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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)

**INSIDE INFORMATION
PARTNERSHIP AGREEMENT ON
ESTABLISHMENT OF INVESTMENT FUND**

Establishment of Investment Fund

The Board is pleased to announce that, on 15 August 2017, the Company and seven other Partners entered into the Partnership Agreement in relation to, among other things, joint establishment of the Investment Fund in the PRC. Pursuant to the Partnership Agreement, the total capital contribution of the Investment Fund will be RMB500.02 million, among which RMB200.00 million will be contributed by the Company as a limited Partner.

This announcement is issued pursuant to the requirements of Rule 13.09 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

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Partnership Agreement

Major terms of the Partnership Agreement are set out below:

Date	15 August 2017
Name of Investment Fund	Ningbo Kaichen Huamei Equity investment Fund Partnership (Limited Partnership) (寧波啟辰華美股權投資基金合夥企業(有限合夥), tentative name only and subject to registration with industry and commerce authorities)
Partners	<p>General Partners:</p> <ul style="list-style-type: none">(i) Zhuhai Kaichenxing Investment Advisory Company (General Partnership) (珠海啟辰星投資諮詢企業(普通合夥)) (“Zhuhai Kaichenxing”)(ii) Beijing Taihe Orient Investment Co., Ltd. (北京太和東方投資管理有限公司) (“Beijing Taihe Orient”) <p>Limited Partners:</p> <ul style="list-style-type: none">(i) the Company(ii) Tibet Guangqi Venture Capital Management Co., Ltd. (西藏光啓創業投資管理有限公司)(iii) Shenzhen Pengchong Investment Management Co., Ltd.(深圳市鵬翀投資管理有限公司)(iv) Wang Chengjiang (王成江)(v) Yu Xiaojie(于曉杰)(vi) Sui Xinpeng (隋信朋)

Principal Information About the Partnership Agreement

1. Purpose: Kaichen Huamei Fund is a private equity investment fund established as limited partnership, which primarily focuses on the investments in Pre-IPO enterprises, and exit of investments is mainly through listing and merger exit.
2. Business scope: Equity investment and investment consultation (subject to registration with industry and commerce authorities)

3. Term: The partnership term will be effective from the issue date of the business license of Kaichen Huamei Fund with a term of five years. The first three years will be the valid period, while the last two years will be the exit period. If agreed by the Partners, the partnership term of Kaichen Huamei Fund can be extended based on the actual condition.
4. Capital contribution: At the establishment of the Partnership, the estimated capital contribution will be RMB500.02 million in aggregate, which will be jointly contributed by the general Partners and the limited Partners in cash.
5. Management of Partnership:

The limited Partners shall not be involved in the execution of partnership affairs, and shall not act on behalf of Kaichen Huamei Fund. The limited Partners are prohibited from execution of any document on behalf of Kaichen Huamei Fund, or take any other action which will result with binding effect on Kaichen Huamei Fund.

The general Partners, namely Zhuhai Kaichenxing and Beijing Taihe Orient, will jointly act as the Executive Business Partner, and act on behalf of the Partnership. The Executive Business Partners will appoint representatives to execute investment contracts with external parties on behalf of the Partnership. They will also commence investment and operating activities, and be responsible for the operations and daily management of the Partnership.

The limited Partners shall bear the debts of the Partnership to the extent of their respective capital contribution. The general Partners shall bear unlimited joint and several liability to the debts of the Partnership.

Basic Information About the Establishment of Investment Fund

Business scope: Equity investment and investment consultation (subject to registration with industry and commerce authorities)

Executive Business Partner: Served by the general Partners

Method of contribution: Cash contribution

Equity structure:

No.	Type of Partner	Name of Partner	Method of capital contribution	Contributed capital (RMB'0,000)	Shareholding
1	General Partner	Zhuhai Kaichenxing Investment Advisory Company (General Partnership) (珠海啟辰星投資諮詢企業(普通合夥))	Cash	1	0.002%
2	General Partner	Beijing Taihe Orient Investment Co., Ltd. (北京太和東方投資管理有限公司)	Cash	1	0.002%
3	Limited Partner	Shandong Chenming Paper Holdings Limited	Cash	20,000	39.998%
4	Limited Partner	Tibet Guangqi Venture Capital Management Co., Ltd. (西藏光啟創業投資管理有限公司)	Cash	8,000	15.999%
5	Limited Partner	Shenzhen Pengchong Investment Management Co., Ltd. (深圳市鵬翀投資管理有限公司)	Cash	8,000	15.999%
6	Limited Partner	Wang Chengjiang (王成江)	Cash	8,000	15.999%
7	Limited Partner	Yu Xiaojie (于曉杰)	Cash	3,000	6.000%
8	Limited Partner	Sui Xinpeng (隋信朋)	Cash	3,000	6.000%
Total			Cash	50,002	100%

Annual management fees

The parties have agreed that the Partnership shall pay management fees to the Executive Business Partner as it subsists according to the following requirements:

- (1) Management fees shall be paid annually. For the first three years, management fees shall be paid to the Executive Business Partner based on 2% of the total paid-up amount for capital contribution of all Partners every year. After the first three years, if the Partnership subsists, management fees shall continued to be paid to the Executive Business Partner based on 2% of the total paid-up amount for capital contribution of all Partners every year.
- (2) All Partners shall pay management fees based on their respective share in the total paid-up amount for capital contribution. Management fees shall be paid additionally to the Executive Business Partner by all Partners based on their respective paid-up amount for capital contribution.

Share of gains and losses

(1) *Distribution*

Cash income acquired by the Partnership (including but not limited to interest, dividend and bond interest) shall be distributed among the Partners as agreed at the Partners' meeting. As agreed by the Partners, the cash income acquired by the Partnership can be used for reinvestment.

Profit shall be distributed when the Partnership ceases to subsist or within 20 working days after the exit of investment projects. The net gains after deducting management fees and the expenses directly borne by the fund from the cash income of the Partnership from the exit of projects shall be distributed in the following manner:

- (1) The net gains from the investment projects acquired by the Partnership shall be distributed to all Partners based on their respective paid-up amount for capital contribution, until all Partners get back their paid-up amount for capital contribution in full;
- (2) Upon the completion of the above distribution, 80% of the remaining gains shall be distributed among all Partners based on the proportion of paid-up amount for capital contribution and 20% shall be distributed to the general Partners.

(2) *Bearing of losses and debts*

Losses of the Partnership shall be borne by the Partners based on their respective paid-up amount for capital contribution. Limited Partners shall bear the debts of the Partnership to the extent of their respective paid-up capital contribution. General Partners shall bear unlimited joint and several liability to the debts of the Partnership.

Information on the Group and the Partners

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

To the best of the knowledge of the Directors, the principal activities of the Partners are as follows:

Zhuhai Kaichenxing, a general Partner, is a limited partnership established in the PRC and is mainly engaged in investment consultation (excluding restricted projects), investment management (excluding restricted projects) and investment advisory (excluding restricted projects).

Beijing Taihe Orient, a general Partner, is a limited liability company incorporated in the PRC and is mainly engaged in asset management, investment management, project investment and project consultation.

Tibet Guangqi Venture Capital Investment Management Co., Ltd., one of the limited liability Partners is a limited liability company incorporated in the PRC and is mainly engaged in venture investment management, corporate management services and financial management services.

Shenzhen Pengchong Investment Management Co., Ltd., one of the limited liability Partners, is a limited liability company incorporated in the PRC and is mainly engaged in venture investment management and investment consultation.

Wang Chengjiang, Yu Xiaojie and Sui Xinpeng made capital contribution as natural persons.

To the best of the knowledge, information and belief of the Directors, having made all reasonable inquiries, the seven other Partners under the Partnership Agreement and their respective ultimate beneficial owners are the Independent Third Parties who are independent of the Company or any of its subsidiaries or their respective directors, chief executives or substantial shareholders or any of their respective associates.

Reasons for and benefits of the Partnership Agreement and the Investment Fund

The Board is of the opinion that, under the premise of ensuring the development of the principal business of the Company, the Investment Fund will utilise the professional advantages, comprehensive risk control systems and abundant market resources of the parties by making reference to the experience of the parties in investment, mergers and acquisition so as to enhance the capital operation and efficiency of the Company, improve the investment capability of the Company, optimise the diversified industrial layout of the Company, strengthen the market competitiveness and profitability of the Company and achieve continuous, rapid and stable development of the Company. In view of the above, the Board is of the opinion that the terms of the Partnership Agreement are negotiated on an arm's length basis on normal commercial terms, and are fair and reasonable, and in the interests of the Company and its shareholders as a whole.

Definitions

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

“Associate(s)”	has the meaning as defined under the Listing Rules
“Board”	the board of Directors
“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
“Director(s)”	the director(s) of the Company, including independent non-executive directors
“Executive Business Partner”	The general Partner, being Zhuhai Kaichenxing and Beijing Taihe Orient
“Group”	the Company and its subsidiaries
“Independent Third Party”	third party(ies) independent of and not connected with the Company and connected persons(has the meaning as defined under the Listing Rules) of the Company

“Investment Fund” or “Kaichen Huamei Fund” or “Partnership”	Ningbo Kaichen Huamei Equity investment Fund Partnership (Limited Partnership) (寧波啟辰華美股權投資基金合夥企業(有限合夥), a limited partnership to be established and registered under the laws of PRC pursuant to the Partnership Agreement
“Partnership Agreement”	the partnership agreement entered into by the Company and seven other Partners on 15 August 2017 in relation to the establishment of the Investment Fund in the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Partner(s)”	the partner(s) of the Investment Fund, including the general Partners and the limited Partners
“PRC”	the People’s Republic of China, and for the purposes of this announcement, excluding Hong Kong, Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	percentage

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

Shandong, PRC
15 August 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*