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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 “Beijing Lifang & Partners Law Firm: Legal Opinion on the Change of Listing Venue of the Domestic Listed Foreign Shares of Shandong Chenming Paper Holdings Limited and Their Listing and Trading on the Main Board of The Stock Exchange of Hong Kong Limited by way of Conversion (Revised Version)” on 17 February 2021 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
17 February 2021

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.

* *For identification purposes only*

Beijing Lifang & Partners Law Firm

Legal Opinion on the Change of Listing Venue of the Domestic Listed Foreign Shares of Shandong Chenming Paper Holdings Limited and Their Listing and Trading on the Main Board of The Stock Exchange of Hong Kong Limited by way of Conversion (Revised Version)

To: Shandong Chenming Paper Holdings Limited

Beijing Lifang & Partners Law Firm (“Lifang” or the “Firm”) has accepted the appointment of Shandong Chenming Paper Holdings Limited (the “Company” or “Chenming Paper”) to act as the legal adviser in connection with the change of listing venue of the domestic listed foreign shares of Chenming Paper and their listing and trading on the Main Board of The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”) by way of conversion (the “Project”), and issue our legal opinion herein.

According to the Company Law of the People’s Republic of China (the “Company Law”), the Securities Law of the People’s Republic of China (the “Securities Law”), the Special Regulations of the State Council on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies (Order No. 160 of the State Council) promulgated and enacted by the State Council on 4 August 1994, the Regulations of the State Council on Domestic Listing of Foreign Shares by Joint Stock Limited Companies (Order No. 189 of the State Council) promulgated and enacted by the State Council on 25 December 1995, the Notice on Several Issues Concerning the Investment in Domestic Listed Foreign Shares by Domestic Residents (Zheng Jian Fa [2001] No. 22) jointly issued by the China Securities Regulatory Commission (the “CSRC”) and the State Administration of Foreign Exchange on 22 February 2001, the announcement of the China Securities Regulatory Commission on the Guidelines for Supervising the Application Documents and Examination Procedures for the Overseas Stock Issuance and Listing of Joint Stock Limited Companies (Zheng Jian Hui Gong Gao [2012] No. 45) and the requirements of other relevant laws, administrative regulations, rules and normative documents, the Firm has conducted sufficient and necessary discussions with relevant personnel of Chenming Paper and Guotai Junan Securities Co., Ltd. (“Guotai Junan”) on the Project proposal in accordance with the standards of conduct, ethics, and diligence generally accepted in the lawyer industry.

This legal opinion is issued based on the relevant requirements of the prevailing laws, administrative regulations, departmental rules and normative documents of Mainland China (excluding the Hong Kong Special Administrative Region, the Macao Special Administrative Region and Taiwan Region), and is based on the Firm’s understanding of such facts and relevant laws. No opinion is expressed herein as to matters involving the laws, regulations or listing rules of countries and regions other than Mainland China, and no legal opinion is expressed herein as to professional matters relating to accounting, auditing and asset valuation.

For the purpose of the issuance of this legal opinion, the Firm hereby makes the following statements:

1. This legal opinion is issued based on the laws, administrative regulations, rules and normative documents that are currently in force in China or were in force when the Company's actions and relevant facts occurred or existed, and is based on the understanding of such laws, administrative regulations, rules and normative documents of the Firm's handling lawyer.

2. The Firm and the handling lawyer have strictly fulfilled the lawful duties, followed the principles of due diligence and good faith and conducted sufficient inspection and verification on the Project proposal in accordance with the Securities Law, the Measures for the Administration of the Provision of Securities Legal Services, the Rules for the Securities Legal Practices and other requirements, and the facts that have occurred or existed before the issue date of this legal opinion, and guarantee that the facts affirmed in this legal opinion are authentic, accurate and complete, and the conclusive opinions issued are legal and accurate without any false statements, misleading representation or material omissions, for which the Firm and the handling lawyer are correspondingly liable.

3. The Firm consents to this legal opinion as a requisite legal document for the Company to implement the Project and submit the same together with other reporting documents. The Firm consents that the Company may cite part or whole of the contents of the legal opinion in the statutory documents prepared by the Company in respect of the Project or according to the requirements of the regulatory authorities. However, when making the above citation, the Company shall not cause legal ambiguity or misinterpretation due to citation.

4. During the investigation, the Firm's handling lawyer obtained the following assurance of the Company that the Company has provided the authentic original written materials, duplicates or oral testimony that the Firm's handling lawyer considers necessary for issuing this legal opinion, the signatures and/or seals on the relevant materials are authentic, the relevant duplicates or photocopies are consistent with their originals, and the documents and materials provided by the Company are true, accurate, complete and valid without anything withheld, misrepresented or materially omitted.

5. For the facts that are of significance to the issuance of this legal opinion but fail to be supported by independent evidence, the Firm's handling lawyer has relied on the supporting documents issued or provided by relevant government departments, companies, other relevant units or related persons as the basis for the issuance of this legal opinion.

6. The Firm and the handling lawyer have not authorised any unit or individual to make any interpretation or clarification of this legal opinion. This legal opinion is only used by the Company for the purpose of the Project, and shall not be used for any other purposes without the written consent of the Firm.

Based on the foregoing, in accordance with the standards of conduct, ethics, and diligence generally accepted in the lawyer industry, the Firm has inspected and verified the evidence such as the documents provided by the Company and relevant facts, and our legal opinion is as follows:

Main Text of the Legal Opinion

I. Overview of the Project Proposal

According to the “Proposal on the Domestic Listed Foreign Shares of the Company Changing Listing Venue to be Listed and Traded on the Main Board of The Stock Exchange of Hong Kong Limited by Way of Conversion” (the “Project Proposal” or the “Proposal”) prepared by Chenming Paper, Chenming Paper proposes to apply for the change of the listing venue of its 706,385,266 domestic listed foreign shares (the “B Shares”) in issue, and their conversion into overseas listed foreign shares (the “H Shares”) listed on the Hong Kong Stock Exchange by way of conversion, which will be listed and traded on the Main Board of the Hong Kong Stock Exchange. The main points of the Project Proposal are as follows:

1. The Proposal does not involve the issuance of new shares. The total share capital and the total shares of the Company remain unchanged without any overseas fund raising activity undertaken by Chenming Paper. The Proposal involves the conversion of B Shares, a listed share class, into H Shares only without any share subscription or subscription of H Shares in a foreign currency.

2. In order to fully protect the lawful interests of holders of B Shares, and for the purpose of implementing the Proposal, the Company will arrange for a third party to provide a cash option to all holders of B Shares. Investors who originally hold the B Shares of the Company may choose to apply and exercise the cash option at a specified time to transfer part or all of their B Shares to the third party that provides the cash option. They may also choose to continue to hold and keep the shares until the shares are listed and traded on the Hong Kong Stock Exchange, and the B Shares continuously held by them will be converted into H Shares by nature.

3. However, the cash option in the Proposal shall not be exercised, the Proposal shall be terminated, and the B Shares will continue to be traded in the B share market of the Shenzhen Stock Exchange when one of the following situations occurs: (1) the public float of H Shares failing to meet the requirements of the Hong Kong Stock Exchange for the minimum public float of the H shares of listed companies as a result of the application for the exercise of the cash option; (2) the aggregate number of the shares held by the top three public holders of H Shares in excess of 50% of the public float of the H Shares, or a reduction of the public shareholders in Hong Kong to be less than 300 persons as a result of the application for the exercise of the cash option; (3) failure to obtain the required approval at the general meeting and the class meetings, or the sanction or approval from the CSRC and other domestic and foreign government departments and/or authorities (if necessary) for the Proposal; and (4) failure to arrange for a third party by the Company to provide the cash option.

4. If there are no circumstances that will cause the cash option not to be implemented after the end of the application period, the cash option will be cleared and settled. The holders of B Shares who make valid application during the application period will receive a cash consideration paid by the cash option provider at the price as agreed in the Proposal.

5. The detailed arrangements of the cash option proposal of the Company (including but not limited to, among other things, the record date, the application period, and the application and settlement methods of the cash option) will be disclosed in a timely manner in accordance with applicable laws and regulations.

II. Legal Analysis of the Implementation of the Project

In the opinion of the Firm:

1. Under the requirement of Article 24 of the Regulations of the State Council on Domestic Listing of Foreign Shares by Joint Stock Limited Companies (Order No. 189 of the State Council), “Subject to approval of the Commission, the domestic listed foreign shares and their derivatives could be transferred out of China. The above-mentioned derivatives are referred to as the subscription warrants and overseas depository receipt”. The change of the listing venue of the B Shares of Chenming Paper and their listing and trading on the Main Board of the Hong Kong Stock Exchange by way of conversion in the Project Proposal are not prohibited by the laws and regulations. They can be implemented upon the approval of the CSRC (the Securities Commission of the State Council being consolidated into the CSRC).

2. Under the requirement of the Guidelines for Supervising the Application Documents and Examination Procedures for the Overseas Stock Issuance and Listing of Joint Stock Limited Companies (Zheng Jian Hui Gong Gao [2012] No. 45) of the CSRC, “Joint stock limited companies established in accordance with the Company Law of the People’s Republic of China may, on the basis of satisfying the conditions for listing at the places where they are listed overseas, independently file applications for overseas stock issuance and listing with the CSRC”.

Article 2 of the Special Regulations of the State Council on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies (Order No. 160 of the State Council) stipulates that “Joint stock limited companies may issue their stocks to given or non-given investors and list them abroad with the approval of the Securities Committee of the State Council. The term “listing abroad” used in this set of provisions means to issue stocks to investors abroad and list them for transactions and transfer on the stock exchanges by joint stock companies. Article 3 stipulates that “the stocks issued and listed abroad (“foreign capital stock listed abroad”) by joint stock limited companies to investors abroad shall be in the form of inscribed stocks, with the per value indicated in RMB and subscribed to in foreign currencies”.

According to the Project Proposal, the change of the listing venue of the B Shares of Chenming Paper and their listing and trading on the Main Board of the Hong Kong Stock Exchange by way of conversion do not involve the issuance of new shares. The total share capital and the total shares of the Company remain unchanged without any overseas fund raising activity undertaken by Chenming Paper. The Proposal involves the conversion of B Shares, a listed share class, into H Shares only without any share subscription or subscription of H Shares in a foreign currency. Upon completion of the implementation of the Project Proposal, the B Shares of Chenming Paper will be converted into H Shares, and listed and traded on the Hong Kong Stock Exchange. The implementation of the Project Proposal is subject to approval of the CSRC.

3. Article 8 of the Notice on Several Issues Concerning the Investment in Domestic Listed Foreign Shares by Domestic Residents (Zheng Jian Fa [2001] No. 22) stipulates that “B Shares purchased by domestic resident individuals may not be transferred in overseas custody”.

According to the Project Proposal, upon completion of the implementation of the cash option proposal, for the B Shares held by all holders of B Shares, nominee holders authorised by the Board of Directors of the Company will open an H Share account at a designated qualified brokerage firm in Hong Kong in due course to have, the H Shares of the Company in custody, and handle related matters on behalf of all holders of B Shares. During the implementation of the Project Proposal, domestic resident individuals do not transfer their B Shares of Chenming Paper in overseas custody, and Article 8 of the Notice on Several Issues Concerning the Investment in Domestic Listed Foreign Shares by Domestic Residents (Zheng Jian Fa [2001] No. 22) which stipulates that “B Shares purchased by domestic resident individuals may not be transferred in overseas custody” does not apply.

4. The cash option in the Proposal shall not be exercised, the Proposal shall be terminated, and the B Shares will continue to be traded in the B share market of the Shenzhen Stock Exchange when one of the following situations occurs: (1) the public float of H Shares failing to meet the requirements of the Hong Kong Stock Exchange for the minimum public float of the H shares of listed companies as a result of the application for the exercise of the cash option; (2) the aggregate number of the shares held by the top three public holders of H Shares in excess of 50% of the public float of the H Shares, or a reduction of the public shareholders in Hong Kong to be less than 300 persons as a result of the application for the exercise of the cash option; (3) failure to obtain the required approval at the general meeting and the class meetings, or the sanction or approval from the CSRC and other domestic and foreign government departments and/or authorities (if necessary) for the Proposal; and (4) failure to arrange for a third party by the Company to provide the cash option.

In the Project Proposal, the Company has truthfully disclosed to all shareholders the above circumstances under which the Proposal is determined not to be implemented. The shareholders of the Company can exercise their voting right through on-site or online voting. The right to know and to make major decision-making of the shareholders of the Company with respect to the Project Proposal and its implementation is not restricted. In addition, the independent Directors of the Company have also issued their independent opinion on the Project Proposal, and will solicit proxy voting right.

Therefore, the establishment, application and implementation of the cash option of the Project Proposal does not violate the obligations set by the currently effective PRC laws on the Company, nor do they violate the right to know of the shareholders of the Company according to law and their right to participate in the major decision-making of the Company.

5. According to the relevant requirements of the Company Law and the Articles of Association, the Project Proposal is a major matter that is subject to consideration at the general meeting, and involves the major interests of holders of B Shares and H Shares. Therefore, the Project Proposal still needs to be considered at the general meeting and class meetings convened by Chenming Paper in compliance with the law, and passed by more than two-thirds of the voting rights held by all shareholders attending the general meeting, passed by more than two-thirds of the voting rights held by all shareholders and holders of B Shares attending the class meeting of domestic listed shares, and passed by more than two-thirds of the voting rights held by holders of H Shares attending the class meeting of overseas listed shares.

III. Conclusion

In summary, the Firm is of the opinion that the Project Proposal does not violate the Company Law and the Securities Law and other PRC laws and regulations. As far as the domestic laws are concerned, there are no legal obstacles to the contents of the Project Proposal and its implementation. The implementation of the Project Proposal still needs to be passed by more than two-thirds of the voting rights held by all shareholders attending the general meeting, passed by more than two-thirds of the voting rights held by all shareholders and holders of B Shares attending the class meeting of domestic listed shares, and passed by more than two-thirds of the voting rights held by holders of H Shares attending the class meeting of overseas listed shares, and approved or consented by the CSRC and other competent authorities.

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(This page is only for the purpose of signing relating to Beijing Lifang & Partners Law Firm: Legal Opinion on the Change of Listing Venue of the Domestic Listed Foreign Shares of Shandong Chenming Paper Holdings Limited and Their Listing and Trading on the Main Board of The Stock Exchange of Hong Kong Limited by way of Conversion (Revised Version))

Beijing Lifang &
Partners Law Firm

Representative _____

Xie Guanbin

Handling Lawyer _____

Liu Sidian

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10 February 2021