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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
EQUITY REPURCHASE AGREEMENT**

EQUITY REPURCHASE AGREEMENT

The Board is pleased to announce that, on 16 April 2018 (after trading hours), the Company, as the Vendor, entered into the Equity Repurchase Agreement with Shanghai Zhongneng, as the Purchaser, pursuant to which, the Vendor agreed to dispose and the Purchaser agreed to acquire the Sale Equity at a total consideration of RMB2,634,041,400 in cash.

As at the date of the Equity Repurchase Agreement, each of the Company and Shanghai Zhongneng held 50% equity interest in the Target Company. Upon the completion of the transaction, the Company will no longer hold any equity interest in the Target Company and the Target Company will be wholly-owned by Shanghai Zhongneng.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as calculated in accordance with Rule 14.07 of the Listing Rules) in respect of the disposal of Sale Equity exceeds 5% but lower than 25%, the disposal of Sale Interest constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

Summary of the principle terms of the Equity Repurchase Agreement is set out below:

Date	16 April 2018
Parties	<p>The Company (as the Vendor) Shanghai Zhongneng (as the Purchaser) To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, except for being a shareholder of the Target Company by holding its 50% equity interest, the Purchaser and its ultimate beneficial owner are Independent Third Parties of the Company and its connected person.</p>
Subject matter	<p>Disposal of Equity Interest</p> <p>As at the date of the Equity Repurchase Agreement, the Sale Equity accounted for 50% of the total issued shares of the Target Company, representing all equity interest held by the Company in the Target Company.</p>
Consideration	<p>The total consideration for the Sale Equity is RMB2,634,041,400 in cash.</p> <p>The consideration was determined based on relevant terms under the Capital Increase Agreements and the Supplementary Agreement entered into between the Company and Shanghai Zhongneng. During the period when the Company made investment in Guangdong Dejun, the Company is entitled to an annualised return on fixed income of not less than 6% per annum. If the annualised income from the Target Company is less than 6%, the shortfall will be made up by Shanghai Zhongneng to the Company. It is agreed that Shanghai Zhongneng or any third party designated by Shanghai Zhongneng will acquire the 50% equity interest in the Target Company held by the Company at a premium of 4% per annum at the expiry of three year from the date of completion of industrial and commercial registration for the capital increase.</p>

After communicating with Shanghai Zhongneng, Shanghai Zhongneng agreed to make early repurchase of the 50% equity interest in the Target Company held by the Company at an investment return rate of 6% per annum and a premium of 4% per annum. The investment term is calculated based on the actual investment days. The repurchase premium and investment gains amounted to RMB2,634,041,000 in aggregate. The Company received investment gains of RMB112,541,400 on 9 February 2018. The outstanding consideration amounted to RMB2,521,500,000.

If Shanghai Zhongneng fails to make payment on time, Shanghai Zhongneng shall pay 0.05% of the payable to the Company as overdue payment. If Shanghai Zhongneng refuses to make payment, the Company is entitled to terminate the Equity Repurchase Agreement and Shanghai Zhongneng shall be liable for the damages to the Company.

Transaction procedures

Shanghai Zhongneng shall deposit the outstanding consideration for repurchasing the Sale Equity of RMB 2,521,500,000 to the designated joint account managed and supervised by both parties within 5 business days upon signing the Equity Repurchase Agreement. Upon the aforesaid amount has been deposited to the joint account, the Company shall cooperate with Shanghai Zhongneng in completing relevant procedures for change of industrial and commercial registration.

The aforesaid amount shall be fully transferred from the joint account to the Company within 5 business days upon the completion of change of industrial and commercial registration.

REASONS FOR AND BENEFITS OF ENTERING INTO OF THE EQUITY REPURCHASE AGREEMENT

The Company will focus the proceeds from the disposal of Sale Equity for the development of its competitive businesses.

The Board is of the view that the disposal of Sale Equity is on normal commercial terms and the terms of the Equity Repurchase Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INTENDED USE OF PROCEEDS AND FINANCIAL EFFECTS OF THE DISPOSAL OF SALE EQUITY

The Company expects to recognise a gain from the disposal of Sale Equity of approximately RMB284,041,400, which is calculated based on the consideration less (i) the capital increase of RMB1,850,000,000 to the Target Company on 29 June 2016 in accordance with the Capital Increase Agreement; and (ii) the capital increase of RMB500,000,000 to the Target Company on 25 July 2017 in accordance with another Capital Increase Agreement. The actual gain from the disposal of Sale Equity to be recorded by the Company is subject to final audit to be performed by the auditor of the Company.

The unaudited net profit/(net loss) before and after tax of the Target Company for the two financial years ended 31 December 2016 and 2017 were as follows:

	For the year ended 31 December 2016 (RMB)	For the year ended 31 December 2017 (RMB)
Net profit before tax	40,798,996	50,946,660
Net profit after tax	40,798,996	50,946,660

As at 31 December 2017, the total unaudited assets of the Target Company amounted to RMB4,381,708,990.

INFORMATION ON THE COMPANY, SHANGHAI ZHONGNENG AND THE TARGET COMPANY

The principal activities of the Company are manufacture and sales of paper products.

Shanghai Zhongneng is a company established and existing under the laws of the PRC. Its scope of business includes industrial investment, construction works, business consultation, sales of complete sets of equipment for power and power plant, automation facilities, electrical and mechanical equipment, mechanical equipment, environmental protection equipment, building materials, chemical raw materials and products, wire and cable, electronic products, fuel and oil, import and export of goods or technology; and wholesales of pre-packaged food as a commission agent.

Guangdong Dejun is a company established and existing under the laws of the PRC. Its scope of business includes project investment (except for special approved projects); house leasing; sales of: chemical materials (excluding dangerous chemicals), metallic materials, building materials, paper-making materials and paper,

cement, steel and mineral products (excluding tungsten, tin and stibium), electronic appliances and components, mechanical equipment, electronic products, hardware products, labour insurance products, agricultural by-products; and export and import of goods and technology.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as calculated in accordance with Rule 14.07 of the Listing Rules) in respect of the disposal of Sale Equity exceeds 5% but lower than 25%, the disposal of Sale Equity constitutes a disclosable transaction of the Company under Chapter 14 of the Listing Rules.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context otherwise requires:

“Board”	the board of Directors
“Capital Increase Agreements”	the capital increase agreements entered into between the Company and Shanghai Zhongneng on 28 December 2016 and 25 June 2017, respectively, in relation to the capital contribution to Gunagdong Dejun
“Company”	Shandong Chenming Paper Holdings Limited (山東晨鳴紙業集團股份有限公司), a joint stock company incorporated in the PRC with limited liability, the H Shares of which are listed on the main board of the Stock Exchange (stock code: 1812)
“Director(s)”	the director(s) of the Company
“Equity Repurchase Agreement”	the equity repurchase agreement entered into between the Company and Shanghai Zhongneng on 16 April 2018
“Group”	the Company and its subsidiaries
“Guangdong Dejun” or “Target Company”	Guangdong Dejun Investment Co., Ltd. (廣東德駿投資有限公司), a company incorporated in the PRC with limited liability, whose equity interest is held as to 50% each by the Company and Shanghai Zhongneng as at the date of this announcement and will be held as to 100% by Shanghai Zhongneng upon the completion of the transaction
“Hong Kong”	Hong Kong Special Administrative Region of the PRC

“Independent Third Party”	a third party independent of the Company and its connected persons, and not a connected person of the Company
“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 PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Equity”	an aggregate of 50% equity interest in Guangdong Dejun owned by the Company
“Shanghai Zhongneng”	Shanghai Zhongneng Enterprise Development (Group) Co., Ltd. (上海中能企業發展(集團)有限公司), a company incorporated in the PRC with limited liability, and an Independent Third Party as at the date of this announcement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Agreement”	the supplemental agreement entered into between the Company and Shanghai Zhongneng on 16 November 2017 in relation to supplementing to the clause of the Capital Increase Agreements
“%”	percentage

By order of the Board
Shandong Chenming Paper Holdings Limited
CHEN HONGGUO
Chairman

Shandong, the PRC
16 April 2018

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*