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1. Basic information

Shandong Chenming Paper Holdings Limited (the “Company”) directly held 65.21% equity interests in Wuhan Chenming Hanyang Paper Holdings Co., Ltd. (hereinafter referred to as “Wuhan Chenming”), a majority-owned subsidiary of the Company and indirectly held its 34.64% equity interests through Aberdeen Industrial Limited and VNN Holdings Limited, both are wholly owned subsidiaries of the Company. The Company held 99.85% equity interests in aggregate. In order to promote industrial upgrading, the Company has relocated the main equipment of household paper production line and special paper production line of Wuhan Chenming to Shouguang production base and Zhanjiang production base respectively, and entered into the Agreement on Recovery of the Right to Use State-owned Construction Land with the Branch Center of Wuhan Land Arranging Storage Center in Wuhan Economic and Technological Development Zone in respects of land collection and storage. For details, please refer to the relevant announcements disclosed by the Company on the Cninfo (www.cninfo.com.cn) on 29 April 2023 and on the website of the Hong Kong Stock Exchange (www.hkex.com.hk) on 28 April 2023.

In order to further optimise the Company’s assets structure, revitalize inefficient assets and improve asset utilization efficiency, recover capitals as soon as possible and increase cash inflows, focus on pulp production and papermaking and enhance profitability, the Company intends to enter into the Equity Transfer Agreement with Wuhan Yuanfeng Yinhu Industrial Investment Partnership (Limited Partnership)* ()

(hereinafter referred to as “Wuhan Yuanfeng Yinhu Partnership”). Pursuant to which, the Company will dispose of its 65.21% equity interest in Wuhan Chenming directly held by it at a consideration of RMB480.00 million to Wuhan Yuanfeng Yinhu Partnership. Upon the completion of this transaction, Wuhan Chenming would be a non-controlled company of the Company and cease to be consolidated into the Company’s financial statements.

2. Approval procedure

At the tenth extraordinary meeting of the tenth session of the Board of the Company held on 8 September 2023, the Resolution on the Disposal of 65.21% Equity Interest in Wuhan Chenming was considered and approved with 11 votes for, 0 votes against and 0 votes abstained. According to the Rules Governing Listing of Stocks on Shenzhen Stock Exchange, the Guidelines for Self-discipline Regulation of Listed Companies of Shenzhen Stock Exchange No. 1 – Standard Operation of Listed Companies on the Main Board and the Articles of Association and other relevant provisions, the transaction still needs to be submitted to the

the 10th extraordinary meeting of the Board of the Company on 8 September 2023 for consideration and approval. The resolution was passed with 11 votes for, 0 votes against and 0 votes abstained.

held 0.1996% of the shares, Shanghai Yinhu Industrial Co., Ltd. (), as a limited partner, held 99.8004% of the shares; the de facto controller is Li Songju ().

10. Wuhan Yuanfeng Partnership is the newly established corporate without any relevant financial data; as at 31 December 2022, Shanghai Yuanfeng Business Consulting Co., Ltd., the executive partner, had the total assets of RMB 191.73 million, the total liabilities of RMB171,640,200 and the net assets of RMB20,089,800, and the net profit of RMB-7,400 (unaudited) for the twelve months ended 31 December 2022.

11. Description of the connected relationship: Wuhan Yuanfeng Partnership neither has connected relationship with the Company and its top ten shareholders regarding property rights, business, assets, debts and liabilities and personnel, nor there is any other relationship that may or has resulted in the interests of the listed company being tilted in its favour.

Wuhan Yuanfeng Partnership is not a discredited party subject to enforcement.

(I) Overview of the target

1. Company name: Wuhan Chenming Hanyang Paper Holdings Co., Ltd.
2. Registered address: No. 33 Shenlong Avenue, Wuhan Economic & Technological Development Zone
3. Date of establishment: 29 June 2004
4. Type of company: Joint stock company with limited liability (sino-foreign joint venture, unlisted)
5. Registered capital: RMB211.367 million
6. Legal representative: Xin Xiaolin ()
7. Business scope: Production and sales of machine-made paper, paper board and paper making raw materials; production, processing and sales of paper making machinery; general freight; import and export business.
8. Whether it is a discredited party subject to enforcement: No.

(II) History and substantial shareholders

Wuhan Chenming was jointly established by the Company and Hubei Hanyang Paper Factory () in December 1997 in Wuhan, Hubei Province. Its registered capital was RMB408.00 million, of which RMB208.00 million was contributed by the Company in monetary funds, equivalent to 51% equity interest in the company, and RMB200.00 million was contributed by Hubei Hanyang Paper Factory in physical assets, equivalent to 49% equity interest in the company.

In November 1998, Hubei Zhiyin Printing Co., Ltd (), Hubei

Summary of Assets Appraisal Results

Unit: RMB0'000

Item	Carrying value	Appraised value	Increase or decrease	Appreciation rate %
Current assets	103,665.36	103,501.77	-163.60	-0.16
Non-current assets	36,018.27	66,833.84	30,815.57	85.56
Of which: Debt				
Investments				
Other debt investments				
Long-term receivables				
Long-term equity investments	4,500.00	-2,733.63	-7,233.63	-160.75
Investment property	675.74		-675.74	-100.00
Fixed assets	20,550.61	68,923.18	48,372.57	235.38
Construction in progress				
Bearer biological assets				
oil and gas assets	0.00	0.00		

borrowings of RMB595.00 million before the completion date of equity transfer, and the remaining borrowings of RMB210.92 million shall be repaid before 31 December 2025.

The transfer of 65.21% equity interests in Wuhan Chenming is free from any mortgage, pledge or other third-party rights. It does not involve any significant dispute, litigation or arbitration, nor has it been subject to any judicial actions such as seizure or freezing. The Company has not provided guarantees to Wuhan Chenming nor entrusted it with financial management, and Wuhan Chenming has not misappropriated the funds of the listed company.

The transaction follows the principles of objective, fair, and fair pricing. According to the "Asset Valuation Report" issued by Shandong Ruihua Assets Valuation Company Limited () (Lu Ruihua Ping Bao Zi [2023] No. 0219), based on the valuation value of all shareholders' equity of Wuhan Chenming of RMB752.3730 million as at 31 July 2023, the price for this equity transfer is agreed at RMB480.00 million.

1. Parties

Transferor: Shandong Chenming Paper Holdings Limited (hereinafter referred to as "Party A")

Transferee: Wuhan Yuanfeng Yinhu Industrial Investment Partnership (Limited Partnership) (hereinafter referred to as "Party B")

2. Target equity to be transferred

(1) Party A agrees to transfer its 65.21% equity interests (equivalent to 137,822,000 shares) in the target company (referred to as the "Target Equity" in this agreement) to Party B.

(2) Both parties confirm that the completion date of the Target Equity is the date of completion of the change in the shareholder register of the target company that records Party B as the holder of 65.21% equity interests in the target company. The profit or loss generated by the target company during the period commencing from the valuation benchmark date and ending on the completion date shall be enjoyed or borne by Party A in proportion to its equity holdings of

First payment: Party B shall transfer RMB100.00 million of the Consideration to the account specified by Party A within 3 days after date of this agreement;

Second payment: Party B shall transfer another RMB100.00 million of the Consideration to the account specified by Party A within 30 days from the date of completing the change in the shareholder register of the Target Company stating that Party B is the holder of 65.21% equity of the Target Company;

Remaining payment: Party B shall pay the remaining RMB280.00 million of the Consideration in one lump sum before 31 December 2023.

Party B undertakes to unconditionally accept the supervisions of Party A, including but not limited to: (1) Party B cannot change the directors, supervisors or senior management of the Target Company as controlled by Party A until Party A receives all the Consideration for equity transfer; (2) if Party B pledge the equity of the Target Company for financing before the Consideration was paid in full, the payment of the Consideration to Party A for equity transfer shall be prioritized in the utilization of such financing proceeds.

5. Transfer and change of shareholding

Party A shall be considered as having performed its obligation in the transfer of Target Equity after completing the change in the shareholder register of the Target Company stating that Party B is the holder of 65.21% equity of the Target Company.

6. Validity of contract

The Agreement shall come into force on the date of affixing the official seals of both Parties and signing by legal representative (or person(s) in charge or authorized representative(s)).

This equity transfer does not involve any personnel placement, land leasing, or other arrangement.

After review, we are of the view that the disposal of 65.21% equity interest in Wuhan Chenming is conducive to optimising the Company's asset structure, enhancing its asset efficiency and liquidity, increasing cash flow and further improving the Company's profitability. The transaction price is reasonably determined with reference to the audit and evaluation results issued by the relevant intermediaries and in conjunction with the actual operating conditions of the subject company. The review procedures are in compliance with laws and regulations, and there are no circumstances that will prejudice the interests of the Company and all shareholders, especially the interest of minority shareholders. We agree to

submit the Resolution on the Disposal of 65.21% Equity Interest in Wuhan Chenming to the general meeting of the Company for consideration.

The equity transfer is in line with the overall development strategy programming and business needs of the Company, which is conducive to revitalising inefficient assets, increasing cash inflow of the Company and focusing resources on the development of the principle business to improve quality and increase efficiency, and to further enhance the Company's ability for achieving sustainable development and profitability. The transaction price is fair, and the counterparty is in good credit standing and has the ability to fulfil its contractual obligations. There are no circumstances that will prejudice the interests of the Company and its shareholders, especially the interest of minority shareholders.

The transaction is expected to generate a gain of approximately RMB193.00 million (the final amount is subject to the results of the audit by the annual auditor). Upon the completion of this transaction, the Company will indirectly hold 34.64% equity interest in Wuhan Chenming, whereas Wuhan Chenming would cease to be consolidated into the Company's financial statements.

1. Resolution of the tenth extraordinary meeting of the tenth session of the Board;
2. Independent opinions of independent Directors on relevant matters of the tenth extraordinary meeting of the tenth session of the Board;
3. Equity Transfer Agreement;
4. Evaluation Report;
5. Audit Report.

Notice is hereby given.

The Board of SHANDONG CHENMING PAPER HOLDINGS LIMITED*

8 September 2023

** For identification purposes only*