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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)

**FAILING TO FULFIL THE UNLOCKING CONDITIONS FOR
THE THIRD UNLOCKING PERIOD UNDER THE 2020
RESTRICTED A SHARE INCENTIVE SCHEME
AND
REPURCHASE AND CANCELLATION OF
RESTRICTED SHARES
AND
PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

Reference is made to (i) the announcement dated 30 March 2020 of Shandong Chenming Paper Holdings Limited (the “**Company**”); (ii) the circular dated 29 April 2020 (the “**Circular**”); (iii) the poll results announcement of the general meeting dated 15 May 2020 (the “**Poll Results Announcement**”); (iv) the overseas regulatory announcement dated 29 May 2020 in relation to, among other things, the adoption of the 2020 Restricted A Share Incentive Scheme (the “**Incentive Scheme**”) of the Company and the grant of Restricted Shares under the Incentive Scheme; (v) the announcement dated 18 July 2022 in relation to, among other things, fulfilment of the unlocking conditions for the first unlocking period under the Incentive Scheme, and adjustment to the repurchase price of the Incentive Scheme and the repurchase and cancellation of certain Restricted Shares; and (vi) the announcement dated 17 July 2023 in relation to, among other things, failing to fulfil the unlocking conditions for the second unlocking period under the Incentive Scheme and the repurchase and cancellation of certain Restricted Shares. Unless otherwise defined in this announcement, capitalized terms used in this announcement shall have the same meanings as those defined in the aforesaid announcements and the Circular.

On 31 July 2024, the board of directors (the “**Board**”) and the supervisory committee (the “**Supervisory Committee**”) of the Company considered and approved the Resolution on the Failure to Fulfil the Unlocking Conditions for the Third Unlocking Period under the 2020 Restricted A Share Incentive Scheme and Repurchase and Cancellation of Restricted Shares.

I. FAILING TO FULFIL THE UNLOCKING CONDITIONS FOR THE THIRD UNLOCKING PERIOD UNDER THE INCENTIVE SCHEME AND REPURCHASE AND CANCELLATION OF RESTRICTED SHARES

1. Reasons for the Repurchase and Cancellation of Restricted Shares, Repurchase Quantity and Repurchase Price

(I) Reasons for and Quantity of the repurchase and cancellation

According to the 2020 Restricted A Share Incentive Scheme (Draft) (the “**Incentive Scheme (Draft)**”) and the Assessment Management Measures for the 2020 Restricted A Shares Incentive Scheme (the “**Assessment Management Measures**”) of the Company, performance targets at the company level for the third Unlocking Period under the Incentive Scheme include (1) return on net assets for 2023 not less than 6.5% and not less than the industry average level or 75 fractiles of benchmark enterprise; (2) gross profit margin of sales for 2023 not less than 24% and not less than the industry average level or 75 fractiles of benchmark enterprise; (3) revenue from principal businesses as a percentage of total revenue for 2023 not less than 90%. If the performance indicators of the Company in a specific Unlocking Period are not up to standards, all the Restricted Shares held by the Participants for the period shall not be unlocked and shall be repurchased and cancelled by the Company at the repurchase price, i.e., the sum of the Grant Price and the interest rate for bank loans for the same period.

According to the 2023 Auditor’s Report of Shandong Chenming Paper Holdings Limited issued by Grant Thornton (Special General Partnership), since the return on net assets for 2023 and gross profit margin of sales for 2023 of the Company fail to pass the performance appraisal targets at company level set for the third Unlocking Period, the unlocking conditions for the third Unlocking Period under the Incentive Scheme are not satisfied. The Company shall purchase and cancel the Restricted Shares that have been granted to 93 Participants but not yet unlocked for the third Unlocking Period. The number of repurchased shares is 22,257,000.

Pursuant to the relevant resolutions passed by the shareholders of the Company at the 2020 second extraordinary general meeting, the 2020 first class meeting for holders of domestic-listed shares and the 2020 first class meeting for holders of overseas-listed shares held on 15 May 2020, the Board was authorised by the shareholders of the Company to, among other things, handle all necessary matters in respect of unlocking Restricted Shares for the Participants and handle matters in respect of the implementation of the Incentive Scheme, including but not limited to matters involving amendments to the Articles of Association and registration of changes in registered capital, and the Board of the Company will repurchase and cancel the relevant 22,257,000 Restricted A Shares, representing 27.96% of the total number of Restricted Shares granted under the 2020 Restricted A Share Incentive Scheme and 0.75% of the Company’s total share capital before the repurchase in accordance with the relevant requirements of the Incentive Scheme.

(II) Repurchase price and its basis

On 18 July 2022, the Company held the second extraordinary meeting of the tenth session of the Board and the first extraordinary meeting of the tenth session of the Supervisory Committee, at which the Resolution on the Adjustment to the Repurchase Price of the 2020 Restricted A Share Incentive Scheme and Repurchase and Cancellation of Certain Restricted Shares was considered and approved, respectively. As the Company implemented the 2019 profit distribution plan and the 2020 profit distribution plan, according to the relevant provisions of the Incentive Scheme (Draft), the Company adjusted the repurchase price in respect of the Restricted Shares granted but not yet unlocked. The repurchase price per Restricted Share was adjusted from the original grant price of RMB2.85 per share to RMB2.5184172 per share (not bearing interest at bank's loan rate for the same period).

(III) Total amount and source of funds for the repurchase

Calculated based on the repurchase price plus the bank loan interest rate of the same term, the total amount of funds required for the repurchase shall be RMB67.0597 million, and the source of funds shall be the Company's own funds.

2. Changes in the Company's Share Capital Structure after the Repurchase and Cancellation

Nature of shares	Before change		Change Number (share)	After change	
	Number (share)	Percentage		Number (share)	Percentage
Restricted shares	39,287,812	1.33%	-22,257,000	17,030,812	0.58%
Non-restricted shares	<u>2,917,525,388</u>	<u>98.67%</u>	<u>0</u>	<u>2,917,525,388</u>	<u>99.42%</u>
Total number of shares	<u><u>2,956,813,200</u></u>	<u><u>100.00%</u></u>	<u><u>-22,257,000</u></u>	<u><u>2,934,556,200</u></u>	<u><u>100.00%</u></u>

Note: The above changes in the share capital structure are subject to the share capital structure table to be issued by the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited upon completion of the repurchase and cancellation.

3. Impact on the Company

The repurchase and cancellation of Restricted Shares by the Company will not affect the further implementation of the Incentive Scheme, nor will it have a negative impact on the financial position and operating results of the Company. The completion of the repurchase and cancellation will not result in any change in the controlling shareholder and the de facto controller of the Company and the shareholding structure of the Company will remain eligible for listing. The management team of the Company will continue to be diligent and responsible in its efforts to create value for shareholders.

4. Review Opinions of the Supervisory Committee

The Supervisory Committee reviewed the list and number of the Participants involved in the repurchase and cancellation of Restricted Shares. Upon verification, the Supervisory Committee is of the view that the repurchase and cancellation of Restricted Shares by the Company are in compliance with relevant requirements of the Administrative Measures on Share Incentives of Listed Companies, other laws, regulations and the Incentive Scheme (Draft); the review procedure complies with relevant regulations and is legal and valid. The funds for the repurchase of Restricted Shares by the Company are derived from its own funds and will not have a substantive impact on the financial position and operating results of the Company, will not affect the diligence of the Company's management team and key personnel, and will not prejudice the interests of the Company and its shareholders as a whole. In summary, the Supervisory Committee agrees to the repurchase and cancellation of 22,257,000 Restricted A Shares.

5. Conclusion of Legal Opinions

Beijing YongXing Law Firm is of the view that, as at the date of issuance of legal opinions: (1) the repurchase and cancellation have received the necessary approval and authorisation at current phase in compliance with the relevant requirements of the Administrative Measures on Share Incentives of Listed Companies (2018 Revised), the Articles of Association and the Incentive Scheme (Draft); (2) the reason, quantity and price for the repurchase and cancellation have been in compliance with the relevant requirements of the Administrative Measures on Share Incentives of Listed Companies (2018 Revised) and the Incentive Scheme (Draft); (3) the Company is still subject to performing its information disclosure obligation in respect of the repurchase and cancellation in accordance with laws, share repurchase and cancellation and change in registered capital procedures.

The Company will complete the procedures for the repurchase and cancellation of Restricted Shares with the Shenzhen Stock Exchange and the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited and make information disclosure in respect of the repurchase and cancellation pursuant to relevant laws and regulations.

II. PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Since the Company will repurchase and cancel a total of 22,257,000 Restricted Shares which do not meet the unlocking conditions, the Board proposes to amend the corresponding articles in the Company's Articles of Association (the "**Articles of Association**").

Details of the proposed amendments to the Articles of Association are as follows:

Before amendment	After amendment
<p>Article 27</p> <p>Approved by the company approval department authorized by the State Council, the Company has a total of 2,956,813,200 ordinary shares in issue. The total number of ordinary shares issued in the initial public offering is 66,647,400 shares. The number of shares issued to the promoter at the time of its establishment is 46,497,400, accounting for 69.77% of the aggregate issued by the Company in the initial public offering, and accounting for 1.57% of the Company's total number of ordinary shares issued.</p>	<p>Article 27</p> <p>Approved by the company approval department authorized by the State Council, the Company has a total of 2,934,556,200 ordinary shares in issue. The total number of ordinary shares issued in the initial public offering is 66,647,400 shares. The number of shares issued to the promoter at the time of its establishment is 46,497,400, accounting for 69.77% of the aggregate issued by the Company in the initial public offering, and accounting for 1.58% of the Company's total number of ordinary shares issued.</p>

Before amendment	After amendment
<p>Article 28</p> <p>Approved by Document [1997] No.63 issued by the People’s Government of Shandong Province on February 28, 1997 and by Securities Commission of the State Council on May 4, 1997, the Company issued 115,000,000 domestic listed foreign shares for the first time to overseas investors. The shares became listed in Shenzhen Stock Exchange on May 26, 1997.</p> <p>.....</p> <p>2,956,813,200 ordinary shares, of which:</p> <p>1,722,122,684 A shares held by shareholders of domestic listed domestic shares, accounting for 58.24% of the total shares; including 457,322,919 A shares (state-owned corporate shares) held by Chenming Holdings Limited (晨鳴控股有限公司), accounting for 15.47% of the total shares. 1,264,799,765 A shares held by shareholders of other domestic shares, accounting for 42.78% of the total shares;</p> <p>706,385,266 B shares held by shareholders of domestic listed foreign shares, accounting for 23.89% of the total shares; and</p> <p>528,305,250 H shares held by shareholders of overseas listed foreign shares, accounting for 17.87% of the total shares.</p>	<p>Article 28</p> <p>Approved by Document [1997] No.63 issued by the People’s Government of Shandong Province on February 28, 1997 and by Securities Commission of the State Council on May 4, 1997, the Company issued 115,000,000 domestic listed foreign shares for the first time to overseas investors. The shares became listed in Shenzhen Stock Exchange on May 26, 1997.</p> <p>.....</p> <p>2,934,556,200 ordinary shares, of which:</p> <p>1,699,865,684 A shares held by shareholders of domestic listed domestic shares, accounting for 57.93% of the total shares; including 457,322,919 A shares (state-owned corporate shares) held by Chenming Holdings Limited (晨鳴控股有限公司), accounting for 15.58% of the total shares. 1,242,542,765 A shares held by shareholders of other domestic shares, accounting for 42.34% of the total shares;</p> <p>706,385,266 B shares held by shareholders of domestic listed foreign shares, accounting for 24.07% of the total shares; and</p> <p>528,305,250 H shares held by shareholders of overseas listed foreign shares, accounting for 18.00% of the total shares.</p>
<p>Article 31</p> <p>The Company’s registered capital is RMB2,956,813,200.</p>	<p>Article 31</p> <p>The Company’s registered capital is RMB2,934,556,200.</p>

The English translation of the proposed amendments to the Articles of Association is for reference only. In case of discrepancies between the English and Chinese versions, the Chinese version shall prevail.

As stated in the Circular and the Poll Results Announcement, at the 2020 second extraordinary general meeting, the 2020 first class meeting for holders of domestic-listed shares and the 2020 first class meeting for holders of overseas-listed shares held on 15 May 2020, the shareholders of the Company have approved the resolutions and authorised the Board to handle matters in respect of the implementation of the Incentive Scheme, including but not limited to matters involving amendments to the Articles of Association and registration of changes in registered capital. Accordingly, the proposed amendments to the Articles of Association shall take effect from the date of this announcement.

The Board considers that the proposed amendments to the Articles of Association are in the best interests of the Company and its shareholders as a whole.

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

Shandong, the PRC
31 July 2024

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

* *For identification purposes only*