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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)

**SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO ARBITRATION
AND WINDING-UP PETITION**

Reference is made to the announcements of Shandong Chenming Paper Holdings Limited (the “**Company**”): (i) those dated 18 October 2018 and 18 August 2020 in relation to the Arbitration (the “**Arbitration Announcements**”); and (ii) those dated 16 June 2017, 22 June 2017, 29 June 2017, 17 July 2017, 24 August 2017, 28 August 2017, 11 September 2017, 28 February 2018, 14 May 2018 and 18 August 2020 in relation to the Winding-up Petition (the “**Winding-up Petition Announcements**”). Unless the context otherwise requires, capitalised terms used herein shall bear the same meanings as those defined in the Arbitration Announcements and the Winding-up Petition Announcements.

The Company hereby provides supplemental information in relation to the Arbitration and the Winding-up Petition.

Information on the Arbitration

The Company disclosed the “Reminder Announcement” on 18 October 2018 on the Cninfo website regarding the service of arbitration notice on HKK2 and requesting HKK2 to return the accounting books, related records and arbitration fees of the Joint Venture.

On 5 August 2020, the HKIAC rendered the Final Award, which, among other things, contains the following:

1. HKK2 is in possession and control of the accounting books and records of the Joint Venture;
2. HKK2 shall within 21 days from the date of the Final Award i.e 5 August 2020, deliver the books and records of the Joint Venture to the compulsory liquidation group of the Joint Venture, which is the Shandong Branch of Yongtuo Accounting Firm (Special Partnership);
3. the security of costs held by the HKIAC be returned to the Company; and
4. costs of the Arbitration (other than costs of legal representation and assistance) shall be borne by both parties in the Arbitration in equal share.

Information on the Winding-up Petition

The Company and HKK2 established a 30%-owned Joint Venture in October 2005 in Shouguang City, Shandong Province to produce specialty paper, decorative paper and graphic paper. However, due to the economic crisis, the Joint Venture was operating at a loss and was forced to cease production in October 2008.

In October 2012, HKK2 filed an application for arbitration with the HKIAC in the Hong Kong Special Administrative Region of the PRC on the grounds that the Company had breached the joint venture agreement, and in November 2015, HKIAC announced the arbitration result: the Company is required to compensate HKK2 for economic loss of RMB167 million with interest, legal fees of USD3.54 million and arbitration fees of HKD3.3 million with interest.

On 18 October 2016, the Company's Hong Kong registered address received the Statutory Demand served by HKK2 in respect of the alleged debts of RMB167.86 million and interest, USD3,548,900 and interest, and HKD3,303,900 and interest (that is, the "**Debts**"), demanding the Company to repay the Debts within 21 days from the date of service of the Statutory Demand, failing which a winding-up petition would be filed against the Company. Subsequently, HKK2 filed the Winding-up Petition against the Company with the High Court of the HKSAR.

On 7 November 2016, the Company engaged Hong Kong legal advisers to apply for and obtained an injunction from the Court of First Instance of the High Court of the HKSAR, which expressly stated that "applicant of the Statutory Demand (the "**Applicant**") is prohibited from filing winding-up petition against the Company" and convened a hearing between the Applicant and the relevant personnel of the Company. In February 2017, HKK2 filed an appeal to the court, which rejected the injunction obtained by the Company on 14 June 2017, for which the Company filed an appeal on 12 July 2017 and, on 11 September 2017, procured payment by a third party into the High Court of the HKSAR in the sum of HKD389,112,432.44 (this 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) pursuant to an order made by Judge Harris on 28 August 2017, for the purpose of adjourning indefinitely the proceedings in respect of the Winding-up Petition.

An estimated liability amounting to RMB325,259,082.28 had been accrued by the Company in 2017 in respect of such unresolved litigation.

The appeal hearing of the Company on 12 July 2017 was completed in the morning of 11 May 2018 in the Court of Appeal of the High Court of the HKSAR. At the conclusion of the hearing, the court had directed that judgment would be delivered on a separate date.

On 5 August 2020, the Court of Appeal of the High Court of the HKSAR handed down a judgment rejecting the appeal of the Company. The Company is seeking a further avenue of appeal to safeguard the legitimate interests of the Company and the investors.

Impact on the Company

Given that the operations of the Company remain normal with each operating indicator improving, and that the Company had already accrued an estimated liability for the relevant amount in 2017, no material adverse impact will be posed to the Company's results and operations. The Company will continue to discuss with its legal advisers and proactively explore all possible measures to protect the legitimate interests of the Company and the investors.

Save as the supplemental information above, all other information and contents set out in the Arbitration Announcements and the Winding-up Petition Announcements remain unchanged.

Shareholders and potential investors should exercise caution when dealing in the shares or other securities of the Company.

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

Shandong, the PRC
24 August 2020

* *For identification purpose only*

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