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SAMSON PAPER HOLDINGS LIMITED

森信紙業集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 731)

MAJOR AND CONNECTED TRANSACTION IN RESPECT OF DISPOSAL OF PROPERTIES

CONTINUING CONNECTED TRANSACTION IN RESPECT OF LEASEBACK OF PROPERTY

THE DISPOSAL

The Board announces that on 1 June 2020, the Vendor, an indirect wholly-owned subsidiary of the Company, entered into (i) the Property I Agreement with Forever Bright Property, pursuant to which the Vendor agreed to sell Property I to Forever Bright Property at a cash consideration of HK\$87,000,000; and (ii) the Property II Agreement with Golden View Property, pursuant to which the Vendor agreed to sell Property II to Golden View Property at a cash consideration of HK\$113,000,000.

THE LEASEBACK

On 1 June 2020, the Vendor (as tenant) entered into the Tenancy Agreement with Forever Bright Property (as landlord), pursuant to which the Vendor will lease back Property I from Forever Bright Property at a monthly rent of HK\$324,000 (inclusive of government rates, government rent and management fee) for a term of 1 year. The Tenancy Agreement is conditional upon completion of the sale and purchase of Property I pursuant to the Property I Agreement.

LISTING RULES IMPLICATIONS

Given that one of the applicable percentage ratios in respect of the Disposal exceeds 25% but all of them are less than 75%, the Disposal constitutes a major transaction for the Company and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the Directors' knowledge, the Purchasers are indirectly wholly-owned by Mr. LEE. As Mr. LEE is the Chairman and Chief Executive Officer of the Company, the Purchasers are connected persons of the Company. As such, the Disposal also constitutes a connected transaction for the Company and is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the Purchasers are connected persons of the Company, under Chapter 14A of the Listing Rules, the entering into of the Tenancy Agreement constitutes a continuing connected transaction for the Company. Given that one of the applicable percentage ratios in respect of the Tenancy Agreement on the basis of the annual cap amount of the aggregate of monthly rent (inclusive of government rates, government rent and management fee) exceeds 0.1% but all of them are less than 5%, the Leaseback is exempt from the shareholders' approval requirement, but is subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules.

Independent Board Committee and Independent Financial Adviser

An Independent Board Committee has been formed to advise the Independent Shareholders on the Agreements and the Disposal. Altus Capital has been appointed as the Independent Financial Adviser to make recommendation to the Independent Board Committee and the Independent Shareholders in the same regard.

SGM

The SGM will be convened and held for the Independent Shareholders to consider and, if thought fit, approve the Agreements and the Disposal by poll.

A circular containing, among others, (i) details of the Agreements and the Disposal; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) a letter of recommendation from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (iv) a notice convening the SGM will be despatched to the Shareholders on or before 22 June 2020.

THE AGREEMENTS

The Board announces that on 1 June 2020, the Vendor, an indirect wholly-owned subsidiary of the Company, entered into (i) the Property I Agreement with Forever Bright Property, pursuant to which the Vendor agreed to sell Property I to Forever Bright Property at a cash consideration of HK\$87,000,000; and (ii) the Property II Agreement with Golden View Property, pursuant to which the Vendor agreed to sell Property II to Golden View Property at a cash consideration of HK\$113,000,000.

The principal terms of the Agreements are set out as follows:

(1) PROPERTY I AGREEMENT

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| Date: | 1 June 2020 |
| Parties: | (1) Samson Paper Company Limited, an indirect wholly-owned subsidiary of the Company, as the Vendor; and (2) Forever Bright Property Investments Limited, an indirect wholly-owned company of Mr. LEE, as the purchaser |
| Property to be disposed of: | Property I, which is located at 3rd Floor, Seapower Industrial Centre, 177 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong, with a saleable area of 18,000 square feet. |
| Consideration: | HK\$87,000,000 |
| Payment of consideration: | The consideration for Property I shall be paid and satisfied by Forever Bright Property to the Vendor in the following manner: (1) an initial deposit in the sum of HK\$8,700,000 upon the signing of the Property I Agreement; and (2) the balance of the consideration for Property I of HK\$78,300,000 on completion of the sale and purchase of Property I. |
| Completion: | Subject to the Property I Agreement, completion of the sale and purchase of Property I shall take place within 2 months after the date of approval by the Independent Shareholders at the SGM of the Property I Agreement and the Disposal of Property I. |

Termination: Prior to completion of the sale and purchase of Property I, either party to the Property I Agreement shall be entitled to rescind the Property I Agreement by giving not less than 7 day's prior written notice to the other party, and Forever Bright Property shall be entitled to the return of the initial deposit without cost or compensation.

The consideration for Property I was agreed upon after arm's length negotiations between the Vendor and Forever Bright Property with reference to the preliminary valuation of Property I as at 31 March 2020 of HK\$84,500,000 as assessed by the Property Valuer. To the best of the Directors' knowledge, the Property Valuer and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

No rental income was recorded as attributable to Property I which was held by the Group for its own use for the two financial years ended 31 March 2019 and 2020. The unaudited net book value of Property I as at 31 March 2020 was HK\$84,500,000.

Condition Precedent

Completion of the Disposal of Property I is conditional upon the passing by the Independent Shareholders at the SGM of the ordinary resolution to approve the Property I Agreement and the Disposal of Property I. In the event that the Independent Shareholders' approval is not obtained on or before 1 December 2020, the Property I Agreement shall lapse and the initial deposit paid by Forever Bright Property to the Vendor shall be forthwith returned to Forever Bright Property without interest, cost or compensation.

(2) PROPERTY II AGREEMENT

Date: 1 June 2020

Parties: (1) Samson Paper Company Limited, an indirect wholly-owned subsidiary of the Company, as the Vendor; and
(2) Golden View Property Investments Limited, an indirect wholly-owned company of Mr. LEE, as the purchaser

Property to be disposed of: Property II, which is located at 2nd Floor, Seapower Industrial Centre, 177 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong, with a saleable area of 22,400 square feet.

Consideration: HK\$113,000,000

- Payment of consideration:** The consideration for Property II shall be paid and satisfied by Golden View Property to the Vendor in the following manner:
- (1) an initial deposit in the sum of HK\$11,300,000 upon the signing of the Property II Agreement; and
 - (2) the balance of the consideration for Property II of HK\$101,700,000 on completion of the sale and purchase of Property II.
- Completion:** Subject to the Property II Agreement, completion of the sale and purchase of Property II shall take place within 2 months after the date of approval by the Independent Shareholders at the SGM of the Property II Agreement and the Disposal of Property II.
- Termination:** Prior to completion of the sale and purchase of Property II, either party to the Property II Agreement shall be entitled to rescind the Property II Agreement by giving not less than 7 day's prior written notice to the other party, and Golden View Property shall be entitled to the return of the initial deposit without cost or compensation.

The consideration for Property II was agreed upon after arm's length negotiations between the Vendor and Golden View Property with reference to the preliminary valuation of Property II as at 31 March 2020 of HK\$111,500,000 as assessed by the Property Valuer. To the best of the Directors' knowledge, the Property Valuer and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

The rental income net of direct expenses incurred before and after tax attributable to Property II for the financial year ended 31 March 2019 were HK\$4,356,000 and HK\$3,638,000 respectively. The rental income net of direct expenses incurred before and after tax attributable to Property II for the financial year ended 31 March 2020 were HK\$4,404,000 and HK\$3,677,000 respectively. The unaudited net book value of Property II as at 31 March 2020 was HK\$111,500,000.

Condition Precedent

Completion of the Disposal of Property II is conditional upon the passing by the Independent Shareholders at the SGM of the ordinary resolution to approve the Property II Agreement and the Disposal of Property II. In the event that the Independent Shareholders' approval is not obtained on or before 1 December 2020, the Property II Agreement shall lapse and the initial deposit paid by Golden View Property to the Vendor shall be forthwith returned to Golden View Property without interest, cost or compensation.

Financial Effects of the Disposal and Proposed Use of Proceeds

Based on the preliminary valuation of the Properties as at 31 March 2020, the respective consideration for Property I and Property II represents a premium of approximately 2.9% and 1.3% to their respective valuation. Based on the unaudited financial information of the Properties as at 31 March 2020, the Group is expected to recognize an unaudited gain of approximately HK\$3,310,000 in aggregate from the Disposal following completion of the Disposal after deducting an estimated expense of approximately HK\$690,000. The Group intends to use the said net proceeds to further expand the trading business in the future and to increase its working capital.

THE TENANCY AGREEMENT

On 1 June 2020, the Vendor (as tenant) entered into the Tenancy Agreement with Forever Bright Property (as landlord), pursuant to which the Vendor will lease back Property I from Forever Bright Property in accordance with the terms of the Tenancy Agreement. The principal terms of the Tenancy Agreement are set out as follows:

- (i) Parties:
 - (1) Forever Bright Property Investments Limited as landlord; and
 - (2) the Vendor as tenant
- (ii) Leased property: Property I
- (iii) Commencement date: The commencement of the Tenancy Agreement is conditional upon and commences on the date of completion of the sale and purchase of Property I pursuant to the Property I Agreement (the "**Commencement Date**").
- (iv) Term: For a period of 1 year commencing on the Commencement Date, and subject to the landlord's right to terminate the Tenancy Agreement pursuant to the terms of the Tenancy Agreement.

- (v) Rent: HK\$324,000 per month (inclusive of government rates, government rent and management fee). The said rent is determined after arm's length negotiations between the landlord and the tenant with reference to the prevailing market rent of other properties in the same building.
- (vi) Payment term: The monthly rent shall be payable by the tenant to the landlord in advance on the first day of each and every calendar month. The first of such rental payments shall be apportioned according to the number of days then unexpired in the month in respect of which such payment is made, and the last of such payments shall be apportioned according to the number of days of the term of the Tenancy Agreement remaining in the month in respect of which such payment is due.
- (vii) Rental deposit: A rental deposit in the sum of HK\$972,000, being three months' rent, is payable by the tenant to the landlord and subject to the terms of the Tenancy Agreement, and is refundable to the tenant without interest within 30 days after the expiry or sooner determination of the Tenancy Agreement and delivery of vacant possession of Property I.

Condition Precedent

The Tenancy Agreement is conditional upon completion of the sale and purchase of Property I pursuant to the Property I Agreement.

Annual cap

The annual cap amount of the aggregate of monthly rent (inclusive of government rates, government rent and management fee) payable to Forever Bright Property by the Vendor under the Tenancy Agreement shall not exceed HK\$3,888,000. The annual cap amount has been determined with reference to the monthly rent (inclusive of government rates, government rent and management fee) payable under the Tenancy Agreement.

REASONS FOR AND BENEFITS OF ENTERING INTO THE AGREEMENTS AND THE TENANCY AGREEMENT

Given the uncertainty of the impact that the Coronavirus Disease (COVID-19) may have on the property market in the foreseeable future, the Directors consider that the Disposal and the Leaseback represent a good opportunity at this time for the Group to realize the value and capture the appreciation in market value of the Properties and increase the working capital of the Group while allowing the Group to maintain a lease for its continued use. The Directors (excluding the independent non-executive Directors whose

views will be given in the circular to be despatched to the Shareholders after taking into account the advice of the Independent Financial Adviser) consider that the terms of the Agreements and the Disposal are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

The Directors (including the independent non-executive Directors) consider that the entering into of the Tenancy Agreement is in the ordinary and usual course of business of the Group and the terms of the Tenancy Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATIONS

Given that one of the applicable percentage ratios in respect of the Disposal exceeds 25% but all of them are less than 75%, the Disposal constitutes a major transaction for the Company and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the Directors' knowledge, the Purchasers are indirectly wholly-owned by Mr. LEE. As Mr. LEE is the Chairman and Chief Executive Officer of the Company, the Purchasers are connected persons of the Company. As such, the Disposal also constitutes a connected transaction for the Company and is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

In accordance with HKFRS 16 applicable to the Group, the Group has elected not to recognise right-of-use assets and lease liabilities for leases which, at the commencement date, has a lease term of twelve months or less. The Group recognises the lease payments associated with such leases as an expense on a straight-line basis over the lease term. As the Purchasers are connected persons of the Company, under Chapter 14A of the Listing Rules, the entering into of the Tenancy Agreement constitutes a continuing connected transaction for the Company. Given that one of the applicable percentage ratios in respect of the Tenancy Agreement on the basis of the annual cap amount of the aggregate of monthly rent (inclusive of government rates, government rent and management fee) exceeds 0.1% but all of them are less than 5%, the Leaseback is exempt from the shareholders' approval requirement, but is subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules.

Mr. LEE, being the ultimate beneficial owner of Forever Bright Property, and Ms. SHAM Yee Lan, Peggy, being the wife of Mr. LEE and an executive Director and the Deputy Chief Executive Officer of the Company, are considered to have a material interest in the Tenancy Agreement and the Leaseback, and thus have abstained from voting on the Board resolution approving the Tenancy Agreement and the Leaseback. Save as disclosed above, no other Directors were required to abstain from voting on the said Board resolution.

Independent Board Committee and Independent Financial Adviser

An Independent Board Committee has been formed to advise the Independent Shareholders on the Agreements and the Disposal. Altus Capital has been appointed as the Independent Financial Adviser to make recommendation to the Independent Board Committee and the Independent Shareholders in the same regard.

SGM

The SGM will be convened and held for the Independent Shareholders to consider and, if thought fit, approve the Agreements and the Disposal by poll. Mr. LEE and his respective associates (together holding approximately 74.53% equity interest in the Company) will abstain from voting on such resolutions at the SGM.

A circular containing, among others, (i) details of the Agreements and the Disposal; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) a letter of recommendation from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (iv) a notice convening the SGM will be despatched to the Shareholders on or before 22 June 2020.

GENERAL

The Vendor is principally engaged in paper products trading business. The Group is principally engaged in paper manufacturing, sale of paper and board, office supplies and consumable, supplies for paper manufacturing and fast moving consumer goods business, property development as well as leasing of investment properties. The Group also engages in trading of consumable aeronautic parts and provision of related services and provision of logistic services and marine services.

The Purchasers are ultimately controlled by Mr. LEE and their principal activity is investment holding.

DEFINITIONS

Unless otherwise defined, the following expressions have the following meanings in this announcement:

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| “Agreements” | the Property I Agreement and the Property II Agreement collectively |
| “associate” | has the meaning ascribed thereto under the Listing Rules |
| “Board” | the board of Directors |
| “Company” | Samson Paper Holdings Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (Stock code: 731) |

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| “connected person” | has the meaning ascribed thereto under the Listing Rules |
| “Directors” | the directors of the Company |
| “Disposal” | the Disposal of Property I and the Disposal of Property II collectively |
| “Disposal of Property I” | the disposal of Property I by the Vendor to Forever Bright Property pursuant to the Property I Agreement |
| “Disposal of Property II” | the disposal of Property II by the Vendor to Golden View Property pursuant to the Property II Agreement |
| “Forever Bright Property” | Forever Bright Property Investments Limited, a company incorporated in Hong Kong with limited liability and indirectly wholly-owned by Mr. LEE |
| “Golden View Property” | Golden View Property Investments Limited, a company incorporated in Hong Kong with limited liability and indirectly wholly-owned by Mr. LEE |
| “Group” | the Company and its subsidiaries |
| “Hong Kong” | the Hong Kong Special Administrative Region of the People’s Republic of China |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “Independent Board Committee” | the independent board committee of the Company comprising Mr. PANG Wing Kin, Patrick, Mr. TONG Yat Chong and Mr. NG Hung Sui, Kenneth, being all the independent non-executive Directors, established by the Board for the purpose of advising the Independent Shareholders in respect of the Agreements and the Disposal |
| “Independent Financial Adviser” or “Altus Capital” | Altus Capital Limited, a licensed corporation to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong), being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Agreements and the Disposal |
| “Independent Shareholders” | any Shareholder that is not required to abstain from voting at the SGM to approve the Agreements and the Disposal |

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| “Leaseback” | the conditional lease of Property I by the Vendor from Forever Bright Property pursuant to the Tenancy Agreement |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “Mr. LEE” | Mr. LEE Seng Jin, the Chief Executive Officer of the Company, an executive Director and the chairman of the Board |
| “percentage ratios” | calculated with reference to Rule 14.07 of the Listing Rules |
| “Properties” | Property I and Property II collectively |
| “Property I” | the property located at 3rd Floor, Seapower Industrial Centre, 177 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong |
| “Property I Agreement” | the agreement for the sale and purchase of Property I dated 1 June 2020 entered into between the Vendor and Forever Bright Property |
| “Property II” | the property located at 2nd Floor, Seapower Industrial Centre, 177 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong |
| “Property II Agreement” | the agreement for the sale and purchase of Property II dated 1 June 2020 entered into between the Vendor and Golden View Property |
| “Property Valuer” | Savills Valuation and Professional Services Limited, the independent property valuer appointed by the Company for valuation assessment on the Properties |
| “Purchasers” | Forever Bright Property and Golden View Property collectively, and each a “purchaser” |
| “SGM” | the special general meeting of the Company to be convened and held for the Independent Shareholders to consider and, if thought fit, approve the Agreements and the Disposal |
| “Shares” | ordinary shares of HK\$0.10 each in the capital of the Company |
| “Shareholders” | holders of Shares |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Tenancy Agreement” | the tenancy agreement dated 1 June 2020 entered into between the Vendor as tenant and Forever Bright Property as landlord in respect of the leasing of Property I |

“Vendor” Samson Paper Company Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company

“%” per cent.

By Order of the Board
SAMSON PAPER HOLDINGS LIMITED
Mr. LEE Yue Kong, Albert
Company Secretary

Hong Kong, 1 June 2020

As at the date of this announcement, the Board comprises four executive Directors, namely Mr. LEE Seng Jin, Mr. CHOW Wing Yuen, Ms. SHAM Yee Lan, Peggy and Mr. LEE Yue Kong, Albert, one non-executive Director, Mr. LAU Wang Yip, Eric and three independent non-executive Directors, namely Mr. PANG Wing Kin, Patrick, Mr. TONG Yat Chong and Mr. NG Hung Sui, Kenneth.

* *for identification purpose only*