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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)

**DISCLOSEABLE TRANSACTIONS IN RELATION TO
THE PURCHASES OF EQUIPMENT FOR
THE CULTURE PAPER PROJECT**

On 6 July 2009, Zhanjiang Chenming Paper Pulp, a wholly-owned subsidiary of the Company, entered into the Metso Equipment Purchase Contract, Metso Domestic Equipment Purchase Contract, Andritz Equipment Purchase Contract and Andritz Domestic Equipment Purchase Contract with Metso Paper, Metso Paper China, Andritz HK and Andritz Technologies (together the “Vendors”), respectively, pursuant to which Zhanjiang Chenming Paper Pulp agreed to purchase various equipment and parts from the Vendors at an aggregate consideration of approximately RMB1,327,344,086 for the purpose of the Culture Paper Project.

INTRODUCTION

The Board is pleased to announce that on 6 July 2009, Zhanjiang Chenming Paper Pulp, a wholly-owned subsidiary of the Company, entered into the Metso Equipment Purchase Contract, Metso Domestic Equipment Purchase Contract, Andritz Equipment Purchase Contract and Andritz Domestic Equipment Purchase Contract with Metso Paper, Metso Paper China, Andritz HK and Andritz Technologies, Independent Third Parties to the Company, respectively, pursuant to which Zhanjiang Chenming Paper Pulp agreed to purchase and the Vendors agreed to sell various equipment and parts at an aggregate consideration of approximately RMB1,327,344,086 for the purpose of the Culture Paper Project.

PARTICULARS OF DISCLOSEABLE TRANSACTIONS

Date

6 July 2009

Parties

Metso Equipment Purchase Contract

Vendor: Metso Paper

Purchaser: Zhanjiang Chenming Paper Pulp, a wholly-owned subsidiary of the Company

Metso Domestic Equipment Purchase Contract

Vendor: Metso Paper China

Purchaser: Zhanjiang Chenming Paper Pulp, a wholly-owned subsidiary of the Company

Andritz Equipment Purchase Contract

Vendor: Andritz HK

Purchaser: Zhanjiang Chenming Paper Pulp, a wholly-owned subsidiary of the Company

Andritz Domestic Equipment Purchase Contract

Vendor: Andritz Technologies

Purchaser: Zhanjiang Chenming Paper Pulp, a wholly-owned subsidiary of the Company

Period

The Metso Equipment Purchase Contract and the Metso Domestic Equipment Purchase Contract shall take effect after the signing of the contracts and each of the contracts is valid for 5 years.

The Andritz Equipment Purchase Contract shall become effective after the signing of the contract and the contract is valid for 5 years.

The Andritz Domestic Equipment Purchase Contract shall become effective after the Andritz Equipment Purchase Contract takes effect and Andritz Technologies has received the advance payment under the Andritz Domestic Equipment Purchase Contract.

Details of the transactions

Zhanjiang Chenming Paper Pulp entered into the Metso Equipment Purchase Contract and the Metso Domestic Equipment Purchase Contract on 6 July 2009 with Metso Paper and Metso Paper China respectively, pursuant to which Zhanjiang Chenming Paper Pulp has agreed to purchase the paper machine and winders including the technical services and training, necessary equipment erection, test run, commissioning, performance test, normal operation and maintenance, from Metso Paper and equipment and parts which are to be supplied locally and supplemental to the Metso Equipment Purchase Contract from Metso Paper China.

In addition, Zhanjiang Chenming Paper Pulp, also entered into the Andritz Equipment Purchase Contract and the Andritz Domestic Equipment Purchase Contract on 6 July 2009 with Andritz HK and Andritz Technologies respectively, pursuant to which Zhanjiang Chenming Paper Pulp has agreed to purchase the equipment and parts of the stock preparation and paper machine approach system from Andritz HK and Andritz Technologies.

All equipment will be newly produced by the Vendors.

Consideration

Metso Equipment Purchase Contract

The consideration is EUR130,038,800 (equivalent to approximately RMB1,243,170,928), including the acquisition of the paper machine and winders with technical services, technical training and technical documentation.

Metso Domestic Equipment Purchase Contract

The consideration is RMB31,800,000 with VAT included, including the acquisition of equipment and parts which are to be supplied locally and supplemental to the Metso Equipment Purchase Contract with technical services, technical training and technical documentation.

Andritz Equipment Purchase Contract

The consideration is EUR975,928 (equivalent to approximately RMB9,329,872), including the acquisition of the stock preparation and paper machine approach system with technical services, technical training and technical documentation.

Andritz Domestic Equipment Purchase Contract

The consideration is RMB43,043,286, VAT included, including the acquisition of certain equipment and parts for the stock preparation and paper machine approach system.

The considerations above were determined through arm's length negotiations between both parties with reference to the current market value of similar equipment in the market. The Board considers that the considerations and the terms of the Metso Equipment Purchase Contract, the Metso Domestic Equipment Purchase Contract, the Andritz Equipment Purchase Contract and the Andritz Domestic Equipment Purchase Contract are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

Delivery and Payment terms

Metso Equipment Purchase Contract

The equipment shall be delivered in CIF Zhanjiang, Incoterms 2000, i.e. the vendor shall pay the cost, insurance and freight necessary to bring the equipment to Zhanjiang port, but the risk of loss of or damage to the equipment, as well as any additional costs due to events occurring after the time of delivery, are transferred from the seller to the purchaser.

The advance payment amounting to 20% of the consideration shall be paid by telegraphic transfer (T/T) within 30 days after the date of signing the contract and Zhanjiang Chenming Paper Pulp has received the irrevocable letter of guarantee issued by the vendor's bank in favour of the purchaser covering the advance payment and certain other documents, 80% of the total consideration shall be paid by irrevocable Letter of Credit which shall be opened at the same time of paying the advance payment and shall remain valid until 25 months after the last CIF main shipment and shall be payable at sight. The 80% of the total consideration shall be made in the following ways:

- (a) 75% of the total consideration shall be paid pro rata upon each shipment against presentation of the documents; and
- (b) 5% of the total consideration shall be paid after the acceptance of the equipment against presentation of the document.

If Zhanjiang Chenming Paper Pulp fails to pay the advance payment and/or fails to open the Letter of Credit in the specified time, the vendor has rights to suspend all its performance under the contract until the actual date of receiving the advance payment and/or opening of the Letter of Credit.

Metso Domestic Equipment Purchase Contract

The equipment shall be delivered in CIP premises of Zhanjiang Chenming Paper Pulp, Incoterms 2000, i.e. the vendor delivers the equipment to the carrier nominated by him but the vendor shall in addition pay the cost of carriage necessary to bring the equipment to the premises of Zhanjiang Chenming Paper Pulp where the equipment will be installed.

The deposit amounting to 20% of the consideration shall be paid within 15 days from the date the contract came into force. The advance payment which amounts to 25% of the consideration shall be paid within 60 days from the date the contract came into force. Then 55% of the price of each shipment shall be paid before the date of shipment.

If any payment is delayed by Zhanjiang Chenming Paper Pulp, the vendor shall be entitled to extend the delivery and its other contractual obligations accordingly. Delayed payments shall bear an interest of 7% per annum. If the delay lasts for more than 30 days, the vendor shall have the right to terminate the Metso Domestic Equipment Purchase Contract and be compensated for all its direct costs and damages incurred due to the delay and/or termination.

Andritz Equipment Purchase Contract

The equipment shall be delivered in CIF Zhanjiang, Incoterms 2000, i.e. the vendor shall pay the cost, insurance and freight necessary to bring the equipment to Zhanjiang port, but the risk of loss of or damage to the equipment, as well as any additional costs due to events occurring after the time of delivery, are transferred from the seller to the purchaser.

The payment will be made in the following ways:

- (a) advance payment amounting to 20% of the consideration shall be paid by telegraphic transfer (T/T) within 30 days after Zhanjiang Chenming Paper Pulp has received the irrevocable letter of guarantee issued by the vendor's bank in favour of the purchaser covering the advance payment and certain other documents;

- (b) 65% of the consideration shall be paid by irrevocable Letter of Credit which shall be opened on the day of the advance payment and pro rata upon each shipment and within 30 days against presentation of the documents;
- (c) 10% of the consideration shall be paid by the abovementioned irrevocable Letter of Credit within 30 days after the start-up of the equipment against presentation of the documents; and
- (d) the remaining 5% of the consideration shall be paid by the abovementioned irrevocable Letter of Credit within 30 days after the acceptance of the equipment against presentation of the document.

If Zhanjiang Chenming Paper Pulp fails to pay the advance payment and/or fails to open the Letter of Credit in the specified time, the vendor has rights to postpone the shipment(s) as well as its engineering services with delayed time.

Andritz Domestic Equipment Purchase Contract

The equipment shall be delivered in CIP Zhanjiang Chenming Paper Pulp job site, Incoterms 2000, i.e. the vendor delivers the equipment to the carrier nominated by him but the vendor shall in addition pay the cost of carriage necessary to bring the equipment to the premises of Zhanjiang Chenming Paper Pulp where the equipment will be installed.

The payment will be made in the following ways:

- (a) advance payment amounting to 20% of the consideration shall be paid by telegraphic transfer (T/T) within two weeks after signing of the contract;
- (b) 30% of the consideration shall be paid by T/T within four months after signing of the contract;
- (c) 30% of the consideration shall be paid by T/T pro rata upon each delivery;
- (d) 10% of the consideration shall be paid by T/T within 30 days after start-up of the equipment. If the start-up of the equipment is delayed due to reasons attributable to the purchaser, the latest date for payment must correspond to the Andritz Equipment Purchase Contract; and
- (e) the remaining 10% of the consideration shall be paid by T/T after the acceptance of the equipment against the 10% banking guarantee for quality.

If Zhanjiang Chenming Paper Pulp delays payment under the Andritz Domestic Equipment Purchase Contract, the vendor will act in accordance with the Andritz Equipment Purchase Contract.

Source of Funding

The Culture Paper Project Acquisitions will be financed by the funds raised by the Company and bank loans. The Directors consider that there will be no material impact on the independence of the Company or its financial conditions. However, as most of the consideration will be paid in Euros, there may be foreign exchange risks.

Reasons for the Culture Paper Project Acquisitions

Reference was made to the announcement made by the Company on 28 April 2009 in relation to the Board's approval of the Culture Paper Project. The Culture Paper Project Acquisitions were made to facilitate and implement the Culture Paper Project with an annual production capacity of 450,000 tonnes. The Directors believe that the Culture Paper Project will increase the percentage of high end products and enhance the competitiveness of the Company, and the carrying out of the Culture Paper Project is in the best interests of the Group and Shareholders as a whole. The Directors also believe that the terms of the Culture Paper Project Acquisitions are fair and reasonable and in the interests of the Shareholders as a whole.

Listing Rules implication

The Metso Equipment Purchase Contract, the Metso Domestic Equipment Purchase Contract, the Andritz Equipment Purchase Contract and the Andritz Domestic Equipment Purchase Contract are aggregated under Rule 14.22 of the Listing Rules as all contracts are entered into for the purpose of the Culture Paper Project. The aggregated total consideration of the Culture Paper Project Acquisitions amount to approximately RMB1,327,344,086.

The relevant percentage ratio of the Culture Paper Project Acquisitions is more than 5% but less than 25%, hence, the Culture Paper Project Acquisitions constitute discloseable transactions of the Company under Rule 14.06(2) of the Listing Rules.

Information of the Company, Zhanjiang Chenming Paper Pulp and the Sellers

The Company is principally engaged in the making and selling of paper products.

Zhanjiang Chenming Paper Pulp is principally engaged in the development of arboriculture and related research, construction of raw timber base and pulp factory, production and processing of paper pulp and related products, and design, development, maintenance of electricity plant.

Metso Paper and Mesto Paper China are the subsidiaries of Metso Corporation, a company incorporated in Finland and specializes in pulp, paper and power generation industry processes, machinery, equipment and aftermarket services. It is one of the leading industrial companies in Finland and is listed on the OMX Nordic Exchange in Helsinki and the New York Stock Exchange. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Metso Paper and Metso Paper China and their ultimate beneficial owner are third parties independent of the Company and the connected persons of the Company (as defined in the Listing Rules).

Andritz HK and Andritz Technologies belong to the Andritz Group, which is headquartered in Graz, Austria. It is a global market leader for customized plant, systems and services for hydropower, the pulp and paper, steel and other specialized industries (solid/liquid separation, feed and biofuel) and is listed on the Vienna Stock Exchange. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Andritz HK and Andritz Technologies and their ultimate beneficial owner are third parties independent of the Company and the connected persons of the Company (as defined in the Listing Rules).

DEFINITIONS

“Andritz Domestic Equipment Purchase Contract”	the equipment purchase contract dated 6 July 2009 pursuant to which Zhanjiang Chenming Paper Pulp has agreed to purchase and Andritz Technologies has agreed to sell certain equipment and parts for the stock preparation and paper machine approach system;
“Andritz Equipment Purchase Contract”	the equipment purchase contract dated 6 July 2009 pursuant to which Zhanjiang Chenming Paper Pulp has agreed to purchase and Andritz HK has agreed to sell the stock preparation and paper machine approach system;
“Andritz HK”	Andritz AG, a company incorporated in Hong Kong;
“Andritz Technologies”	Andritz Technologies Ltd., a company incorporated in the PRC;
“Board”	the board of Directors;
“CIF”	“Cost, Insurance and Freight”, which means the seller delivers when the goods pass the ship's rail in the port of shipment;

“CIP”	“Carriage and Insurance paid to...”, which means the seller delivers the goods to the carrier nominated by him but the seller must in addition pay the cost of carriage necessary to bring the goods to the named destination;
“Company”	Shandong Chenming Paper Holdings Limited* (山東晨鳴紙業集團股份有限公司), a joint stock company incorporated in the PRC with limited liability, the H Shares of which are listed on the Main Board of the Stock Exchange (stock code: 1812);
“Culture Paper Project”	A high quality paper project that the Company intends to undertake at Zhanjiang, Guangdong Province, the PRC with an expected annual production capacity estimated at 450,000 tonnes of high quality culture paper which was approved by the Board’s meeting of the Company held on 28 April, 2009;
“Culture Paper Projects Acquisitions”	the acquisitions by Zhanjiang Chenming Paper Pulp of the various equipment pursuant to the Metso Equipment Purchase Contract, the Metso Domestic Equipment Purchase Contract, the Andritz Equipment Purchase Contract and the Andritz Domestic Equipment Purchase Contract;
“Directors”	the directors of the Company, including the independent non-executive directors;
“EUR”	the lawful currency of the European Union (EU);
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Incoterms 2000”	a set of international rules for the interpretation of the commonly used terms in international trade published by the International Chamber of Commerce;

“Independent Third Party(ies)”	person(s) or company(ies) and their respective ultimate beneficial owner(s) which, to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, are third parties independent of and not connected with the Company and its subsidiaries and its connected persons (as defined in the Listing Rules);
“Letter of Credit”	a binding document that a purchaser can request from his bank in order to guarantee that the payment for goods will be transferred to the seller;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Metso Domestic Equipment Purchase Contract”	the equipment purchase contract dated 6 July 2009 pursuant to which Zhanjiang Chenming Paper Pulp has agreed to purchase and Metso Paper China has agreed to sell equipment and parts which will be supplied locally and supplemental to the Mesto Equipment Purchase Contract;
“Metso Equipment Purchase Contract”	the equipment purchase contract dated 6 July 2009 pursuant to which Zhanjiang Chenming Paper Pulp has agreed to purchase and Metso Paper has agreed to sell the paper machine and winders including the technical services and training, necessary equipment erection, test run, commissioning, performance test, normal operation and maintenance;
“Metso Paper”	Metso Paper Inc., a company incorporated in Finland;
“Metso Paper China”	Metso Paper Technology (Shanghai) Co., Ltd., a company incorporated in the PRC;
“percentage ratio”	has the meaning ascribed to this term under the Listing Rules, as application to a transaction;
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, Macau and Taiwan;
“RMB”	the lawful currency of the PRC;
“Share(s)”	share(s) of RMB1.00 each of the Company;

“Shareholder(s)”	registered holder(s) of the Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and
“Zhanjiang Chenming Paper Pulp”	Zhanjiang Chenming Paper Pulp Company Limited* (湛江晨鳴漿紙有限公司), a limited liability company incorporated in the PRC and a wholly-owned subsidiary of the Company.

Note: For the purpose of this announcement, unless otherwise specified, amounts denominated in EUR have been translated for the purpose of illustration only into RMB at the exchange rate of EUR1.00 = RMB9.56.

By order of the Board
Chen Hongguo
Chairman

Shouguang, the PRC
6 July 2009

* *For identification purpose only*

As at the date of this announcement, the executive Directors are Mr. Chen Hongguo, Mr. Yin Tongyuan, Mr. Li Feng, Mr. Hou Huancai, Mr. Zhou Shaohua, Mr. Geng Guanglin and Mr. Tan Daocheng, the non-executive Directors are Mr. Gan Zhihe, Mr. Zhao Wei and Mr. Cao Chunyu and the independent non-executive Directors are Mr. Diao Yuntao, Mr. Wang Zhihua, Ms. Zhou Chengjuan, Ms. Wang Yumei and Mr. Lau Ying Kit.