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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 Provision of Financial Support to Haiming Mining and Related Party Transaction” dated 17 February 2017 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
17 February 2017

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.:
2017-012

Shandong Chenming Paper Holdings Limited

Announcement on Provision of Financial Support to Haiming Mining and Related Party Transaction

The Company and all members of the board (the “Board”) of directors (“Directors”) hereby warrant the truthfulness, accuracy and completeness of the contents of information disclosure 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.

I. Overview of financial support and related party transaction

1. The Company, together with Liaoning BeiHai Industries Group Co., Ltd. (“BeiHai Group”) and Shouguang Hengtai Enterprise Investment Company Limited (“Hengtai Enterprise”), planned to provide financial support to Haicheng Haiming Mining Company Limited (“Haiming Mining”), a controlling subsidiary of the Company, to support the business development of Haiming Mining and fulfill its capital requirement for operation and development, as well as to maximise the benefits of the Company and save the finance expenses, given the current operation and capital utilisation of the Company. The financial support shall be provided base on the respective proportion of shareholding in Haiming Mining of parties involved, and shall be not more than RMB600 million in aggregate. The financial support is effective for three years and on a revolving basis during its effective term. The Company charges interest on the outstanding supporting funds at a rate not lower than the prevailing bank lending rate.

Established on 15 September 2010, Shouguang Hengtai Enterprise Investment Company Limited (“Hengtai Enterprise”) primarily engages in project investments using self-owned funds, with registered capital of RMB82.50 million. Mr. Chen Hongguo, the chairman and general manager, Mr. Yin Tongyuan, the vice chairman, and Mr. Li Feng, a Director of the Company, hold 61.82%, 13.33% and 3.64% equity interest in Hengtai Enterprise, respectively. The senior management of the Company including Ms. Li Xueqin, Mr. Geng Guanglin and Mr. Hu Changqing, the deputy general managers, hold 12.13% equity interest in Hengtai Enterprise in aggregate, and other parties hold the remaining 9.08% equity interest in Hengtai Enterprise.

The senior management of the Company including Mr. Chen Hongguo, the chairman and general manager, Mr. Yin Tongyuan, the vice chairman, Mr. Li Feng, a Director, and Ms. Li Xueqin, Mr. Geng Guanglin and Mr. Hu Changqing, the deputy general managers, hold the shares of Hengtai Enterprise. The subject matter constitutes a related party transaction by virtue of Rule 10.1.3 of the Rules Governing Listing of Stocks on Shenzhen Stock Exchange.

According to relevant rules under the Rules Governing Listing of Stocks on Shenzhen Stock Exchange, the abovementioned matters were considered and approved at the fourth meeting of the eighth session of the Board and the fifth meeting of the eighth session of the supervisory committee, and four related party Directors of the Company including Mr. Chen Hongguo, Mr. Yin Tongyuan, Mr. Li Feng and Mr. Geng Guanglin had abstained from voting. The resolution shall be submitted to the 2016 AGM of the Company for consideration.

2. Prior approval and independent opinions of independent Directors:

Information in relation to the related party transaction has been submitted to independent Directors of the Company for review prior to the review of the aforesaid related party transaction by the Board of the Company. Independent Directors are of the opinion that the aforesaid related party transaction is in compliance with relevant laws and regulations including the Company Law, the Securities Law and the Articles of Association, and have agreed to submit it to the fourth meeting of the eighth session of the Board for consideration. When considering and casting votes for such resolution, four related party Directors have abstained from voting in accordance with relevant rules. The voting procedure of the Board is lawful, and does not harm the interests of the listed company and minority shareholders.

Haiming Mining is a controlling subsidiary of the Company. According to rules including the Rules Governing Listing of Stocks on Shenzhen Stock Exchange and the Administrative Measures for the Material Asset Reorganisations of Listed Companies, the transaction will not constitute a material asset reorganisation.

According to the requirements under the Rules Governing Listing of Stocks on Shenzhen Stock Exchange and the Articles of Association, the transaction is subject to approval at the general meeting of the Company. The related parties who have interests in such related party transaction shall abstain from voting on relevant resolution at the general meeting.

II. Basic information about the company receiving financial support

1. Company name: Haicheng Haiming Mining Company Limited
2. Company type: Limited liability company
3. Registered address: No. 627A, Yangjiadian Village, Pailou Town, Haicheng City
4. Registered capital: RMB240 million
5. Legal representative: Zhang Jinyu
6. Business license number: 210381009188233
7. Date of establishment: 6 November 2012
8. Scope of business: Processing and sale of magnesite and talc, import and export of goods and technology; sale of electricity.
9. Shareholders: The Company (60%), BeiHai Group (30%) and Hengtai Enterprise (10%)
10. As at 31 December 2016, the total assets, total liabilities, net assets and net profit of Haiming Mining amounted to RMB971.5634 million, RMB731.6916 million, RMB239.8718 million and -RMB128,200, respectively.

Major financial data of Haiming Mining for the past two years:

Unit: RMB'0,000

Item	31 December 2015/ For the year 2015	31 December 2016/ For the year 2016
Total assets	69,027.55	97,156.34
Total liabilities	45,027.55	73,169.16
Equity interests attributable to owners of the parent company	24,000.00	23,987.17
Revenue	—	-12.83
Net profits	—	-12.83
Net cash flow arising from operating activities	17,760.61	13,820.78

Note: Financial data as at 31 December 2016/for the year 2016 of Haiming Mining is unaudited.

III. General description of counterparties

(I) Shouguang Hengtai Enterprise Investment Company Limited

1. Company name: Shouguang Hengtai Enterprise Investment Company Limited
2. Registered address: No. 595 Shengcheng Road, Shouguang City
3. Legal representative: Chen Hongguo
4. Registered capital: RMB82.50 million
5. Scope of business: Project investments using self-owned funds
6. Date of establishment: 15 September 2010
7. Major shareholders: Mr. Chen Hongguo, the chairman and general manager of the Company, Mr. Yin Tongyuan, the vice chairman, and Mr. Li Feng, a Director, hold 61.82%, 13.33% and 3.64% equity interest in Hengtai Enterprise, respectively. The senior management of the Company including Ms. Li Xueqin, Mr. Geng Guanglin and Mr. Hu Changqing, the deputy general managers, hold 12.13% equity interest in Hengtai Enterprise in aggregate, and other parties hold the remaining 9.08% equity interest in Hengtai Enterprise.

There is related party relationship between the Company, Directors, supervisors and senior management of the Company and Hengtai Enterprise.

As of 31 December 2016, the revenue and net profit of Hengtai Enterprise amounted to RMB0 and -RMB888,900. As at 31 December 2016, the net assets of Hengtai Enterprise amounted to RMB57.7688 million.

(II) Liaoning BeiHai Industries Group Co., Ltd.

1. Company name: Liaoning BeiHai Industries Group Co., Ltd.
2. Registered address: Yangjiadian Village, Pailou Town, Haicheng City, Anshan City, Liaoning Province
3. Legal representative: Jin Nan
4. Registered capital: RMB52.00 million
5. Date of establishment: 5 April 2004

6. Scope of business: Open-air underground mining of talc and magnesite (operated by branches only); processing and sale of: talc, talc powder, chlorite, calcite, calcium carbonate powder and chlorite powder.
7. Major shareholders: Haicheng No. 2 Talc Powder Factory (96.16%), Jin Nan (1.92%) and Li Yanjiao (1.92%)

As of 31 December 2015, the revenue and net profit of BeiHai Group amounted to RMB705.28 million and RMB30.45 million. As at 31 December 2015, the net assets of BeiHai Group amounted to RMB563.61 million.

IV. Content of the agreement

1. Borrowing under the contract will be amounted to RMB600 million, of which RMB360 million, RMB180 million and RMB60 million shall be contributed by the Company, BeiHai Group and Hengtai Enterprise, respectively.
2. The term for the contracted financial support will be 3 years (or 36 months), from 1 March 2017 up to 1 March 2020.
3. Haiming Mining shall utilise the funds for project construction of Haicheng Haiming Mining Company Limited. Borrower shall not alter the use of borrowing, or apply for other purposes.
4. Interests will be carried at the prevailing benchmark lending rate of People's Bank of China. On the basis of 360 days per year, interests will be calculated base on day count for capital utilisation since the date on which financial support is actually received and the actual amount for financial support to be provided. The formula is as follows: $\text{interest} = \text{balance of the financial support} \times \text{day count for capital utilisation} \times \text{interest rate for financial support} / 360$.
5. Interests shall be settled monthly. Interest settlement date will be on the last day of each month.
6. Haiming Mining shall deposit the interest payable into the deposit account as agreed under the contract by 16:00 (Beijing time) at the end of each quarter. In the event that the interest payment date is a statutory holiday (e.g. Saturday and Sunday) or a public holiday, Haiming Mining shall pay relevant interests on the first working day following such statutory holiday or public holiday.
7. Within the cap for financial support, Haiming Mining shall submit report on capital utilisation. Upon review and approval, financial support providers will provide funds in tranches base on the actual amount to be utilised.

8. Haiming Mining shall fully repay the principal of the financial support in one-off by the expiry of the financial support. In the event that the principal repayment date is a statutory holiday (e.g. Saturday and Sunday) or a public holiday (e.g. Spring Festival and National Day), Haiming Mining may choose to repay the principal of the financial support on the first working day following such statutory holiday or public holiday.
9. In the event that shareholders fail to perform their obligation for providing financial support on time and in full, they must pledge their assets and corresponding shareholdings as security.

V. Purpose of the transaction and its impact on the Company

The Company will provide financial support to its controlling subsidiary Haiming Mining to fulfil the capital requirement for its operation and development, provided that the capital requirement for ordinary production and operation of the Company is met. This can help further expand the business scale of the Company.

VI. Total amount accumulated under various related party transactions conducted with the subject related party during the period from the beginning of the current year up to the date of disclosure

During the period from the beginning of the current year up to the date of disclosure, related party transactions between the Company and Hengtai Enterprise amounted to RMB28.2454 million.

VII. Opinions of independent Directors

Independent Directors of the Company have granted prior approval on the related party transaction, and agreed to submit the relevant resolution for the Board's consideration. Opinions of independent Directors are set out as follows:

From our point of view, provision of financial support to our controlling subsidiary Haiming Mining, provided that the capital requirement for the ordinary production and operation of the Company is fulfilled, can fulfil the capital requirement for the operation and development of Haiming Mining, thereby further expanding our business scale. We have conducted careful review and argumentation on the necessity of financial support, fairness of pricing, lawfulness and compliance of decision-making procedures and possible risk exposures, and unanimously approved the provision of financial support to our controlling subsidiary Haiming Mining. When the Board of the Company considering the resolution on the related party transaction, the voting procedures

were lawful and the related party Directors had abstained from voting, which is in compliance with relevant rules including the Rules Governing Listing of Stocks on Shenzhen Stock Exchange and the Articles of Association, and do not affect the independence of the listed company. There is no behaviour or situation which will harm the interests of the Company and minority shareholders. The transaction has complied with relevant rules of China Securities Regulatory Commission and Shenzhen Stock Exchange. The risk exposures in relation to the provision of financial support by the Company are controllable. Hence, we give our consent to the provision of financial support to our controlling subsidiary Haiming Mining.

VIII. Documents available for inspection

1. Resolutions of the fourth meeting of the eighth session of the Board
2. Independent opinion from independent Directors on the provision of financial support to Haiming Mining

Notice is hereby given.

Board of Shandong Chenming Paper Holdings Limited
17 February 2017