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山東晨鳴紙業集團股份有限公司
SHANDONG CHENMING PAPER HOLDINGS LIMITED*

(a joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 1812)

OVERSEAS REGULATORY ANNOUNCEMENT

This announcement is made pursuant to Rule 13.10B of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Shandong Chenming Paper Holdings Limited (the “Company”) published the “Shandong Chenming Paper Holdings Limited: Announcement on Completion of Registration of the Grant under the 2020 Restricted A Shares Incentive Scheme” dated 8 July 2020 on the website of Shenzhen Stock Exchange. The following is a translation of the official announcement solely for the purpose of providing information.

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

Shandong, PRC
8 July 2020

As at the date of this announcement, the executive Directors are Mr. Chen Hongguo, Mr. Hu Changqing and Mr. Li Xingchun; 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 and Mr. Yang Biao.

* *For identification purposes only*

Stock code:
000488 200488

Stock abbreviation:
Chenming Paper Chenming B

Announcement No.:
2020-061

Shandong Chenming Paper Holdings Limited

Announcement on Completion of Registration of the Grant under the 2020 Restricted A Shares Incentive Scheme

The Company and all members of the board of directors (the “Board”) hereby warrant the truthfulness, accuracy and completeness of the contents of information disclosed which do not contain any false information, misleading statements or material omissions.

Pursuant to the Administrative Measures on Share Incentives of Listed Companies (the “Administrative Measures”) issued by the CSRC, and the requirements under the relevant rules of the Shenzhen Stock Exchange and Shenzhen Branch of China Securities Depository and Clearing Corporation Limited, Shandong Chenming Paper Holdings Limited (the “Company”) completed the registration of the grant of Restricted Shares under the 2020 Restricted A Shares Incentive Scheme (the “Incentive Scheme”). Relevant matters are as follows:

I. Relevant Approval Procedures Performed under the Incentive Scheme

1. On 30 March 2020, the Resolution in Relation to the 2020 Restricted Share Incentive Scheme of Shandong Chenming Paper Holdings Limited (Draft) and Its Summary, the Resolution in Relation to the Assessment Management Measures for the Implementation of the 2020 Restricted Share Incentive Scheme of Shandong Chenming Paper Holdings Limited and the Resolution in Relation to the Authorisation Granted by the General Meeting to the Board to Deal with Matters Relating to the Share Incentive Scheme of the Company were considered and approved at the ninth extraordinary meeting of ninth session of the Board of the Company. On the same date, the aforementioned resolutions were considered and approved at the fourth extraordinary meeting of the ninth session of the Supervisory Committee of the Company, and the proposed list of the participants of the Incentive Scheme was verified. The independent directors of the Company have issued independent opinions on the Incentive Scheme.

2. On 3 April 2020, the Company announced the list of the participants of the Incentive Scheme through the Company’s intranet. The announcement was posted from 3 April 2020 to 12 April 2020. During the announcement period, the Supervisory Committee of the Company and relevant departments did not receive any objection against the proposed participants of the Incentive Scheme. The Supervisory Committee verified the proposed list of the participants of the Incentive Scheme.

For details, please refer to the Explanation of the Supervisory Committee Regarding the Announcement of the List of Participants under the 2020 Restricted A Share Incentive Scheme and its Verification Opinions disclosed by the Company on 8 May 2020 on CNINFO (www.cninfo.com.cn).

3. On 15 May 2020, the Resolution in Relation to the 2020 Restricted Share Incentive Scheme (Draft) of Shandong Chenming Paper Holdings Limited (Draft) and Its Summary, the Resolution in Relation to the Assessment Management Measures for the Implementation of the 2020 Restricted Share Incentive Scheme of Shandong Chenming Paper Holdings Limited and the Resolution in Relation to the Authorisation Granted by

the General Meeting to the Board to Deal with Matters Relating to the Share Incentive Scheme of the Company were considered and approved 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 of the Company. On 16 May 2020, the Company disclosed the Self-Examination Report for the Trading of Shares of the Company by Insiders and Participants of the 2020 Restricted A Share Incentive Scheme.

4. On 29 May 2020, the Resolution on the Matters Relating to Adjustments to the 2020 Restricted A Share Incentive Scheme of the Company and the Resolution in Relation to the Grant of Restricted Shares to the Participants were considered and approved at the tenth extraordinary meeting of ninth session of the Board and the fifth extraordinary meeting of the ninth session of the Supervisory Committee of the Company. The independent directors of the Company have issued independent opinions thereon, agreed that the Board shall make adjustments to the proposed list of participants and the number of shares to be granted, and considered that the participants are legally and validly qualified and that the grant date determined is in compliance with relevant requirements.

II. Grant of the Restricted Shares

1. Source of shares: Ordinary A Shares of the Company issued to the Participants.

2. Grant date: The Restricted Shares were granted on 29 May 2020.

3. Grant price: RMB2.85 per share.

4. Number of Participants and number of Restricted Shares granted: Pursuant to the Incentive Scheme, a total of 111 Participants are granted and the number of Restricted Share granted is 79,600,000 shares in aggregate. Details of allocation are as follows:

Name	Position	Number of shares to be granted ('0,000 shares)	Proportion in the total shares granted (%)	Proportion in the total issued share capital (%)
Chen Hongguo	Chairman	2,000	25.13	0.69
Hu Changqing	Vice Chairman	500	6.28	0.17
Li Xingchun	Vice Chairman	500	6.28	0.17
Li Feng	General Manager	300	3.77	0.10
Li Xueqin	Vice General Manager	300	3.77	0.10
Geng Guanglin	Vice General Manager	200	2.51	0.07
Li Weixian	Vice General Manager	200	2.51	0.07
Li Zhenzhong	Vice General Manager	200	2.51	0.07
Dong Lianming	Chief Financial Officer	100	1.26	0.03
Yuan Xikun	Secretary of the Board	30	0.38	0.01
Key technical (business) employees (101)		3,630	45.60	1.25
Total (111)		7,960	100	2.74

5. Consistency between the shares actually granted to the Participants and those disclosed in the previous announcement

Certain Participants involved in the 2020 Restricted A Shares Incentive Scheme (Draft) (the “Incentive Scheme (Draft)”) of the Company voluntarily abandoned the restricted shares proposed to be granted by the Company as they had left the Company or due to personal reasons. Accordingly, the Resolution on the Matters Relating to Adjustments to the 2020 Restricted A Share Incentive Scheme of the Company was considered and approved at the tenth extraordinary meeting of the ninth session of the Board convened by the Company on 29 May 2020 to make adjustments to the list of the Participants and the number of shares to be granted under the Incentive Scheme in accordance with the related requirements of the Administrative Measures and the Incentive Scheme (Draft), and the authorisation granted by the general meeting.

After the above adjustments, the number of Participants to be granted restricted shares under the Incentive Scheme was adjusted to 111 from 120 and the total number of shares to be granted was adjusted to 79,600,000 shares from 80,000,000 shares.

Apart from the above adjustments and changes, the shares to be granted to the Participants by the Company and those as stipulated in the resolutions relating to the share incentive scheme considered and passed 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 of the Company are consistent with each other and are not different from each other.

6. Unlocking arrangement of the Restricted Shares

The Lock-up Periods of the Restricted Shares granted under the Incentive Scheme shall be 24 months, 36 months and 48 months from the date of registration of the Restricted Shares under the grant. The Restricted Shares granted to the Participants under the Incentive Scheme subject to selling restrictions, but shall not be transferred, pledged or used for repayment of debt during the Lock-up Period. The shares and dividends obtained by the Participants due to the grant of the Restricted Shares not yet unlocked to them arising from capitalization issue, bonus issue, share sub-division, etc. shall be subject to locking in accordance with the Incentive Scheme, and shall not be sold in the secondary market or otherwise transferred. The Unlocking Period of such shares is the same as that of the Restricted Shares.

After 24 months from the date of completion of the registration of the grant of Restricted Shares granted by the Scheme, the Participants will unlock in three phases within the next 36 months. The table below sets out the Unlocking Period and unlocking schedule for the Restricted Shares under each grant:

Unlocking arrangement	Description of the Unlocking Period	Percentage of the Restricted Shares to be unlocked of total number of the Restricted Shares granted
First Unlocking Period	Commencing from the first trading day after expiry of the 24-month period from the date on which the registration of the grant of the Restricted Shares is completed and ending on the last trading day of the 36-month period from the date on which the registration of the grant of the Restricted Shares is completed	40%
Second Unlocking Period	Commencing from the first trading day after expiry of the 36-month period from the date on which the registration of the grant of the Restricted Shares is completed and ending on the last trading day of the 48-month period from the date on which the registration of the grant of the Restricted Shares is completed	30%
Third Unlocking Period	Commencing from the first trading day after expiry of the 48-month period from the date on which the registration of the grant of the Restricted Shares is completed and ending on the last trading day of the 60-month period from the date on which the registration of the grant of the Restricted Shares is completed	30%

7. Unlocking conditions of the Restricted Shares

7.1 There is no occurrence of any of the following events on the part of the Company:

7.1.1. issue of an auditors' report with adverse opinion or which indicates an inability to give opinion by a certified public accountant with respect to the financial report of the Company for its most recent accounting year;

7.1.2. issue of an auditors' report with adverse opinion or which indicates an inability to give opinion by a certified public accountant with respect to the internal control of the financial report of the Company for its most recent accounting year;

7.1.3. failure to conduct profit distribution in accordance with laws and regulations, the Articles of Association and public undertakings during the recent 36 months after listing;

7.1.4. prohibition from implementation of a share incentive scheme by laws and regulations;

7.1.5. other circumstances as determined by the CSRC.

7.2 There is no occurrence of any of the following events on the part of the Participants:

7.2.1. having been determined to be an inappropriate candidate by the SSE in the past 12 months;

7.2.2. having been determined to be an inappropriate candidate by the CSRC or its local counterparts in the past 12 months;

7.2.3. having been imposed with administrative penalties or prohibited from market entry by the CSRC or its local counterparts in the past 12 months due to material violation of laws and regulations;

7.2.4. being prohibited from acting as a director or senior management member of the Company by the Company Law;

7.2.5. being prohibited from participating in any share incentive scheme of listed companies by laws and regulations;

7.2.6. other circumstances as determined by the CSRC.

7.3 When a Participant leaves the Company due to retirement, and the Restricted Shares granted to him/her have, in the year of retirement, reached the exercisable conditions subject to time restriction and performance assessment, the qualified portion of the shares may be exercised within half a year from the date of retirement while the unqualified portion will no longer be exercised. Restricted Shares that have not been unlocked shall be repurchased by the Company at the Grant Price bearing interest at bank's loan rate for the same period.

7.4 Performance appraisal at company level

The Restricted Shares granted under the Incentive Scheme shall be subject to annual performance appraisal for the three accounting years from 2021 to 2023 for unlocking, to fulfil the Company's performance indicators as the unlocking conditions for the Participants. The annual performance targets are shown in the following table:

Unlocking Period	Performance target
First Unlocking Period	<p>① Return on net assets for 2021 shall not be less than 5.5% and shall not be less than the industry average level or 75 fractiles of benchmark enterprise;</p> <p>② Gross profit margin of sales for 2021 shall not be less than 22% and shall not be less than the industry average level or 75 fractiles of benchmark enterprise;</p> <p>③ Revenue from principal businesses as a percentage of total revenue for 2021 shall not be less than 90%.</p>

Second Unlocking Period	<p>① Return on net assets for 2022 shall not be less than 6.0% and shall not be less than the industry average level or 75 fractiles of benchmark enterprise;</p> <p>② Gross profit margin of sales for 2022 shall not be less than 23% and shall not be less than the industry average level or 75 fractiles of benchmark enterprise;</p> <p>③ Revenue from principal businesses as a percentage of total revenue for 2022 shall not be less than 90%.</p>
Third Unlocking Period	<p>① Return on net assets for 2023 shall not be less than 6.5% and shall not be less than the industry average level or 75 fractiles of benchmark enterprise;</p> <p>② Gross profit margin of sales for 2023 shall not be less than 24% and shall not be less than the industry average level or 75 fractiles of benchmark enterprise;</p> <p>③ Revenue from principal businesses as a percentage of total revenue for 2023 shall not be less than 90%.</p>

Notes: (1) The “return on net assets” refers to the return on weighted average net assets.

(2) During the validity period of the Incentive Scheme, if the listed company purchases assets through issuing shares as a means of payment or utilising raised funds in the future, the increased net assets and the net profit generated from such net assets shall not be included in the calculation of appraisal for future years.

(3) If there are significant changes in the business structure of or extreme values with excessive performance variation in the benchmark enterprise samples during the annual appraisal process for granting and unlocking, the Board of the Company will remove or adjust the samples.

7.5 Performance appraisal at individual level

The Participants shall be subject to annual performance appraisal in accordance with the Assessment Management Measures for the Implementation of the 2020 Restricted A Shares Incentive Scheme formulated by the Company, and the assessment results and unlocking ratio for the year shall be determined according to the annual average performance indicators of the individual departments. The assessment results shall be categorised into two grades, namely up to standard and below standard. The reference for individual performance assessment is shown in the following table:

Performance results	A≥80 scores	A<80 scores
Standard coefficient	1.0	0

Actually unlocked individual quota in current year = standard coefficient × individual quota planned to unlock in current year. The Participants are eligible to unlock the Restricted Shares for the current year only after they are up to standard in the assessment for the previous year. If the unlocking conditions in current period are not satisfied due to the failure to pass the performance appraisal at company level or individual level, no corresponding Restricted Shares shall be unlocked or deferred to the next period and will be repurchased and cancelled by the Company as stipulated.

III. Capital Verification for the Share Subscription Amounts Received for the Grant of Shares

On 28 June 2020, Grant Thornton LLP issued a Capital Verification Report (Zhi Tong Yan Zi (2020) No. 371ZC00199), in which they verified the Company’s subscription contribution status for the share incentive scheme as of 23 June 2020, and considered that:

The original registered capital of the Company was RMB2,904,608,200.00, and the paid-up capital (share capital) was RMB2,904,608,200.00. According to the resolutions passed at the Company’s 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, the provisions of the amended Articles of Association, as well

as the approval “Shou Guo Zi [2020] No.7 (《壽國資【2020】7號》)” issued by the State-owned Assets Supervision and Administration Bureau of Shouguang City, the Company applied to increase its registered capital by RMB79,600,000.00 to RMB2,984,208,200.00. After our verification, as of 23 June 2020, the Company received from shareholders a subscription amount of RMB225,864,104.00 (RMB TWO HUNDRED TWENTY FIVE MILLION EIGHT HUNDRED SIXTY-FOUR THOUSAND ONE HUNDRED AND FOUR, net of issue expenses of RMB995,896.00), including the share capital of RMB79,600,000.00 and the capital reserve of RMB146,264,104.00.

As at 23 June 2020, the registered capital of the Company after such increase was RMB2,984,208,200.00, and the accumulated paid-up capital (share capital) was RMB2,984,208,200.00.

IV. Listing Date of the Restricted Shares under the Grant

The grant date of the restricted shares under the share incentive scheme was 29 May 2020. A total of 79,600,000 restricted shares were granted for registration, which was completed at the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited. The listing date of the restricted shares under the grant is 15 July 2020.

V. Table of changes in the Company’s share capital structure

Nature of shares	Before the increase		No. of shares increased	After the increase	
	No. of shares	Ratio (%)		No. of shares	Ratio (%)
Tradable shares with selling restrictions	10,545,599	0.36	79,600,000	90,145,599	3.02
Tradable shares without selling restrictions	2,894,062,601	99.64	0	2,894,062,601	96.98
Total	2,904,608,200	100	79,600,000	2,984,208,200	100

Upon completion of the grant of the restricted shares, the shareholding distribution of the Company will remain eligible for listing.

VI. Effects on the Earnings per Share of the Company

Upon completion of the grant of the restricted shares, the basic earnings per share for 2019, as diluted by the new share capital of 2,984,208,200 shares and after deducting the interest of perpetual bonds and the dividends of preference shares declared to be paid, is RMB0.32 per share.

VII. Use of Funds Raised by Issuing Additional Restricted Shares

The funds raised under the restricted A share incentive scheme will be used in full to replenish the working capital of the Company.

VIII. Trading from Directors and the Senior Management Participating in the Incentive Scheme in the Company’s Shares for 6 Months before the Grant Date

After the Company’s self-examination, the directors and the senior management of the Company who participated in the incentive scheme did not have any trading in shares of the Company for 6 months before the listing date of the shares.

IX. Changes in Shareholding Percentage of the Controlling Shareholder and De-facto Controller of the Company

Upon completion of the grant of the restricted shares, the total number of shares of the Company has increased from 2,904,608,200 shares to 2,984,208,200 shares, resulting in changes in the shareholding percentage of the Company's shareholders. The total number of the shares held by Chenming Holdings Company Limited, the controlling shareholder of the Company, and its persons acting in concert, remain unchanged. Upon completion of the registration of the grant, its shareholding percentage will be reduced from 27.87% to 27.13%. The grant shall not result in a change of the controlling shareholder and de-facto controller of the Company.

Notice is hereby given.

The Board of Shandong Chenming Paper Holdings Limited
8 July 2020