up capital contribution. However, Zhanjiang Chenming shall not be required to return any distribution received from the Fund Partnership to the Fund Partnership.
- Limitation of liabilities of Partners:** Huanggang County Fund and Zhanjiang Chenming, as the Limited Partners, shall bear the debts of the Fund Partnership to the extent of their respective capital contribution to the Fund Partnership.
- Chenming Sub-Fund Management Company, as the General Partner, shall be liable for the liability of the Fund Partnership other than the liability of the Limited Partners according to their subscribed capital contribution, as well as the unlimited liability on debts.
- Transfer of equity in the Fund Partnership:** Unless otherwise agreed by each Partner, without the consent of Chenming Sub-Fund Management Company and other Limited Partners, the Limited Partner shall not transfer any of their interests in the Fund Partnership through any other means, including but not limited to the rights on capital contribution and acceptance of distribution.



Without being passed by a resolution at a Partners meeting, Chenming Sub-Fund Management Company shall not sell, assign, transfer, exchange, pledge, place encumbrance or otherwise dispose all or part of its interests in the Fund Partnership, or allow others to take part in all or part of its interests in the Fund Partnership in any way. Chenming Sub-Fund Management Company is prohibited from voluntary dissolution and resignation from its position as the manager of the Fund Partnership.

**Removal of the  
General Partner:**

When the Fund Partnership suffers major economic losses or bears major debts or liabilities that the Fund Partnership is unable to repay or resolve due to the intentional or gross negligence of the General Partner, in addition to the corresponding damages liability to the Fund Partnership in accordance with the law, the General Partner may be removed by a resolution passed at the Partners meeting within 60 days after the occurrence of the above circumstances.

**Liability for default:**

Chenming Sub-Fund Management Company, as the General Partner, shall bear the liability for default to Huanggang County Fund and Zhanjiang Chenming in case of act of default as stipulated in the Fund Partnership Agreement or breach of its commitments and guarantees. If the partnership incurs losses as a result of default, Chenming Sub-Fund Management Company shall also be liable for compensation.

If Huanggang County Fund fails to make capital contribution on time due to financial appropriations, changes in government policies and administrative approvals, Chenming Sub-Fund Management Company shall grant Huanggang County Fund a grace period of at least 45 working days. Within the grace period, Huanggang County Fund shall not be liable for default due to such circumstances. Upon the expiry of the grace period, if Huanggang County Fund is still unable to make capital contributions on time, Chenming Sub-Fund Management Company may discuss a settlement plan with Huanggang County Fund.

**Reasons for and Benefits of Entering into the Fund Partnership Agreement**

The Company and the Huanggang City Government has entered into the Huanggang Chenming Phase II Project Construction Agreement in August 2020. In August 2020, Hubei Yangtze River Economic Belt Industrial Fund Management Co., Ltd.\* (湖北省長江經濟帶產業基金管理有限公司) and Huanggang Yangtze River Venture Capital has entered into the Strategic Cooperation Framework Agreement with the Company, and the parties (including institutions designated by the parties) intended to establish a fund partnership through joint capital contribution. The equity investment method was adopted to invest in Huanggang Chenming for the Huanggang Chenming Phase II Project.

Under the above background, the parties to the Fund Partnership Agreement have entered into the Fund Partnership Agreement for the establishment of the Fund Partnership. The Fund Partnership will subscribe for the newly-increased registered capital of Huanggang Chenming of RMB2 billion with an investment amount of no more than RMB2 billion. The purpose of the investment fund shall not be changed, and shall only be used for the Huanggang Chenming Phase II Project.

The Huanggang Chenming Phase II Project can promote the extension of Huanggang Chenming project industrial chain, and strengthen the comprehensive utilisation of resources. The Fund Partnership Agreement fully reflects the high recognition of Huanggang City Government for the integrated layout of pulp and paper of the Company, which will facilitate the development of the Company's principal activities of pulp production and paper making and improve the overall capital strength and core competitiveness of the Company.

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

## **INFORMATION ON THE GROUP AND THE PARTIES TO THE FUND PARTNERSHIP AGREEMENT**

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

Chenming Sub-Fund Management Company is a limited liability company established under the PRC laws, and is owned by Shandong Chenming Investment Co., Ltd., a wholly-owned subsidiary of the Company, as to 60% and Huanggang Changjiang Venture Capital as to 40%. Its business scope covers the management or entrusted management of equity investment and relevant consulting services.

Huanggang County Fund is a limited partnership enterprise incorporated in the PRC. Its partners are Huanggang Dabie Mountains Revitalisation and Development Industry Guidance Fund Partnership (Limited Partnership)\* (黃岡市大別山振興發展產業引導基金合夥企業(有限合夥)), Hubei Yangtze River Economic Belt Industry Guidance Fund Partnership (Limited Partnership)\* (湖北省長江經濟帶產業引導基金合夥企業(有限合夥)) and Huanggang Changjiang Venture Capital. Its business scope covers equity investment, investment management and investment consulting services.

Zhanjiang Chenming is a limited liability company incorporated in the PRC. Its business scope covers soil improvement, forestry research, raw material forest base construction, timber operation and acquisition; production and sales of autoclaved aerated block bricks; establishment, management and operation of pulp mill construction; manufacturing, production, processing, and sales of pulp and related products; design, develop, construct, operate and maintain thermal power plants and other auxiliary facilities, and sell electricity and other auxiliary products, mechanical equipment, and chemical products; production of dangerous chemicals; cargo storage; cargo transportation; cargo and technology import and export. It is owned by the Company and CDB Development Fund Co., Ltd.\* (國開發基金有限公司) as to 91.08% and 8.92%, respectively.

## **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratio(s) in respect of the Fund Partnership Agreement calculated under Rule 14.07 of Chapter 14 of the Listing Rules exceed(s) 5% but all of the applicable percentage ratios are less than 25%, the Fund Partnership Agreement constitutes a disclosable transaction of the Company and is subject to the announcement requirement but exempt from the circular and shareholders' approval requirements under the Listing Rules.

As all applicable percentage ratios (except the profit ratio) in respect of the Entrusted Management Agreement calculated under Rule 14.07 of Chapter 14 of the Listing Rules are less than 0.1%, which is a de minimis transaction under Rule 14A.76 of the Listing Rules, the Entrusted Management Agreement constitutes a full exempt de minimis transaction.



## 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;
“Capital Increase Agreement”	the capital increase agreement to be entered into among the Fund Partnership, the Company and Huanggang Chenming in relation to the subscription of the increase of the registered capital of Huanggang Chenming by the Fund Partnership;
“Chenming Sub-Fund Management Company”	Hubei Huanggang Chenming Equity Investment Fund Management Co., Ltd.* (湖北黃岡晨鳴股權投資基金管理有限公司), a limited liability company incorporated in China, a subsidiary indirectly owned by the Company as to 60%, and the General Partner under the Fund Partnership Agreement;
“Company”	Shandong Chenming Paper Holdings Limited* (山東晨鳴紙業集團有限公司), a joint stock limited liability company incorporated in the PRC whose H shares are listed on the main board of the Stock Exchange, and the controlling shareholder of Chenming Sub-Fund Management Company, the General Partner, and Zhanjiang Chenming, the Limited Partner, under the Limited Fund Agreement;
“Director(s)”	the director(s) of the Company;
“Entrusted Management Agreement”	the entrusted management agreement to be entered into between the partners and Huanggang Changjiang Venture Capital to entrust the rights of Chenming Sub-Fund Management Company to handle matters in relation to the Fund Partnership to Huanggang Changjiang Venture Capital before the Chenming Sub-Fund Management Company obtains the registration of the private fund manager;
“Fund Partnership”	a limited partnership enterprise to be established in the PRC under the name “Hubei Changjiang Chenming Huanggang Equity Investment Fund Partnership (Limited Partnership)” (湖北長江晨鳴黃岡股權投資基金合夥企業(有限合夥)) under the Fund Partnership Agreement (subject to the name finally approved by the relevant government department);
“Fund Partnership Agreement”	the fund partnership agreement dated 23 December 2020 entered into between Chenming Sub-Fund Management Company (as the General Partner), Huanggang County Fund, and Zhanjiang Chenming (as Limited Partners) for the establishment of the Fund Partnership;
“General Partner”	the general partner of the Fund Partnership, namely Chenming Sub-Fund Management Company;
“Group”	the Company and its subsidiaries;

“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;
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China;
“Huanggang Changjiang Venture Capital”	Hubei Huanggang Changjiang Venture Capital Industrial Fund Management Co., Ltd.* (湖北黃岡長江創投產業基金管理有限公司), a limited liability company incorporated in the PRC which holds 40% equity interests in Chenming Sub-Fund Management Company;
“Huanggang Chenming”	Huanggang Chenming Pulp & Paper Co., Ltd.* (黃岡晨鳴漿紙有限公司), a limited liability company incorporated in the PRC, and a subsidiary of the Company, which is directly held by the Company as to 97.87% as at the date of this announcement;
“Huanggang Chenming Phase II Project”	the pulp and paper integration phase II project of Huanggang Chenming Paper Co., Ltd.*, in which Huanggang Chenming intends to invest RMB15.8 billion. The construction period is 24 months, divided into two stages. The total investment for phase I is RMB12.521 billion, with construction of production lines of production capacity 350,000 tonnes/year for offset paper, 1.3804 million tonnes/year for white paperboard and 1.2 million tonnes/year for gray-bottomed white paper, generating mechanical pulp of 800,000 tonnes/year. The total investment for phase II is RMB3.325 billion, with construction of production lines of production capacity 181,600 tonnes/year for offset paper and 346,600 tonnes/year for white paperboard, generating mechanical pulp of 250,000 tonnes/year;
“Huanggang County Fund”	Hubei Changjiang (Huanggang) Industrial Investment Fund Partnership (Limited Partnership)* (湖北長江(黃岡)產業投資基金合夥企業(有限合夥)), a limited partnership enterprise incorporated in the PRC, and one of the Limited Partners under the Fund Partnership Agreement;
“Independent Third Party”	persons(s) or company(ies) which is(are) independent of the Directors, supervisors, substantial shareholders and chief executive (as defined under the Listing Rules) of the Group;
“Limited Partner(s)”	the limited partners of the Fund Partnership, namely Huanggang County Fund and Zhanjiang Chenming, and a “Limited Partner” shall refer to any one of them;

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Partner(s)”	the partners of the Fund Partnership Agreement, namely Chenming Sub-Fund Management Company, Huanggang County Fund and Zhanjiang Chenming, and a “Partner” shall refer to any one of them;
“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;
“RMB”	Renminbi, the lawful currency of the PRC;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Zhanjiang Chenming”	Zhanjiang Chenming Paper Pulp Co., Ltd.* (湛江晨鳴漿紙有限公司), a limited liability company incorporated in the PRC, a subsidiary directly owned by the Company as to 91.08%, and is one of the Limited Partners under the Fund Partnership Agreement; and
“%”	percentage.

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

Shandong, PRC 23 December 2020

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

\* *For identification purposes only*