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If you have sold or transferred all your shares in the Company, you should at once hand this circular and the accompanying form of proxy to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer, registered institution in securities, or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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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)

**(1) PROPOSED EXTENSION OF THE VALIDITY OF THE AUTHORISATION GRANTED
TO THE BOARD WITH ABSOLUTE DISCRETION TO DEAL WITH THE NON-PUBLIC
ISSUE OF A SHARES**

AND

**(2) PROPOSED EXTENSION OF THE VALIDITY OF THE RESOLUTIONS
IN RESPECT OF THE NON-PUBLIC ISSUE OF A SHARES**

AND

(3) NOTICE OF 2018 SECOND EXTRAORDINARY GENERAL MEETING

AND

(4) NOTICE OF 2018 FIRST CLASS MEETING FOR HOLDERS OF H SHARES

**Independent Financial Adviser to the Independent Board Committee and
the Independent Shareholders**



Capitalized terms used in this cover page shall have the same meanings as those defined in this circular.

Notice for convening the 2018 EGM (as defined below) and the 2018 H Shares Class Meeting (as defined below) of the Company to be held on 1 June 2018 at the conference room of the research and development centre of the Company, No. 2199 Nongsheng Road East, Shouguang City, Shandong Province, the People's Republic of China (the "PRC"), are set out on pages 31 to 34 to this circular.

Whether or not you are able to attend the meetings in person, you are requested to complete and return the accompanying forms of proxy in accordance with the instructions printed thereon. In case of H Shares, the proxy form shall be lodged with Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong; and in case of A Shares and B Shares, the proxy form shall be lodged at the capital operation department of the Company at No. 2199 Nongsheng Road East, Shouguang City, Shandong Province, the PRC, as soon as possible and in any event not later than 24 hours before the time scheduled for holding the meeting (or any adjourned meetings thereof). Completion and delivery of the form of proxy will not preclude you from attending and voting in person at the meetings or any adjournment if you so desire and completion and return of the reply slip will not affect the right of a shareholder to attend the respective meeting.

** for identification purpose only*

17 May 2018

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DEFINITIONS

In this circular, unless the context otherwise requires, the expressions below shall have the following meanings:

“A Share(s)”	the domestic share(s) of the Company, with a nominal value of RMB1.00 each, which are listed on the Shenzhen Stock Exchange in the PRC and traded in RMB (stock code: 000488)
“A Shares Subscription”	the proposed subscription of A Shares by the Substantial Shareholder of a total subscription price of not more than RMB752,949,994 for 73,315,482 New A Shares pursuant to the Shares Subscription Agreement
“Articles”	the articles of association of the Company
“associate(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules
“B Share(s)”	the domestic listed foreign shares(s) of the Company, with a nominal value of RMB1.00 each, which are listed on the Shenzhen Stock Exchange in the PRC and traded in Hong Kong dollars (stock code: 200488)
“Board”	the board of Directors
“Chenming Holding (Hong Kong)”	Chenming Holding (Hong Kong) Limited, a wholly-owned subsidiary of the Company
“Company”	Shangdong Chenming Paper Holdings Limited (山東晨鳴紙業集團股份有限公司), a joint stock limited liability company incorporated in the PRC whose H Shares are listed on the main board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules
“CSRC”	China Securities Regulatory Commission
“Director(s)”	the director(s) of the Company
“Gram Capital” or “Independent Financial Adviser”	Gram Capital Limited, a licensed corporation to carry on Type 6 (advising on corporate finance) regulated activity as defined under the SFO, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders on the extension of the validity period of the resolutions in respect of the Non-public Issue of A Shares
“Group”	the Company and its subsidiaries

DEFINITIONS

“H Share(s)”	the overseas listed foreign share(s) of the Company, with a nominal value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Independent Board Committee”	the independent board committee of the Company comprising all independent non-executive Directors formed to advise Independent Shareholders on the extension of the validity period of the resolutions in respect of the Non-public Issue of A Shares
“Independent Shareholders”	the shareholders other than the Substantial Shareholder and its associates who are interested in the extension of the validity period of the resolutions in respect of the Non-public Issue of A Shares
“Latest Practicable Date”	17 May 2018, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Non-Public Issue of A Shares” or “Placing of A Shares” or “Non-Public Offering”	the proposed non-public issue and placing of A Shares under specific mandate at the Subscription Price by the Company to up to ten target subscribers, including the Substantial Shareholder (and other potential subscribers which are independent third parties of the Company), which would raise gross proceeds of up to approximately RMB3,700 million
“PRC”	the People’s Republic of China
“Reference Date”	17 May 2016, i.e. the date on which of the Board has approved the proposed the Non-Public Issue of A Shares
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	A Share(s), B Share(s) and H Shares(s)
“Shareholder(s)”	holders of the A Share(s), B Share(s) and the H Share(s)
“Shares Subscription Agreement”	the conditional subscription agreement dated 7 June 2017 entered into between the Company and the Substantial Shareholder in relation to the proposed A Shares Subscription

DEFINITIONS

“Subscription Price”	the subscription price per A Share under the proposed Placing of A Shares, which shall be not less than the higher of (i) 90% of the average trading price of the Company’s A shares for the 20 trading days prior to the price determination date (the average trading price of the A shares for the 20 trading days prior to the price determination date = total trading amount of A shares for the 20 trading days prior to the price determination date/total volume of A shares for the 20 trading days prior to the price determination date) (i.e. RMB10.27 per share); and (ii) the net asset value per share attributable to ordinary shareholders under the latest audited accounts of the Company prior to the issue (subject to the Price Adjustment)
“Substantial Shareholder” or “Chenming Holdings”	Chenming Holdings Company Limited, a joint stock company incorporated in the PRC with limited liability
“Supervisor(s)”	the supervisor(s) of the Company
“Shenzhen Stock Exchange”	the Shenzhen Stock Exchange
“trading day(s)”	a day on which the Shenzhen Stock Exchange is open for dealing or trading in securities
“2018 Class Meetings”	A Shares, B Shares Class Meetings and the H Shares Class Meeting to be held on 1 June 2018
“2018 EGM”	the 2018 second extraordinary general meeting of the Company to be convened on Friday, 1 June 2018 at the conference room of the research and development centre of the Company, No 2199 Nongsheng Road East, Shouguang City, Shandong Province, the People’s Republic of China or any adjournment thereof
“2018 H Shares Class Meeting”	the 2018 first H shares class meeting of the Company to be held on 1 June 2018 for the purpose of considering and, if thought fit, among other things, approving the Non-Public Issue of A Shares, A Shares Subscription and amendment to the Articles of Association of the Company
“%”	per cent

LETTER FROM THE BOARD



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)

Executive Directors

Mr. Chen Hongguo
Mr. Li Feng
Mr. Geng Guanglin

Headquarters

No. 595 Shengcheng Road
Shouguang City
Shandong Province

Non-executive Directors

Ms. Zhang Hong
Ms. Yang Guihua

Independent Non-executive Directors

Ms. Wang Fengrong
Mr. Huang Lei
Ms. Liang Fu
Ms. Pan Ailing

17 May 2018

To the Independent Shareholders

Dear Sir or Madam,

**(1) PROPOSED EXTENSION OF THE VALIDITY OF THE AUTHORISATION GRANTED
TO THE BOARD WITH ABSOLUTE DISCRETION TO DEAL WITH THE NON-PUBLIC
ISSUE OF A SHARES**

AND

**(2) PROPOSED EXTENSION OF THE VALIDITY OF THE RESOLUTIONS
IN RESPECT OF THE NON-PUBLIC ISSUE OF A SHARES**

AND

(3) NOTICE OF 2018 SECOND EXTRAORDINARY GENERAL MEETING

AND

(4) NOTICE OF 2018 FIRST CLASS MEETING FOR HOLDERS OF H SHARES

** for identification purpose only*

LETTER FROM THE BOARD

I. INTRODUCTION

References are made to (i) the circular of the Company dated 19 May 2016 (the “**Circular**”) in relation to, among other things, the Non-public Issue of A Shares; (ii) the announcement of the Company dated 2 June 2016 in relation to the poll results of the extraordinary general meeting, the H shareholders’ class meeting and the A shareholders’ class meeting held on 2 June 2016 (together, the “**Previous Shareholders’ Meetings**”); (iii) the overseas regulatory announcement of the Company dated 26 September 2016 in relation to the adjustments to the issue price and the number of shares to be issued under the Non-public Issue of A Shares following the implementation of the profit distribution proposal for the financial year ended 31 December 2015; (iv) the notice of the 2017 first extraordinary general meeting and notice of 2017 first class meeting for holders of H Shares dated 12 April 2017, the supplemental notice of the 2017 first extraordinary general meeting dated 15 May 2017; (v) the poll results of the extraordinary general meeting, the H shareholders’ class meeting and the A shareholders’ class meeting held on 2 June 2017; (vi) the circular in relation to the Proposed Amendment to the Proposal of the Non-Public Issue of A Shares dated 8 July 2017 (the “**Amendment Circular**”); and (vii) the poll results of the extraordinary general meeting, the H shareholders’ class meeting and the A shareholders’ class meeting held on 24 July 2017 (the “**Amendment Announcement**”). Unless otherwise indicated, capitalised terms used in this circular shall have the same meanings as those defined in the Circular.

The purpose of this Circular is to provide you with details of the aforementioned items.

II. PROPOSED EXTENSION OF THE VALIDITY OF THE AUTHORISATION GRANTED TO THE BOARD WITH ABSOLUTE DISCRETION TO DEAL WITH THE NON-PUBLIC ISSUE OF A SHARES AND PROPOSED EXTENSION OF THE VALIDITY OF THE RESOLUTIONS IN RESPECT OF THE NON-PUBLIC ISSUE OF A SHARES

The validity period of the resolutions relating to the Non-public Issue of A Shares (the “**Validity Period of Resolution Relating to the Non-public Issue of A Shares**”) and the validity period of the authorisation granted to the Board and the Board’s authorised person(s) to handle all relevant matters relating to the Non-public Issue of A Shares (the “**Validity Period of Authorisation to the Board**”) considered and approved at the Previous Shareholders’ Meetings will expire on 2 June 2018.

For the application of the Non-public Issue of A Shares, the Company applied to the CSRC on 13 June 2016 for the approval of the Non-public Issue of A Shares (Lu Chenming Qin [2016] 003) (魯晨鳴請[2016]003號), and received an Acceptance Notice number 161455 (第161455號《受理通知書》) on 16 June 2016 from the CSRC. On 19 July 2016, the Company received the CSRC Administrative Licensing Project Review Feedback Notice number 161455 《(中國證監會行政許可項目審查反饋意見通知書》(161455號)). The CSRC then requested the Company to provide further information, for which all the materials have been supplemented for the application. As at the Latest Practicable Date, the application of the Non-public Issue of A Shares is still under review by CSRC and it is not necessary for the Company to obtain approval from other regulatory authority for the Non-public Issue of A Shares. “Implementing Regulation of Non-public Issue of Shares of Listed Company” (上市公司非公開發行股票實施細則) (the “**Implementing Regulation**”) was implemented by CSRC in February 2017. The Implementing Regulation regulates the refinancing activities in the capital market by means of limitation of non-public issue, and promoting the issue of securities such

LETTER FROM THE BOARD

as convertible bonds and preference shares for listed companies. The focus of the Implementing Regulation is to improve the refinancing structure and to avoid reliance of financing activities by listed companies. Since the implementation of the Implementing Regulation, it takes longer time for the CSRC to examine the application for non-publish issue of shares by listed companies in the PRC capital market. Hence, the Company's application for the Non-public Issue of A Shares is still in progress and is subject to the approvals from CSRC. Due to the capital market environment, policies and regulations on refinancing activities in 2018, the Company cannot estimate at this stage when the approval for the Non-public Issue of A Shares will be granted.

The Company is of the view that Shareholders will not incur additional risk and uncertainty for the prolonged validity period for the Non-public Issue of A Shares since the extension will not affect the status quo of the Company and its Shareholders. After the extension of the Validity Period of Resolution Relating to the Non-public Issue of A Shares and Validity Period of Authorisation to the Board, if the Non-public Issue of A Shares is approved by the CSRC, new capital will be injected into the Company and this will enhance the progress of the bleached sulfate chemical pulp project with annual production capacity of 400,000 tonne. On the other hand, if the Non-public Issue of A Shares is not approved by CSRC and the Company cannot obtain additional capital in the end, the Company will have to seek the required capital from alternative sources.

In order to ensure the smooth implementation of the Non-public Issue of A Shares, the Company has discussed with the underwriter and PRC legal adviser, and proposed to extend the Validity Period of Resolution Relating to the Non-public Issue of A Shares and the Validity Period of Authorisation to the Board for a 12-month period from the date of approval of the relevant resolutions at the 2018 EGM; the 2018 Class Meetings. The Board will propose two special resolutions at the 2018 EGM and 2018 Class Meetings to consider and approve, (i) the extension of the Validity Period of Resolution Relating to the Non-public Issue of A Shares; and (ii) the extension of the Validity Period of Authorisation to the Board.

None of the Directors is required to abstain from voting for the resolution of the Non-Public Issue of the A Shares, and therefore is not required to abstain from voting on the relevant board resolutions of the Company in respect of the extension of the Validity Period of Resolution Relating to the Non-public Issue of A Shares and the extension of the Validity Period of Authorisation to the Board.

The Board confirms that save as disclosed in the Amendment Circular and the Amendment Announcement in relation to the adjustments to the issue price (i.e. from RMB7.28 per A Share to RMB10.27 per A Share) and the number of shares to be issued under the Non-public Issue of A Shares (i.e. from 686,015,831 A Share to 360,272,638 A Share) (the "**Adjustment**") and the matters disclosed in this circular, other matters in relation to the Non-public Issue of A Shares as approved by the Shareholders at the Previous Shareholders' Meetings remain unchanged and in force. The floor issue price has been revised to RMB10.27/A Shares. Please refer to appendix I for details of the Non-public Issue of A Shares.

LETTER FROM THE BOARD

III. EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company (i) as at 31 March 2016; (ii) as at Latest Practicable Date; and (iii) immediately after completion of the Non-public Issue of A Shares (assuming there is no change in the total issued share capital of the Company from the Latest Practicable Date to completion of the Non-public Issue of A Shares based on the total subscription amount of RMB3,700 million A Shares to be issued under the Non-public Issue of A Shares, and assuming that the Substantial Shareholder will subscribe at the maximum subscription amount of RMB752,949,994 for 73,315,482 New A Shares and that the Subscription Price is RMB10.27 per A Share):

Name of Shareholder	Shareholding on 31 March 2016			Shareholding as at the Latest Practicable Date			Shareholding immediately after completion of the Non-Public Issue of A Shares		
	Number of Shares	Approx. % of the issued	Approx. % of the total	Number of Shares	Approx. % of the issued	Approx. % of the total	Number of Shares	Approx. % of the issued	Approx. % of the total
		A share capital	issued share capital		A share capital	issued share capital		A share capital	issued share capital
The Substantial Shareholder									
- A Shares	293,003,657	26.32%		293,003,657	26.32%		366,319,139	24.86%	
- B Shares	21,910,923			140,478,375			140,478,375		
- H Shares	79,200,000			102,276,000			102,276,000		
- Total Shares of the Company held by the Substantial Shareholder	394,114,580		20.35%	535,758,032		27.67%	609,073,514		26.52%
			<i>*Note 2</i>			<i>*Note 2</i>			
Other target subscribers	—	—	—	—	—	—	286,957,157	19.47%	12.49%
Other holders of A Shares	820,374,799	73.69%	42.36%	820,374,799	73.68%	42.37%	820,374,799	55.67%	35.72%
	<i>*Note 1</i>			<i>*Note 1</i>			<i>*Note 1</i>		
Other holders of B Shares	449,012,588	—	23.19%	330,495,136	—	17.06%	330,445,136	—	14.39%
Other public holders of H Shares	273,003,500	—	14.11%	249,927,500	—	12.90%	249,927,500	—	10.88%
Total	1,936,405,467	100%	100%	1,936,405,467	100%	100%	2,296,678,106	100%	100%
							<i>Note 3</i>		

Note 1: Among the 820,374,399 A Shares held by other Shareholders of A Shares, 6,696,296 shares and 437,433 shares are held by Chen Hongguo and Geng Guanglin, the directors of both the Substantial Shareholder and the Company respectively. Chen Hongguo is also deemed to be interested in the 429,348 shares held by his spouse, Li Xueqin. 471,818 Shares are held by Li Feng, a director of the Company.

Note 2: Under the proposal on the the Non-public Issue of A Shares, the Substantial Shareholder will subscribe for the Non-Public Issue of A Shares in proportion to its shareholding in the Company (e.g. 20.35%) as at the Latest Practicable Date.

Note 3: The figures are under the assumption of the issue of 360,272,638, in which 73,315,481 New A Shares will be subscribed by the Substantial Shareholder, and 286,957,157 New A Shares will be subscribed by the other subscribers.

LETTER FROM THE BOARD

IV. INDEPENDENT BOARD COMMITTEE AND THE INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee (comprising all the independent non-executive Directors) has been established to advise the Independent Shareholders on (i) the extension of the Validity Period of Resolution Relating to the Non-public Issue of A Shares; and (ii) the extension of the Validity Period of Authorisation to the Board in accordance with the Hong Kong Listing Rules at the 2018 EGM and 2018 Class Meetings.

The Company has appointed, and the Independent Board Committee has approved the appointment of, Gram Capital as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on (i) the extension of the Validity Period of Resolution Relating to the Non-public Issue of A Shares; and (ii) the extension of the Validity Period of Authorisation to the Board at the 2018 EGM and 2018 Class Meetings.

V. RECOMMENDATION

The Board (including the independent non-executive Directors) considers that the above proposed resolutions are in the interests of the Company and the Shareholders as a whole. Therefore, the Board recommends the Shareholders to vote in favour of the above resolutions at the 2018 EGM and the 2018 Class Meetings respectively.

VI. CLOSURE OF REGISTER OF MEMBERS FOR H SHARES

The register of members of the Company is closed from 1 May 2018 to 1 June 2018 (both days inclusive) during which no transfer of H shares of the Company will be registered in order to determine the list of holders of H shares of the Company for attending the 2018 EGM and 2018 Class Meetings. As the last lodgement for the transfer of the H shares of the Company was on 30 April 2018, the holders of H shares of the Company or their proxies being registered at the close of business on 30 April 2018 are entitled to attend the 2018 EGM and 2018 Class Meetings by presenting their identity documents.

VII. 2018 EGM AND 2018 CLASS MEETINGS

The resolutions put to vote at the 2018 EGM and 2018 Class Meetings will be decided by way of poll as required by the Listing Rules.

The Substantial Shareholder and its associates who are interested in the A Shares Subscription and who directly held 293,003,657 A Shares, indirectly held 140,478,375 B Shares and 102,276,000 H Shares as at the Latest Practicable Date, will abstain from voting in respect of (i) the extension of the Validity Period of Resolution Relating to the Non-public Issue of A Shares; and (ii) the extension of the Validity Period of Authorisation to the Board.

The relevant notices of attendance and forms of proxy to be used at the 2018 EGM and 2018 Class Meetings have been despatched to the Shareholders together with the notice of the 2018 EGM and the notice of the 2018 Class Meetings. The relevant notices dated 16 April 2018, reply slips and

LETTER FROM THE BOARD

forms of proxy are also published on the website of the Hong Kong Stock Exchange (www.hkex.com.hk) on 16 April 2018. Shareholders who intend to appoint a proxy to attend the 2018 EGM/2018 Class Meetings shall complete and return the form(s) of proxy in accordance with the instructions printed thereon not less than 24 hours before the time fixed for holding the meetings or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending the 2018 EGM and the 2018 Class Meetings or any adjourned meeting and voting in person if you so wish.

Yours faithfully,
By Order of the Board
Shandong Chenming Paper Holdings Limited
Chen Hongguo
Chairman

LETTER FROM INDEPENDENT BOARD COMMITTEE

The following is the text of the letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in connection with the A Shares Subscription in accordance with the Hong Kong Listing Rules for inclusion in this circular.



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)

17 May 2018

To the Independent Shareholders

Dear Sir or Madam,

EXTENSION OF THE VALIDITY PERIOD OF THE RESOLUTIONS RELATING TO THE NON-PUBLIC A SHARE ISSUE

We refer to the circular of the Company dated 17 May 2018 (the “**2018 Circular**”) issued to its shareholders of which this letter forms a part. Terms defined in the 2018 Circular shall have the same meanings when used in this letter, unless the context otherwise requires.

We have been appointed by the Board as members of the Independent Board Committee to advise the Independent Shareholders in respect of the fairness and reasonableness of the resolutions in relation to the extension of the Validity Period of the Resolution Relating to the Non-public Issue of A Shares and the Validity Period of Authorisation to the Board, and to recommend whether or not the Independent Shareholders should vote in favour of the resolutions in relation to the extension of the Validity Period of the Resolution relating to the Non-public Issue of A Shares and the Validity Period of Authorisation to the Board, to be proposed at the 2018 EGM and the 2018 Class Meetings. Gram Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

We wish to draw your attention to the Letter from the Board set out on pages 4 to 9 of the 2018 Circular and the Letter from Gram Capital Limited set out on pages 12 to 20 of the 2018 Circular.

** for identification purpose only*

LETTER FROM INDEPENDENT BOARD COMMITTEE

Having taken into account the principal factors and reasons considered by, and the opinion of, Gram Capital, we are of the view the resolution in relation to the extension of the validity period of the resolution relating to the Non-public Issue of A Shares (i) is in the interests of the Company and the Shareholders as a whole; and (ii) is fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favor of the relevant resolution set out in the notices of the 2018 EGM and the 2018 Class Meetings respectively.

Yours faithfully,

Independent Board Committee

Pan Ailing, Wang Fengrong, Huang Lei, Liang Fu

LETTER FROM GRAM CAPITAL

Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Extension Resolutions for the purpose of inclusion in this circular.



Room 1209, 12/F.
Nan Fung Tower
88 Connaught Road Central/
173 Des Voeux Road Central
Hong Kong

17 May 2018

*To: The independent board committee and the independent shareholders of
Shandong Chenming Paper Holdings Limited*

Dear Sir/ Madam,

PROPOSED EXTENSION OF THE VALIDITY OF THE RESOLUTIONS IN RESPECT OF THE NON-PUBLIC ISSUE OF A SHARES

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the proposed resolutions (the “**Extension Resolutions**”) relating to the extension of Validity Period of Resolution Relating to the Non-public Issue of A Shares and the Validity Period of Authorisation to the Board, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 17 May 2018 issued by the Company to the Shareholders (the “**2018 Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the circular dated 19 May 2016 regarding the non-public issue of A Shares (the “**2016 Circular**”) and 2018 Circular unless the context requires otherwise.

At the 11th extraordinary meeting of the seventh session of the Board held on 15 April 2016, it was resolved to approve the proposed non-public issue of A Shares by the Company. As part of the Non-Public Issue of A Shares, the Company has entered into a conditional subscription agreement (the “**Previous Share Subscription Agreement**”) with the Substantial Shareholder, pursuant to which, the Company has conditionally agreed to issue A Shares amounting to approximately RMB2,000,000,000 to Chenming Holdings.

At the 13th extraordinary meeting of the seventh session of the Board held on 17 May 2016, it was resolved to revise the proposed non-public issue of A Shares by the Company, including but not limited to (i) revise the maximum amount of A Shares to be issued under the Non-public Issue of A Shares; (ii) the minimum Subscription Price; and (iii) the use of proceeds from the Non-public Issue of A Shares. Furthermore, the Company terminated the Previous Share Subscription Agreement and

LETTER FROM GRAM CAPITAL

entered into the Share Subscription Agreement with the Substantial Shareholder, pursuant to which, the Company has conditionally agreed to issue A Shares amounting to not more than RMB1,058,200,000 to Chenming Holdings. The then independent shareholders of the Company approved the above resolutions on the Previous Shareholders' Meeting on 2 June 2016.

At the 2017 EGM and the 2017 Class Meetings held on 2 June 2017 (the “**2017 June Meetings**”), it was resolved to approve (i) the extension of the Validity Period of Resolution Relating to the Non-Public Issue of A Shares; and (ii) the extension of the Validity Period of Authorisation to the Board, for a 12-month period from the date of approval of the relevant resolutions. The then independent shareholders of the Company approved the aforesaid resolutions on the 2017 June Meetings. As such, the validity period of resolution relating to the Non-Public Issue of A Shares and validity period of authorisation to the Board would expire on 2 June 2018.

At the 10th extraordinary meeting of the eighth session of the Board held on 7 June 2017 (the “**Board Meeting**”), it was resolved to consider and approve the resolution on the adjustment (the “**Adjustment**”) to the price determination date for the Non-public Issue of A Shares, pursuant to which the price determination date for the Issue will be adjusted to the announcement date of board resolutions at the Board Meeting (i.e. 8 June 2017). The then independent shareholders of the Company approved the aforesaid resolution on 24 July 2017.

Given the Company's application for the Non-public Issue of A Shares is still in progress and is subject to the approvals from the relevant regulatory authorities (including but not limited to CSRC), in order to ensure the smooth implementation of the Non-public Issue of A Shares, the Company has discussed with the underwriter and PRC legal adviser, and proposed to extend the Validity Period of Resolution Relating to the Non-public Issue of A Shares and the Validity Period of Authorisation to the Board for a 12-month period from the date of approval of the relevant resolutions at the 2018 EGM and the 2018 Class Meetings.

Chenming Holdings, being one of the subscribers, was a substantial Shareholder as at the Latest Practicable Date. Therefore, Chenming Holdings is a connected person of the Company and the Extension Resolutions are subject to the reporting, announcement, and the independent shareholders' approval requirements pursuant to the Hong Kong Listing Rules. In this connection, the Company will seek the Independent Shareholders' approval for the Extension Resolutions at the 2018 EGM and the 2018 Class Meetings.

The Independent Board Committee comprising Ms. Wang Fengrong, Mr. Huang Lei, Ms. Liang Fu and Ms. Pan Ailing (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the Extension Resolutions are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Extension Resolutions are in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the resolution(s) to approve the Extension Resolutions at the 2018 EGM and the 2018 Class Meetings. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

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BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the 2018 Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the 2018 Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the 2018 Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there are no undisclosed private agreements/ arrangements or implied understanding with anyone concerning the Extension Resolutions. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Hong Kong Listing Rules.

The 2018 Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Hong Kong Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the 2018 Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement as contained in the 2018 Circular or the 2018 Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the 2018 Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, Chenming Holdings or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Extension Resolutions. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

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PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Extension Resolutions, we have taken into consideration the following principal factors and reasons:

(1) Background and reasons for the Extension Resolutions

Business overview of the Group

The Company is a joint stock company established under the laws of the PRC with limited liability, the H Shares of which are listed on the Main Board of the Hong Kong Stock Exchange and the A Shares of which are listed on the Shenzhen Stock Exchange. The Group is principally engaged in the making and sales of paper products.

Information on Chenming Holdings

Chenming Holdings is engaged in the investment in manufacture of paper, electricity, steam and arboriculture projects with its own funds.

Reasons for and benefits of the Extension Resolutions

With reference to the previous board letter of the 2016 Circular, the paper manufacturing industry is capital intensive. As the Company implemented its development strategies, its capital expenditure increased year after year along with its assets scale, which led to increasing funding needs. As at 31 December 2015, the gearing ratio of the Company, which was calculated based on the total liabilities divided by total assets of the Group as at 31 December 2015, was at a relatively high level of 77.86% (31 December 2016: 72.58% and 31 December 2017: 71.34%). In order to more effectively promote the steady, healthy and rapid development of the Company, it proposed to apply for the Non-Public Issue of A shares to invest in various projects and replenish working capital. The Non-Public Issue of A shares will satisfy the capital requirements of the Company for project investment. It will also enhance the financial strengths of the Company, lower the financial risks and improve its profitability, which will in turn facilitate the continuous enhancement of profitability and the sustainable development of the Company. As a result, the Company will be able to bring better returns to investors.

In addition, as confirmed by the Directors, the A Shares Subscription also demonstrates the confidence of Chenming Holdings places in the Company and its support to the development of the Company's business, which is conducive to enhancing the market image of the Company.

The Non-public Issue of A Shares was approved by then independent shareholders of the Company at the Previous Shareholders' Meetings held on 2 June 2016 with a validity period of 12 months from the date of the Previous Shareholders' Meetings. At the 2017 June Meetings, the then independent shareholders of the Company approved (i) the extension of the Validity Period of

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Resolution Relating to the Non-Public Issue of A Shares; and (ii) the extension of the Validity Period of Authorisation to the Board, for a 12-month period from the date of approval of the relevant resolutions. Therefore, the existing Validity Period of Resolution Relating to the Non-public Issue of A Shares and the Validity Period of Authorisation to the Board would expire on 2 June 2018.

As confirmed by the Directors, as the Latest Practicable Date, the Company's application for the Non-public Issue of A Shares was still in progress and is subject to the approvals from CSRC. The Company expected that it might not be able to complete the Non-public Issue of A Shares by 1 June 2018.

As further advised by the Directors, based on the various changes to the capital market environment, policies and regulations on refinancing in 2018, the Company was not able to estimate when the approval for the Non-Public Issue of A Shares would be granted at this stage.

In order to ensure the smooth implementation of the Non-public Issue of A Shares (including completion of the aforesaid administrative matters), the Board proposed to extend the Validity Period of Resolution Relating to the Non-public Issue of A Shares and extend the Validity Period of Authorisation to the Board for another 12-month period from the date of approval of the resolution at the 2018 EGM and the 2018 Class Meetings.

As confirmed by the Directors, the Extension Resolutions can provide the Company with sufficient time to complete the Non-public Issue of A Shares (including completion of the aforesaid administrative matters) for the benefits of the Company and its Shareholders.

Despite that it is the second time for the extension of Validity Period, having considered the following factors, including:

- (i) the purpose for the Extension Resolution is to provide the Company with sufficient time to complete the Non-public Issue of A Shares (which is fair and reasonable to the Company and Shareholders);
- (ii) the Company was not able to estimate when the approval for the Non-Public Issue of A Shares would be granted at this stage, a longer extension period may reduce the Company's administrative cost (such as cost for (a) engagement professional parties to prepare relevant documents for another extension resolutions; (b) holding another shareholders' meeting for obtain approval from shareholders; and (c) printing and despatch of circular) as compared to a shorter extension period;
- (iii) it is not exceptional that PRC incorporated companies seek their shareholders' approval for the extension of specific mandate/relevant resolution to board of directors to deal with issuance of shares / underlying shares of such companies with an additional validity period of 12-month, should such issuance require CSRC approval (e.g. Zhejiang Shibao Company Limited (1057 & SZ002703), Jiangxi Copper Company Limited (358 & SH600362), China CITIC Bank Corporation Limited (998 & SH601998), etc.),

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we are of view that the extension of the Validity Period for an addition one year to be justifiable.

Use of proceeds

With reference to the 2016 Annual Report at the 4th extraordinary meeting of the eighth session of the Board, relevant resolutions, including the resolution on the adjustments to the use of proceeds, proceeds amount, issue price and issue volume for the Non-Public Issue of A Shares, were considered and approved. In view of the then fluctuation in the security market and the actual conditions of the Company, based on the authorisation granted to the Board at the general meeting, the Company intended to cancel the utilisation of proceeds of RMB1,500 million for the repayment of bank loans. The proceeds to be raised from the issue will be adjusted from not more than RMB5,200 million (inclusive) to not more than RMB3,700 million (inclusive). It is proposed that the proceeds, net of issue expenses, will be fully utilised for the annual production capacity of 400,000-tonne bleached sulphate pine chemical pulp project (the “**BSCP Project**”). The announcement on supplemental reply to the notice of feedback on administrative approval application for the Non-public Issue of A Shares and the supplemental reply to the notice of feedback on administrative approval application for the Non-public Issue of A Shares were published on 27 September 2016.

For our due diligence purpose, we obtained 《2016年非公開發行股票募集資金使用可行性研究報告(第二次修訂稿)》dated 27 September 2016 and 《2016年非公開發行股票募集資金使用可行性研究報告(第三次修訂稿)》dated 18 April 2017 (the “**Feasibility Report**”). The Feasibility Report set out the details of BSCP Project, including the necessity of the development of the BSCP Project, the feasibility of the BSCP Project and the future prospects of the BSCP Project. Summrised below are the details of the BSCP Project:

The BSCP Project is situated at the Chenming Project District, Shouguang City, Shandong Province, the PRC* (山東省壽光市晨鳴項目區). The total investment for the project is approximately RMB4,110,260,000 and approximately RMB3,700,000,000 is intended to be funded by the net proceeds from the Non-Public Issue of A Shares and the remaining amount is intended to be funded by the Company’s self-owned funds or through other financing methods.

With reference to the Feasibility Report, the Group purchased approximately one million tonnes of pulp per annum. The development of BSCP Project is aim to reduce the cost of pulp and improve the benefit of the Group. As extracted from the Feasibility Report, the BSCP Project may generate the revenue of approximately RMB1.65 billion per year after the commercial production with an internal rate of return of 13.44%.

Details of the use of proceeds are set out in the Feasibility Report as published on the Shenzhen Stock Exchange website (<http://www.szse.cn>).

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With reference to the 2016 Annual Report, revenue generated from machine-made paper segment accounted for approximately 89.29% and 85.29% of the total revenue of the Group for the year ended 31 December 2015 and 2016 respectively. The Directors consider that the BSCP Project would strengthen the business operation of this segment.

In light of the above, we consider the use of the proceeds from the Non-Public Issue of A Shares to finance the BSCP Project to be acceptable.

Having considered that (i) the proposed use of proceeds from the Non-Public Issue of A Shares; (ii) the A Shares Subscription also demonstrates the confidence of Chenming Holdings places in the Company and its support to the development of the Company's business, which is conducive to enhancing the market image of the Company; (iii) the Company was not able to estimate when the approval for the Non-Public Issue of A Shares would be granted at this stage; and (iv) the Extension Resolutions can provide the Company with sufficient time to complete the Non-public Issue of A Shares, we consider that the Extension Resolutions are in the interests of the Company and the Shareholders as a whole.

(2) Evaluation of the Non-public Issue of A Shares (third revision)

I. *Final issue price*

Set out below are the key terms of the Non-public Issue of A Shares (third revision), details of the same are set out in appendix I to the 2018 Circular:

The price determination date for the non-public issue will be the announcement date of the resolutions of the board meeting held on 7 June 2017 (i.e. 8 June 2017, the "**Reference Date**"). The issue price of the non-public issue will be not less than the higher of 90% of the average trading price of the Company's A Shares for the 20 trading days prior to the price determination date (the average trading price of A Shares for the 20 trading days prior to the price determination date = total trading amount of A Shares for the 20 trading days prior to the price determination date/total volume of A Shares for the 20 trading days prior to the price determination date) (i.e. RMB10.27 per share) or the net asset value per share attributable to ordinary shareholders under the latest audited accounts of the Company prior to the issue.

Based on the floor issue price mentioned above, the issue price of the non-public issue will be determined by way of book building. Upon receipt of approval from the CSRC in respect of the non-public issue, the final issue price will be determined by the Board under the authorisation granted at the general meeting and the sponsor(s) (the lead underwriter(s)) through negotiation based on the subscription price quoted by target investors and the principle of price priority. Chenming Holdings will not participate in the auction process of the price determination of the non-public issue. However, Chenming Holdings shall accept the auction result of the subscription of other target investors, and subscribe for A Shares at the same price as offered by other target investors.

In the event of any ex-right or ex-dividend events of the shares of the Company such as dividend distribution, scrip dividend distribution or capitalisation of capital reserve during the period from the price determination date to the issue date, the floor issue price mentioned above will be adjusted accordingly. Details of the formula for the adjustment are set out in the section head "Subscription price and pricing principles" of appendix I to the 2018 Circular.

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Implications on the New Regulations

As mentioned above, the Reference Date is 8 June 2018, being the announcement date of board resolutions at the Board Meeting. We also noted that (a) on 15 February 2017, the CSRC passed Decision to Amend the Detailed Rules for Non-Public Stock Offerings by Listed Companies (《關於修改〈上市公司非公開發行股票實施細則〉的決定》) (the “**Non-Public Stock Offerings Amendment Decision**”). The Non-Public Stock Offerings Amendment Decision was published by the CSRC on 17 February 2017; and (b) the CSRC also published the Issuance Regulatory Questions and Answers — Regulatory Requirements regarding Guiding and Regulating Listed Companies’ Financing Activities (《發行監管問答 — 關於引導規範上市公司融資行為的監管要求》) (the “**QA**”, together with Non-Public Stock Offerings Amendment Decision, the “**New PRC Regulations**”) on 17 February 2017.

According to the Non-Public Stock Offerings Amendment Decision, the price referencing date to determine the issue price of shares proposed to be issued by way of non-public issuance shall be the first day of the non-public issuance period. According to the QA, the number of shares proposed to be issued by a listed company by way of non-public issuance shall not exceed 20% of the total number of issued shares immediately before the non-public issuance.

As confirmed by the PRC legal adviser to the Company, due to the fact that the New PRC Regulations were passed by the CSRC on 15 February 2017, the New PRC Regulations only apply to listed companies which propose to conduct non-public issuance of A Shares in the PRC whose applications to the CSRC are accepted (受理) on or after 15 February 2017, being the date of passing the Non-Public Stock Offerings Amendment Decision. As the Company received notification on the acceptance (受理) regarding the application for the proposed Placing of A Shares on 20 June 2016, the PRC legal adviser to the Company considered that the New Regulations did not apply to the proposed Placing of A Shares.

In light of the above factors, the Directors considered that (i) a maximum of 360,272,638 A Shares to be issued, which represents (i) approximately 18.61% of the existing total issued share capital of the Company as at the Latest Practicable Date; and (ii) the Reference Date of 8 June 2018, being the announcement date of board resolutions at the Board Meeting, is in compliance with relevant regulations.

Internal control

To ensure the fairness and reasonableness of the final issue price, relevant departments of the Company will research the final issue price as determined by other listed issuer in the open market. The president and/or senior management will negotiate with its underwriter(s) and investors such term based on the aforesaid market information (including latest information and historical information). When determining the final issue price, the president and/or senior management will also take into account of the market conditions, the actual conditions of the Company and relevant rule or regulations in relation to the proposed Placing of A Shares.

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In light of the above procedures as well as that the basis for the determining the Subscription Price should be in compliance with relevant PRC regulations, we are of the view that there are sufficient measures to ensure the determination of the final issue price will be in accordance with their respective bases.

Having considered that (i) Chenming Holdings will not participate in the process for the determination of the final issue price; (ii) the final issue price to Chenming Holdings will be the same price as offered by other subscribers, we are of the view that the final issue price to Chenming Holdings to be fair and reasonable.

II. *Lock-up period:*

The A Shares to be subscribed by Chenming Holdings must not be transferred within 36 months from the completion date of the issue. Trading of the Shares after the lock-up period shall be dealt with in accordance with the relevant regulations of Company Law of the PRC and the relevant requirements of the CSRC and Shenzhen Stock Exchange. The Directors are of the view that the lock-up period would limit the negative impact of the issuance of new A Shares on the market price of the Shares.

Having considered the above, we are of the view that the terms of the A Share Subscription by Chenming Holdings, being part of the proposed Placing of A Shares, are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the Extension Resolutions are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Extension Resolutions are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the 2018 EGM and 2018 Class Meetings to approve the Extension Resolutions and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

Yours faithfully,
For and on behalf of
Gram Capital Limited
Graham Lam
Managing Director

Class and par value of Shares to be issued:	A Shares with a par value of RMB1.00 each.
Method and time of the proposed non-public issue of A Shares:	All the shares under the issue will be issued to specific targets by way of non-public issue in due course within the valid period as approved by the CSRC.
Subscription price and pricing principles:	<p>The price determination date for the non-public issue will be the announcement date of the resolutions of the 10th extraordinary meeting of the eighth session of the Board (i.e. 8 June 2017). The issue price of the non-public issue will be not less than the higher of 90% of the average trading price of the Company's A Shares for the 20 trading days prior to the price determination date (the average trading price of A Shares for the 20 trading days prior to the price determination date = total trading amount of A Shares for the 20 trading days prior to the price determination date/total volume of A Shares for the 20 trading days prior to the price determination date) (i.e. RMB10.27 per share) or the net asset value per share attributable to ordinary shareholders under the latest audited accounts of the Company prior to the issue.</p> <p>Based on the floor issue price mentioned above, the issue price of the non-public issue will be determined by way of book building. Upon receipt of approval from the CSRC in respect of the non-public issue, the final issue price will be determined by the Board under the authorisation granted at the general meeting and the sponsor(s) (the lead underwriter(s)) through negotiation based on the subscription price quoted by target investors and the principle of price priority. Chenming Holdings will not participate in the auction process of the price determination of the non-public issue. However, Chenming Holdings shall accept the auction result of the subscription of other target investors, and subscribe for A Shares at the same price as offered by other target investors.</p>

In the event of any ex-right or ex-dividend events of the shares of the Company such as dividend distribution, scrip dividend distribution or capitalisation of capital reserve during the period from the price determination date to the issue date, the floor issue price mentioned above will be adjusted accordingly. The formula for the adjustment is set out below:

Assuming P_0 as the floor issue price before adjustment, N as the number of shares distributed as scrip dividend or converted from the capital reserve per share, D as the dividend per share, and P_1 as the adjusted floor issue price (rounded off to the nearest hundredth), then:

Dividend distribution: $P_1 = P_0 - D$

Scrip dividend distribution or capitalisation of capital reserve: $P_1 = P_0 / (1 + N)$

Both: $P_1 = (P_0 - D) / (1 + N)$.

Number of Shares to be issued:

Based on the adjustments to the Price Determination Date for the Non-public Issue of A Shares of the Company, the number of shares to be issued under the issue will be adjusted to not more than 360,272,638 shares (inclusive). In particular, Chenming Holdings has undertaken that it will subscribe for the shares to be issued under the non-public issue according to its 20.35% (inclusive) shareholding in the Company as at 31 March 2016 (i.e. to subscribe not more than 73,315,481 shares). Within the scope mentioned above, the actual number of shares to be issued will be determined by the Board under the authorisation granted at the general meeting and the sponsor(s) (the lead underwriter(s)) through negotiation based on the subscription upon receipt of approval from the CSRC in respect of the non-public issue.

**Target subscribers and
subscription method:**

The target investors under the non-public issue of shares will be not more than 10 (inclusive) specific investors such as qualified securities investment fund management companies, securities firms, trust investment companies, financial companies, insurance institutional investors, qualified foreign institutional investors, other domestic legal person investors and natural persons, including Chenming Holdings, the controlling shareholder of the Company. A securities investment fund management company which subscribes for shares through 2 or more funds under its management shall be deemed as a single target investor. If the target investor is a trust investment company, its subscription can only be made using its self-owned funds. In particular, Chenming Holdings has undertaken that it will subscribe for the shares to be issued under the non-public issue according to its 20.35% (inclusive) shareholding in the Company as at 31 March 2016 (i.e. to subscribe not more than 73,315,481 shares). Upon receipt of approval in respect of the non-public issue by the Company, based on the subscription price quoted by target investors and the principle of price priority, the final target investors other than the controlling shareholder, Chenming Holdings, will be determined by the Board under the authorisation granted at the general meeting. All target investors shall subscribe for shares to be issued under the non-public issue at the same price in cash.

Lock-up period:

The A Shares to be subscribed by the Substantial Shareholder under the Non-Public Issue of A Shares must not be transferred within 36 months from the listing date of the new shares. The A Shares to be subscribed by other investors under the Placing of A Shares must not be transferred within 12 months from the listing date of the A Shares.

**Listing Location of the
New A Shares:**

The shares to be issued under the non-public issue will be listed and traded on the Shenzhen Stock Exchange upon the expiration of the lock-up period.

Use of proceeds:

The gross proceeds to be raised from the Non-Public Issue of A Shares will be not more than RMB3,700 million, which are intended to be used as follows:

Project Name	Total investment cost (RMB0,000)	Proceeds from
		Non-Public Issue of A Shares to be invested (RMB0,000)
1. The bleached sulfate chemical pulp project with annual production capacity of 400,000 tonne (年產40萬噸漂白硫酸鹽化學木漿項目)	411,026	370,000
Total	411,026	370,000

In the event that the proceeds obtained under the non-public issue are less than the proposed total investment from the proceeds as mentioned above, the shortfall will be funded by the self-owned funds or other financing means of the Company. Prior to receipt of the proceeds from the non-public issue, the Company will make investment using its self-owned funds based on the actual progress of the projects, and substitute the proceeds in accordance with the relevant laws and regulations upon receipt of the proceeds.

Undistributed profit:

Upon completion of the Placing of A Shares, the existing and new shareholders of the Company will be entitled to share in the Company's cumulative undistributed profits prior to the Non-Public Issue of A Shares.

Validity of resolutions

The resolutions approving the Non-Public Issue of A Shares will be valid for a period of 12 months until 1 June 2018, commencing from the date of passing of such resolutions at the general meeting.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DIRECTORS AND SUPERVISORS' INTERESTS

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the SFO), which were required (a) to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which each of them had taken or was deemed to have taken under the provisions of the SFO); or (b) to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules were as follows:

(a) Long position in the Company

Name of Director	Type of Shares	Nature of interest	Number of Shares held	Percentage of issued share capital of the Company
Chen Hongguo	A Share	Beneficial owner	6,696,296	0.35%
Chen Hongguo	A Share	Family interest	429,348	0.022%
Li Feng	A Share	Beneficial owner	471,818	0.024%
Geng Guanglin	A Share	Beneficial owner	437,433	0.023%
Li Dong	A Share	Beneficial owner	10,000	0.001%

Saved as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which each of them had taken or deemed to have taken under the provisions of the SFO); or (b) to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code.

3. SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at the Latest Practicable Date and to the best knowledge of the Directors and the chief executive of the Company, persons having interests and short positions in 5% or more in the Shares, underlying Shares and debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, and required to be recorded in the register of interests and short positions required to be kept by the Company pursuant to section 336 of the SFO were as follows:

Long Positions:

Type of shareholding	Name of Shareholder	Capacity and nature of interest	Number of Shares held	Percentage of such shareholding in the same type of issued share capital	Percentage of total issued share capital
A Shares	Chenming Holdings	Directly and beneficially owned	293,003,657	26.32%	15.13%
B Shares	Chenming Holdings	Indirectly and beneficially owned	140,478,375	29.83%	7.26%
B Shares	Chenming Holdings (Hong Kong) Limited	Directly and beneficially owned	140,478,375	29.83%	7.26%
H Shares	Chenming Holdings	Indirectly and beneficially owned	102,276,000	29.04%	5.28%
H Shares	Chenming Holdings (Hong Kong) Limited	Directly and beneficially owned	102,276,000	29.04%	5.28%
H Shares	The National Social Security Fund Council	Directly and beneficially owned	31,638,500	8.98%	1.63%

Save as disclosed above, as at the Latest Practicable Date, there were no other parties who had interests or short positions in the Shares or underlying Shares of the Company which would fall to be recorded in the register required to be kept under section 336 of SFO.

4. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into any existing or proposed service contract with the Company or any member of the Group which is not terminable within one year without payment of compensation (other than statutory compensation).

5. MATERIAL CHANGE

The Directors confirm that there had been no material change in the financial or trading position or outlook of the Group since 31 December 2017, being the date to which the latest published audited financial statements of the Company were made up, up to the Latest Practicable Date.

6. COMPETING BUSINESS

As at the Latest Practicable Date, so far as the Directors are aware, none of the Directors nor Supervisors nor their respective associates had any interests in other business, which competes or may compete, either directly or indirectly, with the business of the Group.

7. DIRECTORS AND SUPERVISORS' INTERESTS IN THE GROUPS ASSETS OR CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE GROUP

As at the Latest Practicable Date:

- (a) none of the Directors or Supervisors was materially interested in any contract or arrangement, which was significant in relation to the business of the Group; and
- (b) so far as the Directors are aware, none of the Directors or Supervisors nor their respective associates had any direct or indirect interests in any assets which had been acquired or disposed of by or leased to, or were proposed to be acquired or disposed of by or leased to, any member of the Group since 31 December 2017, being the date to which the latest published audited consolidated financial statements of the Group were made up.

8. MATERIAL LITIGATION

As at the Latest Practicable Date, the Company is involved in the following litigation.

Basic information about litigation (arbitration)	Amount (RMB'0,000)	Will liability be incurred	Progress of litigation (arbitration)	Judgment result of the litigation (arbitration) and its effect	Judgment execution of the litigation (arbitration)	Disclosure date	Disclosure index
Statutory demand and Winding-up Petition	RMB167.86 million and the interest thereon, US\$3,5489 million and the interest thereon, HK\$3,3039 million and the interest thereon	Yes	<ol style="list-style-type: none"> The Court of First Instance in the High Court of the HKSAR completed the hearing held from 21 February 2017 to 23 February 2017. The office address of the Company in Hong Kong received the notice in relation to the injunction order with a case number of HCMP3060/2016 to the legal representative of the Company from the Court of First Instance in the High Court of the HKSAR on 15 June 2017. On 26 June 2017, there was an ex-parte hearing in chambers in the High Court of the HKSAR in which the petitioner applied for an interim injunction order to prohibit the Company from distribution of the 2016 final dividend to the holders of H shares. On 30 June 2017, the Hon Mr. Justice Harris of the High Court of the HKSAR discharged the interim injunction order on the same date after the hearing. The decision was handed down by the Hon Mr. Justice Harris of the High Court of the HKSAR on 7 July 2017. The winding-up petition was scheduled to be heard before the High Court of the HKSAR at 9:30 a.m. on 23 August 2017. The Company through its legal adviser applied to the Court of HKSAR for the validation order relating to the transfer of fully paid-up shares of the Company on 19 July 2017 (case no. HCCW175/2017). The hearing of the application of the validation order was scheduled to be heard at 9:30 a.m. on 19 October 2017. The winding-up petition was heard by the Hon Mr. Justice Harris of the High Court of the HKSAR on 28 August 2017. 	<ol style="list-style-type: none"> The office address of the Company in Hong Kong received the notice in relation to the injunction order with a case number of HCMP3060/2016 to the legal representative of the Company from the Court of First Instance in the High Court of the HKSAR on 15 June 2017: (1) the amended originating summonses for the injunction order be dismissed; and (2) an order nisi be made on the costs of the legal proceedings. The Company paid the costs to the defendant (including the fees payable to two counsels). The costs shall be taxed if not agreed. The High Court of the HKSAR anticipated the reasons for decision of the case would be handed down on 7 July 2017. On 15 June 2017, the office address of the Company in Hong Kong received a winding-up petition dated 15 June 2017 filed by the defendant to the High Court of the HKSAR. The decision was handed down by the Hon Mr. Justice Harris of the High Court of the HKSAR on 7 July 2017. Having considered the reasons for decision and the consequences to the Company once the winding up petition is given, the Company applied for an appeal against the decision to the High Court of HKSAR on 12 July 2017. The hearing was scheduled to be heard before the Court of Appeal of the High Court of the HKSAR at 10:00 a.m. on 11 May 2018. The High Court of HKSAR granted the Validation Order to the Company. Therefore, the transfer of fully paid-up shares of the Company since the Winding Up Petition (i.e. 15 June 2017) would not be deemed void because of the Winding Up Petition. 	Not applicable	24 February 2017, 16 June 2017, 22 June 2017, 29 June 2017, 3 July 2017, 17 July 2017, 19 July 2017, 31 July 2017, 24 August 2017, 28 August 2017, 11 September 2017, 19 October 2017	http://www.cninfo.com.cn , announcement number: 2017-015, 2017-067, 2017-069, 2017-070, 2017-071, 2017-076, 2017-084, 2017-128, 2017-103, 2017-106

Basic information about litigation (arbitration)	Amount (RMB'0,000)	Will liability be incurred	Progress of litigation (arbitration)	Judgment result of the litigation (arbitration) and its effect	Judgment execution of the litigation (arbitration)	Disclosure date	Disclosure index
Statutory demand and Winding-up Petition		Yes	<p>9. On 5 July 2017, the Company initiated legal proceedings for a civil complaint against Arjowiggins HKK2 Limited ("HKK2") and related parties (the "Civil Complaint") at the Intermediate People's Court of Weifang City in Shandong Province of the People's Republic of China ("Weifang Court"). The Civil Complaint was admitted to be heard by Weifang Court on 8 July 2017.</p> <p>Justice Mimmie Chan of the Court of First Instance of the High Court of the HKSAR on 19 January 2018 in chambers (open to public) ordered that the Company be restrained from further proceeding with the Civil Complaint that it had filed on 5 July 2017 against HKK2 and the related parties before Weifang Court.</p> <p>The Company withdrew the Civil Complaint from Weifang Court on 22 February 2018.</p>	<p>6. The Court ordered an adjournment of the Winding-up Petition, on the Company's undertaking that it would procure a third party to pay into court the amount of the Statutory Demand plus interest to 27 August 2018, totalling approximately HK\$389 million within 14 days. The costs of the Winding-up Petition were kept.</p> <p>7. The Company had procured payment by a third party into the High Court of the HKSAR in the sum of HK\$389,112,432.44 (this sum being the Hong Kong dollar equivalent of the amount set out in the Statutory Demand and interest thereon from 19 October 2016 to 27 August 2018).</p>			

9. EXPERT

- (a) The following sets out the qualifications of the expert who have given its opinions or advice as contained in this circular:

Name	Qualification
Gram Capital Limited	a corporation licensed to carry on Type 6 (advising on corporate finance) regulated activity as defined under the SFO

- (b) As at the Latest Practicable Date, Gram Capital had no shareholding in the Company or any other member of the Group or the right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in the Company or any other member of the Group.
- (c) As at the Latest Practicable Date, Gram Capital had no direct or indirect interests in any assets which has been acquired or disposed of by or leased to any member of the Group since 31 December 2017 (the date to which the latest published audited consolidated financial statements of the Group were made up) or proposed to be so acquired, disposed of or leased.
- (d) Gram Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its advice, letters, reports and/or summary of its opinions (as the case may be) and references to its name and logo in the form and context in which they respectively appear.

- (e) The letter and recommendation given by Gram Capital is given as at the date of this circular for incorporation herein.

10. MISCELLANEOUS

- (a) The registered office of the Company is at No. 595 Shengcheng Road, Shouguang City, Shandong Province, 262700, PRC.
- (b) The company secretary of the Company is Mr. Poon Shiu Cheong, a Fellow Certified Public Accountant of Hong Kong Institute of Certified Public Accountants and CPA Australia. He obtained a master degree in Accounting from Central Queensland University and a master degree in Business Administration from Southern Cross University. He joined the Company in 2008, and is currently the qualified accountant and company secretary of the Company.
- (c) The Company's H Share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited is situated at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the office of Messrs Li and Partners at 22/F, World-Wide House, Central, Hong Kong, during normal office hours on Monday to Friday from the date of this circular up to and including the date of the 2018 EGM and the 2018 Class Meetings:

- (a) the audited consolidated accounts of the Company for the last two financial years ended 31 December 2016 and 31 December 2017, respectively;
- (b) the Shares Subscription Agreement;
- (c) the letter from the Board, the text of which is set out on pages 4 to 9 of this circular;
- (d) the letter from the Independent Board Committee, the text of which is set out on pages 10 to 11 of this circular;
- (e) the letter from Gram Capital, the text of which is set out on pages 12 to 20 of this circular; and
- (f) the letter of consent from Gram Capital referred to in the paragraph headed "Expert" in this appendix.

NOTICE OF 2018 SECOND EXTRAORDINARY GENERAL MEETING



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)

NOTICE OF 2018 SECOND EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 2018 second extraordinary general meeting (the "EGM") of Shandong Chenming Paper Holdings Limited (the "Company") will be held at 1:30 p.m. on Friday, 1 June 2018, at the conference room of the research and development centre of the Company, No. 2199 Nongsheng Road East, Shouguang City, Shandong Province, the People's Republic of China (the "PRC") for the purpose of passing the following resolutions:

AS SPECIAL RESOLUTIONS:

1. To consider and approve the extension of the validity of the resolutions in respect of the non-public issue of A shares of the Company at the general meeting dated 2 June 2017; and
2. To consider and approve the extension of the validity of the authorisation granted to the board of directors with absolute discretion to deal with matters relating to the non-public issue of A shares at the general meeting dated 2 June 2017.

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

Shandong, PRC
16 April 2018

* For identification purpose only

NOTICE OF 2018 SECOND EXTRAORDINARY GENERAL MEETING

Notes:

1. The register of members of the Company will be temporarily closed from 1 May 2018 to 1 June 2018 (both days inclusive) during which no transfer of H shares of the Company will be registered in order to determine the list of holders of H shares of the Company for attending the EGM. The last lodgment for the transfer of the H shares of the Company should be made on 30 April 2018 at Computershare Hong Kong Investor Services Limited by or before 4:30 p.m. The holders of H shares of the Company or their proxies being registered at the close of business on 30 April 2018 are entitled to attend the EGM by presenting their identity documents. The address of Computershare Hong Kong Investor Services Limited, the H share registrar of the Company, is Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
2. Each shareholder having the rights to attend and vote at the EGM is entitled to appoint one or more proxies (whether a shareholder or not) to attend and vote on his behalf. Should more than one proxy be appointed by one shareholder, such proxy shall only exercise his voting rights on a poll.
3. Shareholders can appoint a proxy by an instrument in writing (i.e. by using the proxy form enclosed). The proxy form shall be signed by the person appointing the proxy or an attorney authorised by such person in writing. If the proxy form is signed by an attorney, the power of attorney or other documents of authorisation shall be notarially certified. To be valid, the proxy form and the notarially certified power of attorney or other documents of authorisation must be delivered to in the case of H shares, the Company's H share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong; not later than 24 hours before the time scheduled for the holding of the EGM or any adjournment thereof.
4. Shareholders or their proxies shall present proofs of their identities upon attending the EGM. Should a proxy be appointed, the proxy shall also present the second revised proxy form.
5. The EGM is expected to last for half day. The shareholders and proxies attending the EGM shall be responsible for their own travelling and accommodation expenses.
6. The Company's registered address:
No. 595 Shengcheng Road, Shouguang City, Shandong Province, the PRC
Postal code: 262705
Telephone: (86)-536-2158008
Facsimile: (86)-536-2158977

NOTICE OF 2018 FIRST CLASS MEETING FOR HOLDERS OF H SHARES



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)

NOTICE OF 2018 FIRST CLASS MEETING FOR HOLDERS OF H SHARES

NOTICE IS HEREBY GIVEN that the 2018 first class meeting for holders of overseas listed foreign shares (H shares) of the Company (“**H Shares**”) (the “**Class Meeting**”) of Shandong Chenming Paper Holdings Limited (the “**Company**”) will be held immediately after the conclusion of the 2018 first class meeting for holders of domestic-listed shares (A shares and B shares) (or any adjourned meeting thereof) of the Company on Friday, 1 June 2018 at the conference room of the research and development centre of the Company, No. 2199 Nongsheng Road East, Shouguang City, Shandong Province, the People's Republic of China (the “**PRC**”) for the purposes of considering and, if thought fit, passing the following resolutions:

AS SPECIAL RESOLUTIONS:

1. To consider and approve the extension of the validity of the resolutions in respect of the non-public issue of A shares of the Company at the general meeting dated 2 June 2017; and
2. To consider and approve the extension of the validity of the authorisation granted to the board of directors with absolute discretion to deal with matters relating to the non-public issue of A shares at the general meeting dated 2 June 2017.

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

Shandong, PRC
16 April 2018

* For identification purpose only

NOTICE OF 2018 FIRST CLASS MEETING FOR HOLDERS OF H SHARES

Notes:

1. The register of members of the Company will be temporarily closed from 1 May 2018 to 1 June 2018 (both days inclusive) during which no transfer of H shares of the Company will be registered in order to determine the list of holders of H shares of the Company for attending the 2018 first class meeting for holders of H Shares. The last lodgment for the transfer of the H shares of the Company should be made on 30 April 2018 at Computershare Hong Kong Investor Services Limited by or before 4:30 p.m. The holders of H shares of the Company or their proxies being registered at the close of business on 30 April 2018 are entitled to attend the 2018 first class meeting for holders of H Shares by presenting their identity documents. The address of Computershare Hong Kong Investor Services Limited, the H share registrar of the Company, is Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
2. Each shareholder having the rights to attend and vote at the 2018 first class meeting for holders of H Shares is entitled to appoint one or more proxies (whether a shareholder or not) to attend and vote on his behalf. Should more than one proxy be appointed by one shareholder, such proxy shall only exercise his voting rights on a poll.
3. Shareholders can appoint a proxy by an instrument in writing (i.e. by using the proxy form enclosed). The proxy form shall be signed by the person appointing the proxy or an attorney authorised by such person in writing. If the proxy form is signed by an attorney, the power of attorney or other documents of authorisation shall be notarially certified. To be valid, the proxy form and the notarially certified power of attorney or other documents of authorisation must be delivered to in the case of H shares, the Company's H share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong; not later than 24 hours before the time scheduled for the holding of the general meeting or any adjournment thereof.
4. Shareholders or their proxies shall present proofs of their identities upon attending the 2018 first class meeting for holders of H Shares. Should a proxy be appointed, the proxy shall also present the proxy form.
5. The 2018 first class meeting for holders of H Shares is expected to last for half day. The shareholders and proxies attending the 2018 first class meeting for holders of H Shares shall be responsible for their own travelling and accommodation expenses.
6. The 2018 first class meeting for holders of domestic listed shares (A shares and B shares) of the Company will be held after the 2018 second extraordinary general meeting.
7. The Company's registered address:
No. 595 Shengcheng Road, Shouguang City, Shandong Province, the PRC
Postal code: 262705
Telephone: (86)-536-2158008
Facsimile: (86)-536-2158977