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If you have sold or transferred all your shares in **Samson Paper Holdings Limited**, you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.



DISCLOSEABLE TRANSACTION PURCHASE OF ASSETS

A letter from the Board is set out on pages 3 to 7 of this circular.

* For identification purpose only

16 October 2007

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DEFINITIONS

In this circular, unless the context requires otherwise, the following expressions have the following meanings:

| | |
|-----------------------------|--|
| “Board” | the board of Directors |
| “Company” | Samson Paper Holdings Limited, a company incorporated in Bermuda with limited liability and the issued shares of which are listed on the main board of the Stock Exchange |
| “connected persons” | has the meaning ascribed thereto under the Listing Rules |
| “Consideration” | the aggregate consideration payable pursuant to the Purchase Contracts |
| “Directors” | the directors of the Company |
| “Group” | the Company and its subsidiaries |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “Independent Third Parties” | third parties which are independent of the Company and connected persons of the Company |
| “Latest Practicable Date” | 10 October 2007, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “PRC” | the People’s Republic of China |
| “Purchase” | the purchase of the core units of a kraftliner board and corrugated medium production line pursuant to the Purchase Contracts |
| “Purchase Contracts” | the 1st Purchase Contract and the 2nd Purchase Contract |
| “1st Purchase Contract” | the contract dated 25 September 2007 entered into between UPPJS and Supplier A whereby UPPJS agreed to purchase and Supplier A agreed to manufacture and sell certain core units of a kraftliner board and corrugated medium production line |
| “2nd Purchase Contract” | the contract dated 25 September 2007 entered into between UPPJS and Supplier B whereby UPPJS agreed to purchase and Supplier B agreed to manufacture and sell certain core units of a kraftliner board and corrugated medium production line |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “Shares” | shares in the capital of the Company |
| “Shareholders” | the holders of Shares |

DEFINITIONS

| | |
|------------------|--|
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Supplier A” | a company in the PRC engaging in, among others, the manufacturing of paper production lines |
| “Supplier B” | a company in Taiwan engaging in, among others, the manufacturing of paper production lines |
| “Suppliers” | Supplier A and Supplier B |
| “UPPJS” | 江蘇遠通紙業有限公司 (Universal Pulp and Paper (Jiangsu) Co., Ltd.), a company incorporated in the PRC with limited liability which is a 99%-owned subsidiary of the Company |
| “US\$” | United States dollars, the lawful currency of the United States of the America |
| “%” | per cent. |

In this circular, for illustration purpose, amounts in RMB and US\$ have been translated into Hong Kong dollars at the exchange rates of HK\$1 to RMB0.96505 and US\$1 to HK\$7.7793 respectively. Such translations do not constitute a representation that any amount has been, could have been or may be exchanged at such rates.

森信
Samson group



SAMSON PAPER HOLDINGS LIMITED

森信紙業集團有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 731)

Executive Directors:

Mr. Sham Kit Ying (*alias Sham Kit*) (*Chairman*)
Mr. Lee Seng Jin (*Deputy Chairman*)
Mr. Chow Wing Yuen
Ms. Sham Yee Lan, Peggy
Mr. Lee Yue Kong, Albert

Non-Executive Directors:

Mr. Lau Wang Yip, Eric

Independent Non-Executive Directors:

Mr. Pang Wing Kin, Patrick
Mr. Tong Yat Chong
Mr. Ng Hung Sui, Kenneth

Registered Office:

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

***Head office and principal place of
business in Hong Kong***

3rd Floor
Seapower Industrial Centre
177 Hoi Bun Road
Kwun Tong
Kowloon
Hong Kong

16 October 2007

To the Shareholders,

Dear Sir or Madam,

**DISCLOSEABLE TRANSACTION
PURCHASE OF ASSETS**

INTRODUCTION

By an announcement dated 25 September 2007, the Company announced that UPPJS (a 99%-owned subsidiary of the Company) entered into the Purchase Contracts with the Suppliers for the purchase of the core units of a kraftliner board and corrugated medium production line to be installed in the production plant of UPPJS at a cash consideration of RMB57,400,000 (equivalent to HK\$59,478,783) and US\$14,000,000 (equivalent to HK\$108,910,200) respectively.

As both the asset ratio and consideration ratio are not less than 5% but are less than 25%, the entering into of the Purchase Contracts constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

The purpose of this circular is to provide the Shareholders with further details of the Purchase.

* *For identification purpose only*

LETTER FROM THE BOARD

PRINCIPAL TERMS OF THE PURCHASE CONTRACTS

1. The 1st Purchase Contract

Date

25 September 2007

Parties

Seller: Supplier A. To the best knowledge, information and belief of the Directors having made all reasonable enquiry, as at the Latest Practicable Date, Supplier A and its ultimate beneficial owners are Independent Third Parties

Buyer: UPPJS

Asset purchased by UPPJS

UPPJS had agreed to purchase certain core units of a kraftliner board and corrugated medium production line.

Consideration

The consideration amounted to RMB57,400,000 (equivalent to HK\$59,478,783).

The consideration is payable by UPPJS in the following manner:-

- (i) the amount of RMB17,220,000 (equivalent to HK\$17,843,635), which is equivalent to 30% of the consideration, is payable in cash as deposit within 8 business days from the date of signing of the 1st Purchase Contract and UPPJS had already paid such deposit; and
- (ii) the amount of RMB40,180,000 (equivalent to HK\$41,635,148), which is equivalent to 70% of the consideration, is payable in cash in five instalments according to the agreed delivery dates for the units ordered.

Delivery dates

Supplier A shall deliver the units ordered in five batches according to the agreed delivery dates. The last delivery date is scheduled on 30 September 2008.

Warranty period

Supplier A shall provide a warranty period of 12 months from the date of acceptance following installation and satisfactory testing or 18 months from the date of delivery of the last batch of units ordered, whichever is earlier.

LETTER FROM THE BOARD

2. The 2nd Purchase Contract

Date

25 September 2007

Parties

Seller: Supplier B. To the best knowledge, information and belief of the Directors having made all reasonable enquiry, as at the Latest Practicable Date, Supplier B and its ultimate beneficial owners are Independent Third Parties

Buyer: UPPJS

Asset purchased by UPPJS

UPPJS had agreed to purchase certain core units of a kraftliner board and corrugated medium production line.

Consideration

The consideration amounted to US\$14,000,000 (equivalent to HK\$108,910,200).

The consideration is payable by UPPJS in the following manner:-

- (i) the amount of US\$2,800,000 (equivalent to HK\$21,782,040), which is equivalent to 20% of the consideration, is payable in cash as downpayment within 7 days after UPPJS receives the agreed number of copies of invoices of the consideration and downpayment and UPPJS had already paid such downpayment; and
- (ii) the amount of US\$11,200,000 (equivalent to HK\$87,128,160), which is equivalent to 80% of the consideration, is payable in cash in four instalments according to the agreed delivery dates for the units ordered.

Delivery dates

Supplier B shall deliver the units ordered in four batches according to the agreed delivery dates. The last delivery date is scheduled on 30 October 2008.

Warranty period

Supplier B shall provide a warranty period of 12 months from the date of acceptance following installation and satisfactory testing but such period shall not be longer than 18 months after the last date of the bill of lading.

LETTER FROM THE BOARD

BASIS FOR DETERMINING THE CONSIDERATION

The Consideration was arrived at on an arm's length basis between the respective Suppliers on the one hand and UPPJS on the other hand taking into account the prices of similar units offered by other manufacturers. The deposit and downpayment paid under the Purchase Contracts were funded by internal resources of the Group and the remaining balance of the Consideration payable by UPPJS will be financed from the internal resources of the Group and/or bank borrowings.

FINANCIAL EFFECTS OF THE PURCHASE ON THE GROUP

Earnings

The Directors do not expect the Purchase will have any material impact on the earnings of the Group until the production line for the manufacturing of kraftliner board and corrugated medium commences operation.

Assets and liabilities

Upon completion of the Purchase, the fixed assets of the Group will be increased by approximately HK\$168,400,000. As the remaining balance of the Consideration payable by UPPJS will be financed from the internal resources of the Group and/or bank borrowings, the Group's bank borrowings and in turn the liabilities will be increased to the extent of the remaining balance of the Consideration is financed by bank borrowings.

REASONS FOR AND BENEFITS OF THE PURCHASE

As part of the Group's strategy to vertically expanding its scope of business into manufacturing kraftliner boards, testliner boards and corrugated medium, the Company acquired, indirectly, 99% equity interest in UPPJS which is approved to engage in the manufacturing and sale of kraftliner board and corrugated medium. Details of such acquisition were announced by the Company on 13 July 2007 and disclosed in the circular of the Company dated 20 August 2007. For the purpose of setting up its production facilities, UPPJS entered into the Purchase Contracts to purchase the core units of a production line for the manufacturing of kraftliner board and corrugated medium which will be assembled and installed in the production plant of UPPJS in Nantong, the PRC.

The Directors believe that the terms of the Purchase Contracts are fair and reasonable and the Purchase is in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

In accordance with Rule 14.22 of the Listing Rules, in classifying the transactions contemplated under the Purchase Contracts, they shall be aggregated and treated as if they were one transaction. On this basis, both the asset ratio and consideration ratio are not less than 5% but are less than 25%. As such, the entering into of the Purchase Contracts constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

Apart from the Purchase Contracts, there were no other transactions related to the Purchase entered into by UPPJS within 12 months prior to the entering into of the Purchase Contracts.

LETTER FROM THE BOARD

GENERAL

The Company and its subsidiaries are principally engaged in investment holding, trading and marketing of paper products.

The Suppliers are principally engaged in the manufacturing of paper production lines.

ADDITIONAL INFORMATION

Additional information is set out in the appendix of this circular for your information.

Yours faithfully,
By order of the Board of
Samson Paper Holdings Limited
Mr. SHAM Kit Ying
Director

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other matters the omission of which would make any statement in this circular misleading.

2. DISCLOSURE OF DIRECTORS' INTERESTS

As at the Latest Practicable Date, the interests and short positions of each of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("the SFO")) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required to be entered in the register maintained by the Company pursuant to section 352 of the SFO; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as contained in the Listing Rules, were as follows:

| Name of Director | Capacity | Number of Shares beneficially held | | | | Total | Percentage |
|-------------------------|---|------------------------------------|--------------------|-----------------|------------------------------|-------------|------------|
| | | Personal Interest | Corporate Interest | Family Interest | Other Interest | | |
| Mr. Lee Seng Jin | Beneficial owner & beneficiary of trust | 60,344,000 | — | 16,712,556 | 219,620,000 <i>(Note)</i> | 296,676,556 | 69.11% |
| Ms. Sham Yee Lan, Peggy | Beneficial owner & beneficiary of trust | 572,556 | 16,140,000 | 60,344,000 | 219,620,000 <i>(Note)</i> | 296,676,556 | 69.11% |
| Mr. Chow Wing Yuen | Beneficial owner | 540,000 | — | — | — | 540,000 | 0.13% |

Note: The Shares were held by Quinselle Holdings Limited, acting in its capacity as trustee of a private unit trust. HSBC International Trustee Limited, acting in its capacity as trustee of a family trust holds all the units in the private unit trust. The objects of the family trust include Mr. Lee Seng Jin and Ms. Sham Yee Lan, Peggy.

Apart from the interests disclosed above, as at the Latest Practicable Date, the Directors and chief executives of the Company also held shares in certain subsidiaries of the Company solely for the purpose of ensuring that the relevant subsidiary has more than one member.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required to be entered in the register maintained by the Company pursuant to section 352 of the SFO; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as contained in the Listing Rules.

3. DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company terminable by either party with not less than three months' notice in advance. As at the Latest Practicable Date, save as disclosed in this circular, none of the Directors had entered, or proposed to enter into a service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

4. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as is known to the Directors and chief executive of the Company, the following persons or corporations (not being Directors or chief executive of the Company) had an interest in the Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO were as follows:

| Name of Shareholder | Long Position in the Shares | |
|---|-----------------------------|--|
| | Number of Shares | Approximate percentage of the Company's total issued share capital |
| Quinselle Holdings Limited (Notes 1 & 2) | 219,620,000 | 51.2% |
| HSBC International Trustee Limited (Notes 1 & 2) | 219,620,000 | 51.2% |

Notes:

1. Quinselle Holdings Limited holds the 219,620,000 Shares in its capacity as trustee of a private unit trust. HSBC International Trustee Limited, acting in its capacity as trustee of a family trust, holds all the units in the private unit trust.
2. None of the Directors of the Group is a director or employee of Quinselle Holdings Limited and HSBC International Trustee Limited.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other person who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any options in respect of such capital.

5. LITIGATION

As at the Latest Practicable Date and so far as the Directors are aware, no member of the Group is engaged in any litigation or claims of material importance and there is no litigation or claim of material importance known to the Directors to be pending or threatened by or against the Company or any member of the Group.

6. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or their respective associates had any interest in any business which competes or may compete, either directly or indirectly with any business of the Group.

7. GENERAL

- (a) The qualified accountant and secretary of the Company is Mr. Lee Yue Kong, Albert, an executive Director. Mr. Lee is a Certified Public Accountant. He is an associate member of the Institute of Chartered Accountants in Australia and the Hong Kong Institute of Certified Public Accountants.
- (b) The principal share registrar and transfer office of the Company is Butterfield Corporate Services Limited situated at 6 Front Street, Hamilton, Bermuda. The Hong Kong branch share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited situated at Rooms 1712-1716, 17th Floor, Hopewell Centre, 163 Queen's Road East, Hong Kong.
- (c) The English text of this circular shall prevail over the Chinese text in case of inconsistency.