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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
WHITE COATED LINERBOARD PROJECT**

On 17 May 2010, Shouguang Meilun Paper, a wholly owned subsidiary of the Company, entered into the Voith Equipment Purchase Contract, the Voith Domestic Equipment Purchase Contract, the Metso Equipment Purchase Contract, the Metso Domestic Equipment Purchase Contract with Voith Paper, Voith Paper China, Metso Paper, and Metso Paper China (together the “**Vendors**”), respectively, pursuant to which Shouguang Meilun Paper has agreed to purchase various equipment and parts from the Vendors at an aggregate consideration of approximately RMB970,586,837 for the purpose of the White Coated Linerboard Project.

INTRODUCTION

The Board is pleased to announce that on 17 May 2010, Shouguang Meilun Paper, a wholly owned subsidiary of the Company, entered into the Voith Equipment Purchase Contract, the Voith Domestic Equipment Purchase Contract, the Metso Equipment Purchase Contract, the Metso Domestic Equipment Purchase Contract with Voith Paper, Voith Paper China, Metso Paper, and Metso Paper China, Independent Third Parties to the Company, respectively, pursuant to which Shouguang Meilun Paper has agreed to purchase various equipment and parts from the Vendors at an aggregate consideration of approximately RMB970,586,837 for the purpose of the White Coated Linerboard Project.

PARTICULARS OF DISCLOSEABLE TRANSACTIONS

Date

17 May 2010

Parties

Voith Equipment Purchase Contract

Seller: Voith Paper

Purchaser: Shouguang Meilun Paper, a wholly-owned subsidiary of the Company

Voith Domestic Equipment Purchase Contract

Seller: Voith Paper China

Purchaser: Shouguang Meilun Paper, a wholly-owned subsidiary of the Company

Metso Equipment Purchase Contract

Seller: Metso Paper

Purchaser: Shouguang Meilun Paper, a wholly-owned subsidiary of the Company

Metso Domestic Equipment Purchase Contract

Seller: Metso Paper China

Purchaser: Shouguang Meilun Paper, a wholly-owned subsidiary of the Company

Period

The Voith Equipment Purchase Contract shall become effective after the signing of the contract and Voith Paper receiving the advance payment under the contract and the contract is valid for 5 years.

The Voith Domestic Equipment Purchase Contract shall become effective after the signing of the contract and Voith Paper China receiving the down payment under the contract.

The Metso Equipment Purchase Contract will become effective upon the date when Metso has received the advance payment under the contract and the contract is valid for 5 years.

The Metso Domestic Equipment Purchase Contract shall become effective after the signing of the contract.

Details of the transactions

Voith Equipment Purchase Contract and Voith Domestic Equipment Purchase Contract

Shouguang Meilun Paper has agreed to purchase a paper machine “Shouguang PM7” including the contract equipment, technical service and training necessary for equipment erection, test run, commissioning, performance test, normal operation and maintenance from Voith Paper and equipment and parts which are to be supplied from the PRC and supplemental to the Voith Equipment Purchase Contract from Voith Paper China.

Metso Equipment Purchase Contract and Metso Domestic Equipment Purchase Contract

Shouguang Meilun Paper has agreed to purchase the contract equipment for Shouguang PM7 Winders including the technical services and training necessary for equipment erection, test run, commissioning, performance tests, normal operation and maintenance from Metso Paper and equipment and parts which are to be supplied from the PRC and supplemental to the Metso Equipment Purchase Contract from Metso Paper China.

All equipment to be supplied pursuant to the above contracts will be newly produced by the Vendors.

Consideration

Voith Equipment Purchase Contract

The consideration is EUR99,522,046 (equivalent to approximately RMB838,861,374), including the acquisition of the contract equipment with technical documentation, technical service and technical training.

Voith Domestic Equipment Purchase Contract

The consideration is RMB50,601,780 with VAT included, including the acquisition of the equipment and parts which are to be supplied from the PRC and supplemental to the Voith Equipment Purchase Contract.

Metso Equipment Purchase Contract

The consideration is EUR9,470,000 (equivalent to approximately RMB79,821,683), including the acquisition of the contract equipment for Shouguang PM7 Winders with technical documentation, technical service and technical training.

Metso Domestic Equipment Purchase Contract

The consideration is RMB1,302,000 with VAT included, including the acquisition of the equipment and parts which are to be supplied from the PRC and supplemental to the Metso Equipment Purchase Contract.

The considerations above were determined through public tender with reference to the current market value of similar equipment in the market. The Board considers that the considerations and the terms of the Voith Equipment Purchase Contract, the Voith Domestic Equipment Purchase Contract, the Metso Equipment Purchase Contract, the Metso 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

Voith Equipment Purchase Contract

The equipment shall be delivered in CIF Qingdao, Incoterms 2000, i.e. Voith Paper shall pay the cost, insurance and freight necessary to bring the equipment to Qingdao 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 Voith Paper to Shouguang Meilun Paper.

The payment will be made in the following ways:

- (a) advance payment amounting to 15% of the consideration shall be paid by telegraphic transfer (T/T) within 14 days after the signing of the contract and Shouguang Meilun Paper receiving the irrevocable letter of guarantee issued by Voith Paper's bank in favour of Shouguang Meilun Paper covering the advance payment and certain other documents;

- (b) 70% of the consideration shall be paid by an irrevocable Letter of Credit which shall be opened in favour of Voith Paper pro rata upon each shipment against presentation of certain documents;
- (c) 10% of the consideration shall be paid by the abovementioned irrevocable Letter of Credit against presentation of a start-up certificate and certain other documents; and
- (d) the remaining 5% of the consideration shall be paid by the abovementioned irrevocable Letter of Credit against presentation of an acceptance certificate and certain other documents.

If Shouguang Meilun Paper fails to pay the advance payment and/or fails to open the Letter of Credit in the specific time, Voith Paper shall have the right to immediately suspend all its performance under the contract until the actual date of the advance payment and/or opening of the Letter of Credit.

Voith Domestic Equipment Purchase Contract

The equipments shall be delivered to Shouguang Meilun Paper's mill site.

The payment will be made in the following ways:

- (a) down payment amounting to 20% of the consideration shall be paid by T/T within 10 days after signing of the contract;
- (b) 40% of the consideration shall be paid by T/T within 180 days after signing of the contract;
- (c) 30% of the consideration shall be paid by T/T pro rata within 10 days after each delivery;
- (d) 5% of the consideration shall be paid by T/T within 10 days after start-up of the equipment; and
- (e) the remaining 5% of the consideration shall be paid by T/T within 10 days after the acceptance of the equipment.

In Shouguang Meilun Paper fails to pay any payments due to reasons which are not attributable to Voith Paper China within the period mentioned above, Voith Paper China shall have the right to suspend the performance of the contractual obligations until payments are made. In the event that the delay of any payment exceeds 30 days, the contractual performance schedule shall be renegotiated and separately agreed upon in writing between the parties.

Metso Equipment Purchase Contract

The equipment shall be delivered in CIF Qingdao, Incoterms 2000, i.e. Metso Paper shall pay the cost, insurance and freight necessary to bring the equipment to Qingdao 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 Metso Paper to Shouguang Meilun Paper.

The advance payment amounting to 20% of the consideration shall be paid by T/T within 30 days after the signing of the contract and Shouguang Meilun Paper receiving the irrevocable letter of guarantee issued by Metso Paper's bank in favour of Shouguang Meilun Paper covering the advance payment and certain other documents. An irrevocable Letter of Credit in favour of Metso Paper for a value of 80% of the consideration shall be opened within 40 days after the signing of the contract and shall remain valid until 20 months after the last CIF main shipment and shall be payable at sight. The 80% of the consideration shall be made in the following ways:

- (a) 75.6% of the consideration shall be paid pro rata upon each shipment against presentation of certain documents; and
- (b) 4.4% of the consideration shall be paid after the acceptance of the equipment against presentation of certain documents.

If Shouguang Meilun Paper fails to pay the advance payment within 30 days from the signing of the contract and/or fails to open the Letter of Credit in the specific time, Metso Paper shall have the right 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 Shouguang Meilun Paper, Incoterms 2000, i.e. Metso Paper China delivers the equipment to the carrier nominated by it but Metso Paper China shall in addition pay the cost of carriage necessary to bring the equipment to the premises of Shouguang Meilun Paper 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 Shouguang Meilun Paper, Metso Paper China shall be entitled to extend the delivery and its other contractual obligations accordingly. Delayed payments shall bear an interest at the rate of 7% per annum. If the delay lasts for more than 30 days, Metso Paper China shall have the right to terminate the contract and be compensated for all its direct costs and damages incurred due to the delay and/or termination.

Source of Funding

The White Coated Linerboard 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 White Coated Linerboard Project Acquisitions

Reference was made to the announcement made by the Company on 27 July 2009 in relation to the Shareholders' approval of the White Coated Linerboard Project. The White Coated Linerboard Project Acquisitions were made for the construction of the White Coated Linerboard Project with an annual production capacity of 600,000 tonnes in Shouguang City. The Directors believe that the White Coated Linerboard Project will increase the percentage of high-end products and enhance the competitiveness of the Company, and the carrying out of the White Coated Linerboard Project is in the best interests of the Group and the Shareholders as a whole. The Directors also believe that the terms of the White Coated Linerboard Project Acquisitions are fair and reasonable and in the interests of the Shareholders as a whole.

Listing Rules implication

The Voith Equipment Purchase Contract, the Voith Domestic Equipment Purchase Contract, the Metso Equipment Purchase Contract, the Metso 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 White Coated Linerboard Project. The aggregated total consideration of the White Coated Linerboard Project Acquisitions amount to approximately RMB970,586,837.

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

Information of the Company, Shouguang Meilun Paper and the Vendors

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

Shouguang Meilun Paper is principally engaged in the construction of paper making projects.

Voith Paper and Voith Paper China belong to the Voith Group, which is headquartered in Heidenheim, Germany. It is one of the global market leaders in paper, energy, mobility and service markets. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Voith Paper, Voith Paper China and its ultimate owner are Independent Third Parties and are not the connected persons of the Company (as defined in the Listing Rules).

Metso Paper and Mesto Paper China are the subsidiaries of Metso Corporation, a company incorporated in Finland and specialized 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 Independent Third Parties and are not the connected persons of the Company (as defined in the Listing Rules).

DEFINITIONS

“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);
“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;
“White Coated Linerboard Project”	a paper project that the Company intends to undertake at Shouguang City, Shandong Province, the PRC with an expected annual production capacity estimated at 600,000 tonnes of high-end white coated linerboard which was approved by the Shareholders’ meeting of the Company held on 27 July 2009;
“White Coated Linerboard Project Acquisitions”	the acquisitions by Shouguang Meilun Paper of the various equipment and parts pursuant to the Voith Equipment Purchase Contract, the Voith Domestic Equipment Purchase Contract, the Metso Equipment Purchase Contract, the Metso Domestic Equipment Purchase Contract for the purpose of the White Coated Linerboard Project;
“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 buyer 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 17 May 2010 pursuant to which Shouguang Meilun Paper has agreed to purchase and Metso Paper China has agreed to sell equipment and parts which are to be supplied from the PRC and supplemental to the Metso Equipment Purchase Contract;
“Metso Equipment Purchase Contract”	the equipment purchase contract dated 17 May 2010 pursuant to which Shouguang Meilun Paper has agreed to purchase and Metso Paper has agreed to sell the contract equipment for Shouguang PM7 Winders including the technical services and training necessary for equipment erection, test run, commissioning, performance tests, 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;
Shouguang Meilun Paper”	Shouguang Meilun Paper Co. Ltd.* (壽光美倫紙業有限責任公司), a limited liability company incorporated in the PRC and a wholly owned subsidiary of the Company;
“Voith Domestic Equipment Purchase Contract”	the equipment purchase contract dated 17 May 2010 pursuant to which Shouguang Meilun Paper has agreed to purchase and Voith Paper China has agreed to sell equipment and parts which are to be supplied from the PRC and supplemental to the Voith Equipment Purchase Contract;
“Voith Equipment Purchase Contract”	the equipment purchase contract dated 17 May 2010 pursuant to which Shouguang Meilun Paper has agreed to purchase and Voith Paper has agreed to sell a paper machine “Shouguang PM7” including the equipment, technical service and training necessary for equipment erection, test run, commissioning, performance test, normal operation and maintenance;
“Voith Paper”	Voith Paper GmbH, a company incorporated under the laws of Austria; and
“Voith Paper China”	Voith Paper (China) Co., Ltd, a company incorporated in the PRC.

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 = RMB8.4289.

By order of the Board
Chen Hongguo
Chairman

Shouguang, the PRC

17 May 2010

As at the date of this announcement, the executive Directors are Mr. Chen Hongguo, Mr. Yin Tongyuan, Mr. Li Feng, Mr. Geng Guanglin, Mr. Tan Daocheng, Mr. Hou Huancai and Mr. Zhou Shaohua, the non-executive Directors are Mr. Cui Youping, Mr. Wang Fengrong and Mr. Wang Xiaoqun and the independent non-executive Directors are Mr. Wang Aiguo, Mr. Zhang Zhiyuan, Mr. Wang Xiangfei, Ms. Wang Yumei and Ms. Zhang Hong.

** For identification purpose only*