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## **SAMSON PAPER HOLDINGS LIMITED**

**森信紙業集團有限公司\***

(Provisional Liquidators Appointed)

(For Restructuring Purposes Only)

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 731)**

- (1) RESTRUCTURING AGREEMENT IN RELATION TO  
THE RESTRUCTURING OF THE GROUP, INVOLVING CAPITAL  
REORGANISATION, SUBSCRIPTION, GROUP REORGANISATION,  
PLACEMENT, LISTCO SCHEME, UPPSD BANKRUPTCY  
REORGANISATION AND RESUMPTION,  
(2) APPLICATION FOR WHITEWASH WAIVER,  
(3) SPECIAL DEALS,  
(4) AMENDMENTS TO THE BYE-LAWS OF THE COMPANY,  
(5) CHANGE IN BOARD LOT SIZE,  
(6) CONTINUED SUSPENSION OF TRADING, AND  
(7) BREACH OF TAKEOVERS CODE**

**Independent Financial Adviser to the Independent Board Committee and  
the Independent Shareholders**



## **BREACH OF RULE 12.1 OF THE TAKEOVERS CODE**

The Company wishes to clarify that due to inadvertence, the Company had not filed with the Executive (i) the announcement dated 13 April 2021 in relation to signing of the Term Sheet for the proposed Restructuring, (ii) the announcement dated 30 April 2021 in relation to the extension of the long stop date of the Term Sheet, and (iii) the announcement dated 30 July 2021 in relation to the signing of the Restructuring Agreement and termination of the Term Sheet in accordance with Rule 12.1 of the Takeovers Code for comment by the Executive prior to their publications.

The Company regretted and apologised for its inadvertent non-compliance with the Takeovers Code as referred to above and will attend to all future matters in relation to the Takeovers Code in a more cautious manner.

On 13 August 2021, the Company engaged Deloitte & Touche Corporate Finance Limited as its financial advisor in relation to the Restructuring, and will seek professional opinions from its financial advisor on the relevant requirements under the Takeovers Code and the Listing Rules.

## **THE RESTRUCTURING AGREEMENT**

On 30 July 2021, the Company, the JPLs, the Investor, Xiamen C&D Paper, Zhejiang Xinshengda and Shandong Bairun entered into the Restructuring Agreement (as further amended and supplemented by the Supplemental Agreement to the Restructuring Agreement dated 22 November 2021) in relation to the proposed Restructuring of the Group, which shall include (i) the Capital Reorganisation, (ii) the Subscription, (iii) the Group Reorganisation, (iv) the Placement, (v) the Listco Scheme, (vi) the UPPSD Bankruptcy Reorganisation, and (vii) the Resumption.

## **THE CAPITAL REORGANISATION**

As part of the proposed Restructuring, the Board proposes to implement, subject to the approval by the Shareholders, the Capital Reorganisation, which comprises of: (a) the Capital Reduction whereby the par value of each issued Existing Share shall be reduced from HK\$0.10 to HK\$0.005 by cancelling HK\$0.095 of the capital paid up on each issued Shares; (b) the Authorised Share Capital Diminution; (c) the Share Premium Cancellation; (d) the Share Consolidation; and (e) the Increase in Authorised Share Capital. Upon completion of the Capital Reorganisation, the authorised ordinary share capital of the Company shall be HK\$100,000,000 divided into 2,000,000,000 New Shares of HK\$0.05 each, of which 114,107,582 New Shares have been issued and credited as fully paid. The authorised preference share capital shall be HK\$14,308,601 divided into 143,086,013 Preference Shares of HK\$0.1 each, of which 132,064,935 Preference Shares have been issued and credited as fully paid that, subject to the Bye-Laws, can be converted into 13,206,493 New Shares on a ten-to-one conversion basis.

## **THE SUBSCRIPTION**

Pursuant to the Restructuring Agreement, the Company shall issue and allot, and the Investor shall subscribe for 990,220,583 Subscription Shares at the Subscription Price of HK\$0.121056 per Subscription Share for a total consideration of the HK\$119,872,142. Upon the issue and allotment of the Subscription Shares, the Placement Shares and the Creditors' Shares at Closing, the Subscription Shares represent approximately 70% and 70.66% of the then enlarged issued share capital of the Company, respectively, in case all the Preference Shares have been converted and none of the Preference Shares have been converted. For this purpose, the Company, the Investor and the JPLs have entered into the Subscription Agreement on 26 October 2021.

## **THE GROUP REORGANISATION**

Pursuant to the Restructuring Agreement, the Group Reorganisation involves, *inter alia*, the transfer of the Excluded Subsidiaries to the SchemeCo and UPPSD becoming a wholly-owned subsidiary of SPV2 through the UPPSD Bankruptcy Reorganisation. Upon the completion of the Group Reorganisation, the Group will only comprise the Company and its three wholly-owned subsidiaries, being SPV1, SPV2 and UPPSD.

## **THE PLACEMENT**

Pursuant to the Restructuring Agreement, the Placing Agreement for Placement will be entered into amongst the Company, the Investor and the Placing Agent for Placement, pursuant to which the Placing Agent for Placement will undertake to place, on a fully underwritten basis, 56,584,032 Placement Shares to no less than six Placee(s) at the Placement Share Price of HK\$0.121056 per Placement Share. After taking into account the Subscription Shares, the Placement Shares and the Creditors' Shares issued and allotted, (i) assuming that none of the Preference Shares have been converted, the number of Placement Shares shall represent approximately 4.04% of the then issued share capital of the Company enlarged by the issue and allotment of the Subscription Shares, the Placement Shares and the Creditors' Shares; and (ii) assuming that all the Preference Shares have been fully converted, the number of Placement Shares shall represent approximately 4.00% of the Enlarged Capital.

The gross proceeds from the Placement will be approximately HK\$6,849,836.58, and shall be used for discharging part of the debts of the Company under the Listco Scheme of approximately HK\$3,046 million as at 31 March 2021.

Each of the Placing Agent for Placement, the Sub-agents and the Placees thereunder (or as the case may be, their ultimate beneficial owner(s)) will not be a Shareholder or member of the Concert Party Group and otherwise will be an Independent Third Party.

### **THE LISTCO SCHEME**

Pursuant to the Restructuring Agreement, the Company proposes, *inter alia*, to transfer (a) the Excluded Subsidiaries, (b) the remaining balance of the gross Subscription Proceeds of approximately HK\$119,872,142 after deducting the Restructuring Expenses, (c) the gross proceeds for the Placement of approximately HK\$6,849,836.58, (d) inter-company debts due from the Excluded Subsidiaries to the Retained Group in the amount of HK\$300 million, (e) all claims or litigations and all potential claims or litigation rights against third parties raised by the Retained Group, to the SchemeCo and to issue and allot 240,482,142 Creditors' Shares at issue price of HK\$0.121056 per Creditors' Share to the SchemeCo, pursuant to which all the claims of the Scheme Creditors against the Company shall be compromised and discharged by the arrangements contemplated under the Listco Scheme. The Listco Scheme has been sanctioned by the Hong Kong Court on 28 October 2021.

The Investor shall enter into the Placing Agreement for Placing Out with the Scheme Administrators (on behalf of the Scheme Creditors), the SchemeCo and the Placing Agent for Placing Out upon Closing.

The Scheme Creditors may elect to (i) receive the Creditors' Shares in their own names or through CCASS; or (ii) receive cash to be realised from the disposal of the Creditors' Shares held by the SchemeCo for the benefits of the relevant Scheme Creditors.

In the former case, the Scheme Creditors electing to hold the Creditors' Shares in their own names or through CCASS are not entitled to the Price Protection as only the SchemeCo (for the benefit of these Scheme Creditors who elect to receive cash in the latter case) is entitled to the Price Protection.

In the latter case, the SchemeCo (for the benefit of the Scheme Creditors other than the Scheme Creditors who elected to hold the Creditors' Shares in their own names or through CCASS) shall have the right (exercisable by the Scheme Administrators in their absolute discretion) to dispose of the Creditors' Shares on behalf of the relevant Scheme Creditors, either (i) in the open market at the market price, or (ii) by instructing the Placing Agent for Placing Out one or more times during the Placing Out Period to place such number of Creditors' Shares to the Placees and, given the Price Protection will be in place, realise such Creditors' Shares at a price not less than the Issue Price of the Creditors' Shares pursuant to the Placing Agreement for Placing Out.

Each of the Placing Agent for Placing Out and the Placees thereunder (or as the case may be, their ultimate beneficial owner(s)) will not be a Shareholder or member of the Concert Party Group and otherwise will be an Independent Third Party.

### **UPPSD BANKRUPTCY REORGANISATION**

Pursuant to the Restructuring Agreement, parties to the Restructuring Agreement undertook and agreed to use their best endeavours to procure the conversion of the bankruptcy proceedings of UPPSD into a bankruptcy reorganisation with a view to facilitating a holistic restructuring of the indebtedness of UPPSD, and the completion of the implementation of the UPPSD Bankruptcy Reorganisation as contemplated under the Restructuring Agreement and as approved by the PRC Court or as recognised by the Investor. The principal terms of the UPPSD Bankruptcy Reorganisation include (a) SPV2 becoming the sole registered shareholder of UPPSD, and (b) settlement of debts due to the creditors of UPPSD pursuant to the plan approved/recognised by the creditors and shareholders of UPPSD and further approved by the PRC Court.

The UPPSD Bankruptcy Reorganisation plan has been approved by the creditors and shareholders of UPPSD and the PRC Court on 29 July 2021 and 31 July 2021, respectively. Since then, UPPSD and other relevant parties have been taking steps to implement the approved UPPSD's Bankruptcy Reorganisation plan. On 29 September 2021, upon completion of implementation of the UPPSD Bankruptcy Reorganisation plan, the UPPSD Bankruptcy Administrator applied to the PRC Court for its confirmation, and verdict on the termination of the UPPSD's bankruptcy reorganisation proceedings. On 11 October 2021, the PRC Court issued a verdict confirming the completion of implementation of the UPPSD's Bankruptcy Reorganisation plan, and ordered the termination of UPPSD's bankruptcy reorganisation proceedings with effect from 11 October 2021.

### **THE RESUMPTION**

To facilitate the Resumption, each of the parties to the Restructuring Agreement undertake and agree to use its best endeavours to procure the compliance with the satisfaction of the Resumption conditions imposed on the Company by the Stock Exchange as soon as reasonably practicable.

## **REASONS FOR ENTERING INTO THE RESTRUCTURING AGREEMENT**

As at 31 March 2021, based on the available books and records of the Company, the estimated total amount of claims against, and the liabilities of, the Company is approximately HK\$3,046 million, comprising of claims arising from guarantees granted by the Company to bank creditors and a supplier in relation to certain indebtedness of the subsidiaries of the Company, and amounts due by the Company to the Group companies. Given the liquidity shortage and financial situation of the Group, it is crucial to obtain new funding to repay indebtedness of the Group so as to continue the existing paper manufacturing business and to restore the financial strength of the Group.

In view of the financial capability and industry experience and resources of Xiamen C&D Paper and Zhejiang Xinshengda, the Board and the JPLs consider that entering into the Restructuring Agreement with the Investor will facilitate a holistic restructuring to (i) repay the indebtedness of the Group, (ii) revive and grow the existing paper manufacturing business carried out by UPPSD of the Group, and (iii) satisfy the Resumption conditions imposed on the Company by the Stock Exchange.

## **CHANGE IN BOARD LOT SIZE**

Subject to the Capital Reorganisation becoming effective, the Board also proposes to change the board lot size for trading in the Shares from 2,000 Shares to 20,000 New Shares.

## **TAKEOVERS CODE IMPLICATIONS**

### **The Whitewash Waiver**

As at the date of the Restructuring Agreement and this announcement, the Concert Party Group does not hold any Shares. Upon the issue and allotment of the Subscription Shares, the Placement Shares and the Creditors' Shares at Closing and assuming that none of the Preference Shares have been converted, the Investor will be interested in a maximum number of 990,220,583 New Shares, representing approximately 70.66% of the then issued share capital of the Company enlarged by the issue and allotment of the Subscription Shares, the Placement Shares and the Creditors' Shares. As such, the Investor would be required to make an unconditional mandatory general offer for all the issued Shares of the Company (not already owned or agreed to be acquired by the Concert Party Group) under Rule 26.1 of the Takeovers Code, unless the Whitewash Waiver is granted by the Executive.

In this regard, the Investor will make an application to the Executive for the Whitewash Waiver to relieve them from their obligation to make a mandatory general offer as a result of the acquisition of Subscription Shares. The Whitewash Waiver, if granted by the Executive, will be subject to, among other things, the Whitewash Waiver, and transactions contemplated under the Restructuring Agreement, being separately approved by at least 75% and more than 50% of the votes cast by the Independent Shareholders at the SGM by way of poll, respectively, in accordance with Note 1 on dispensations from Rule 26 of the Takeovers Code.

## **Special Deals**

### ***Special Deal I***

Based on the records available to the Company, as at the date of this announcement, DaiEi holds 20,000,000 Shares, representing approximately 1.8% of the issued ordinary share capital of the Company. Based on the records available to the Company, DaiEi is a creditor of the Company, and subject to adjudication by the Scheme Administrators upon the Listco Scheme taking effect, DaiEi may also be a Scheme Creditor.

As the Payment to DaiEi under the Listco Scheme is not extended to all the other Shareholders, such settlement of indebtedness constitutes a special deal under Rule 25 of the Takeovers Code.

### ***Special Deal II***

DaiEi is also a creditor of UPPSD. Under the UPPSD Bankruptcy Reorganisation, DaiEi is entitled to receive a total of RMB236,524 as the First Instalment Payment, and four subsequent instalments of RMB36,524 each totalling RMB146,096 in accordance with the payment schedule. As at the date of this announcement, the Payment to DaiEi under the UPPSD Bankruptcy Reorganisation has been paid to DaiEi.

As the Payment to DaiEi under the UPPSD Bankruptcy Reorganisation is not extended to all the other Shareholders, such settlement of indebtedness constitutes a special deal under Rule 25 of the Takeovers Code.

### ***Special Deal III***

If admitted as a Scheme Creditor of the Company by the Scheme Administrators, DaiEi has a right to (i) receive the Creditors' Shares in their own names or through CCASS (in proportion to its claim adjudicated by the Scheme Administrators); or (ii) receive cash to be realised from the disposal of the relevant Creditors' Shares held by the SchemeCo for the benefits of DaiEi. In the latter case, the SchemeCo has the right (exercisable by the Scheme Administrators in their absolute discretion) to sell the relevant Creditors' Shares on DaiEi's behalf, either (i) in the open market at the market price, or (ii) by instructing the Placing Agent for Placing Out one or more times during the Placing Out Period to place such number of Creditors' Shares to the Placees and, given the Price Protection will be in place, realise such Creditors' Shares at a price not less than the Issue Price of the Creditors' Shares pursuant to the Placing Agreement for Placing Out.

As the Price Protection offered to DaiEi via the SchemeCo, through its participation in the Listco Scheme, is not extended to all the other Shareholders, such Price Protection offered to DaiEi via the SchemeCo, through its participation in the Listco Scheme, constitutes a special deal under Rule 25 of the Takeovers Code.

As such, each of Special Deal I, Special Deal II and Special Deal III requires consent by the Executive. An application will be made to the Executive for the consent to proceed with the Special Deals under Rule 25 of the Takeovers Code. Such consent, if granted, will be subject to (a) the Independent Financial Adviser to the Independent Shareholders publicly stating in its opinion that the respective terms of the Special Deals are fair and reasonable, and (b) approval of the Special Deals by the Independent Shareholders at the SGM, in which DaiEi, any creditors of the Company, any creditors under the UPPSD Bankruptcy Reorganisation and their respective associates and parties acting in concert with any of them, who is Shareholder, will be required to abstain from voting in respect of the resolutions to approve the Special Deals.

Save as disclosed above, as at the date of this announcement, none of the creditors of the Company or the creditors of UPPSD and their respective ultimate beneficial owners is a Shareholder.



## **IMPLICATIONS UNDER THE LISTING RULES**

### **Specific Mandates**

As the Subscription Shares, the Placement Shares and the Creditors' Shares will not be issued under the authority of currently available general mandate granted by the Shareholders to the Directors, and instead will be issued and allotted under the Specific Mandates to be obtained at the SGM, the issue and allotment of such Shares is subject to the Independent Shareholders' approval.

Pursuant to Rule 7.27B of the Listing Rules, a listed issuer may not undertake a rights issue, open offer or specific mandate placings that would result in a theoretical dilution effect of 25% or more, unless the Stock Exchange is satisfied that there are exceptional circumstances. The Subscription, the Placement and the issue of the Creditors' Shares in aggregate will result in a theoretical dilution effect of approximately 88.55%, which is over the 25% threshold as specified under Rule 7.27B of the Listing Rules. However, the Company is of the view that there are exceptional circumstances for the Company having considered the adverse financial position of the Company.

### **GENERAL**

The SGM will be convened and held to consider and, if thought fit, approve, among others, the Restructuring Agreement and the transactions contemplated thereunder, the grant of the Specific Mandates, the Whitewash Waiver, the Special Deals and the proposed amendments to the Bye-Laws of the Company.

The Investor, the creditors of the Company (including DaiEi), the Scheme Administrators, any creditors under the UPPSD Bankruptcy Reorganisation (including DaiEi), their associates, and the parties acting in concert with any of them, and those (if any) who are involved in or interested in the Restructuring Agreement and the transactions contemplated thereunder, the grant of the Specific Mandates, the Whitewash Waiver or the Special Deals shall abstain from voting on the relevant resolutions to be proposed at the SGM in accordance with the Takeovers Code and the Listing Rules (as the case may be).

The passing of the resolution(s) in relation to the Restructuring Agreement and the transactions contemplated thereunder, the grant of the Specific Mandates and the Special Deals shall require the approval of more than 50% of the votes cast by the Independent Shareholders at the SGM by poll. In addition, the passing of the resolution in relation to the Whitewash Waiver shall require the approval of at least 75% of the votes cast by the Independent Shareholders.

An Independent Board Committee comprising the independent non-executive Director has been established to advise the Independent Shareholders on the Restructuring Agreement and the transactions contemplated thereunder, the grant of the Specific Mandates, the Whitewash Waiver and the Special Deals at the SGM. The Independent Financial Adviser has been appointed with the approval of the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in these regards.

Save for entering into the Restructuring Agreement, the Supplemental Agreement to the Restructuring Agreement and the Subscription Agreement, the Concert Party Group has not dealt in the Shares, outstanding options, derivatives, warrants or other securities convertible into any Shares during the six-month period prior to 13 April 2021, being the date the Term Sheet was entered into and up to the date of this announcement.

The Company will submit an application for the listing of, and permission to deal in (a) the Subscription Shares; (b) the Placement Shares; and (c) the Creditors' Shares.

Under Rule 8.2 of the Takeovers Code, the Company is required to despatch to the Shareholders a circular containing, among others, details of: (a) the Restructuring Agreement and the transactions contemplated thereunder; (b) the Specific Mandates; (c) the Whitewash Waiver; (d) the Special Deals; (e) the amendments to the Bye-Laws; (f) the change in board lot size; (g) the recommendation of the Independent Board Committee in relation to the Restructuring Agreement and the transactions contemplated thereunder, the grant of the Specific Mandates, the Whitewash Waiver and the Special Deals; (h) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Restructuring Agreement and the transactions contemplated thereunder, the grant of the Specific Mandates, the Whitewash Waiver and the Special Deals; and (i) a notice of the SGM within 21 days from the date of this announcement, that is, on or before 13 December 2021, or such later date as the Executive may approve. Further announcement(s) will be made as and when appropriate.

### **CONTINUED SUSPENSION OF TRADING IN THE SHARES**

Trading in the Shares on the Stock Exchange has been suspended with effect from 9:00 a.m. on 2 July 2020.

## **WARNINGS**

**The transactions contemplated under the Restructuring Agreement are subject to the fulfillment of various conditions and therefore may or may not materialise. The release of this announcement does not necessarily indicate that the Restructuring will be completed or trading in the Shares will be resumed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.**

**The Company is preparing and updating its Resumption Proposal to the Stock Exchange and will keep the Shareholders and investors informed of the latest developments by making further announcements as and when appropriate.**

**In the event that the Company fails to satisfy all of the Resumption conditions imposed by the Stock Exchange by 1 January 2022, the Listing Division of the Stock Exchange may recommend the Listing Committee to proceed with the cancellation of the Company's listing status.**

Reference is made to the announcements made by the Company dated 20 July 2020, 22 July 2020, 23 July 2020, 26 July 2020, 29 July 2020, 14 August 2020, 30 September 2020, 4 January 2021, 9 February 2021, 13 April 2021, 27 April 2021, 30 April 2021, 25 May 2021, 18 June 2021, 7 July 2021, 30 July 2021, 20 August 2021, 23 September 2021, 5 October 2021, 13 October 2021 and 28 October 2021 in relation to, among other things, the petition for the winding up of the Company and the proposed Restructuring.

## **BREACH OF RULE 12.1 OF THE TAKEOVERS CODE**

The Company wishes to clarify that due to inadvertence, the Company had not filed with the Executive (i) the announcement dated 13 April 2021 in relation to signing of the Term Sheet for the proposed Restructuring, (ii) the announcement dated 30 April 2021 in relation to the extension of the long stop date of the Term Sheet, and (iii) the announcement dated 30 July 2021 in relation to the signing of the Restructuring Agreement and termination of the Term Sheet in accordance with Rule 12.1 of the Takeovers Code for comment by the Executive prior to their publications.

The Company regretted and apologised for its inadvertent non-compliance with the Takeovers Code as referred to above and will attend to all future matters in relation to the Takeovers Code in a more cautious manner.

On 13 August 2021, the Company engaged Deloitte & Touche Corporate Finance Limited as its financial advisor in relation to the Restructuring, and will seek professional opinions from its financial advisor on the relevant requirements under the Takeovers Code and the Listing Rules.

## **BACKGROUND OF THE RESTRUCTURING**

On 2 July 2020, trading of the Shares was halted pending the release by the Company of an announcement in relation to its audited annual results for the year ended 31 March 2020. As a result of the suspension of trading of the Shares, the repayment obligations of certain indebtedness of the Group had been accelerated by certain creditors and the Group was unable to meet the repayment obligations. As at 31 March 2021, based on the available books and records of the Company, the estimated total amount of claims against, and the liabilities of, the Company is approximately HK\$3,046 million, comprising of claims arising from guarantee granted by the Company to bank creditors and a supplier in relation to the indebtedness of the subsidiaries of the Company, and amounts due to Group companies.

To facilitate a restructuring of the Company's indebtedness, the Company filed with the Bermuda Court on 18 July 2020, a petition for the winding up of the Company, together with an application for the appointment of joint and several provisional liquidators to the Company on a "light touch" basis for restructuring purposes. On 24 July 2020, Bermuda Court ordered that the JPLs to be appointed to the Company, for the purpose of, *inter alia*, formulating, proposing and implementing a restructuring plan of the indebtedness of the Company.

### **Circumstances leading to the entering into of the Entrusted Operation Agreement**

Since the suspension of trading of the Shares on 2 July 2020, repayment obligation of certain indebtedness of the Group had been accelerated by certain creditors and the Group was unable to meet repayment obligations and, as a result, the Group, including UPPSD, faced increasing liquidity pressures.

Due to shortage of cash flow, UPPSD defaulted repayment on various debts, following which creditors of UPPSD had taken various legal actions including applying to the local court to freeze bank accounts of UPPSD. As a result, production of the manufacturing facility of UPPSD was suspended in the third quarter of 2020, and various banks had withdrawn facilities made available to UPPSD.

In view of the limited financial resources made available to the Group, and after considering the respective financial position and working capital requirement of various segments of the Group and feedback from parties potentially interested in the restructuring of the Group, the Board and the JPLs consider it appropriate to focus on the paper manufacturing business of the Group which is carried out by UPPSD and to wind down or dispose of the remaining businesses of the Group. The Group and the JPLs then identified interim financing to support the operations of UPPSD and discussed with various potentially interested parties (including Xiamen C&D Paper and Zhejiang Xinshengda) to restructure the indebtedness of the Group, including UPPSD.

## Major terms of the Entrusted Operation Agreement

In order to help UPPSD revive its operation, provide and ring-fence its working capital for its ongoing manufacturing activities as well as to preserve the operational value of UPPSD, and to assist UPPSD in keeping the jobs of over 900 employees, Xiamen C&D Paper and Shandong Herun (a company wholly owned by Mr. Li Shengfeng, the majority ultimate beneficial owner of Zhejiang Xinshengda), with the support from the local government, agreed to jointly operate the assets of UPPSD on an entrusted basis while they were still in the early stage of considering participating in the restructuring of the Group.

On 24 October 2020, UPPSD, Xiamen C&D Paper and Shandong Herun entered into the Entrusted Operation Agreement, under which, Xiamen C&D Paper and Shandong Herun formed their joint venture Shandong Bairun in November 2020 to carry out manufacturing operation for UPPSD. The principal terms of the Entrusted Operation Agreement are as follows:

- Subject Matter** : (a) the Entrusted Assets would be entrusted to Shandong Bairun for it to operate; and
- (b) ownership of the Entrusted Assets shall be remained with UPPSD.
- Term** : One year from the date of signing of the Entrusted Operation Agreement, which was further extended to 15 March 2022 by the Supplemental Agreement to the Entrusted Operation Agreement.
- Rights and Obligation of Shandong Bairun** : Major responsibilities of Shandong Bairun include:
- (a) paying the staff costs on behalf of UPPSD, while staff of UPPSD would be engaged in the operation of Shandong Bairun and the employment contracts of staff of UPPSD would remain with UPPSD;
- (b) bearing the production cost (including but not limited to repair and maintenance expenses in connection to the Entrusted Assets) to be incurred in connection to production and operation during the Entrusted Operation;
- (c) sale of goods manufactured by UPPSD;

- (d) bearing liabilities arising from environmental incidents or other events occurred as a result of the production and operation of Shandong Bairun;
- (e) providing technical upgrade to the production lines and equipment of UPPSD subject to prior approval of the upgrade plan by UPPSD; and
- (f) paying taxes in connection to the Entrusted Assets (e.g. land use tax, property tax and resource tax (water)) on behalf of UPPSD.

During the Entrusted Operation, Shandong Bairun is entitled to retain the profits and is responsible to bear the losses generated by operating the Entrusted Assets. However, it would not be responsible for liabilities incurred by UPPSD prior to the commencement of the Entrusted Operation.

**Right and Obligation  
of UPPSD**

: Major responsibilities of UPPSD include:

- (a) handing over the major assets of UPPSD to Shandong Bairun for the Entrusted Operation;
- (b) providing necessary assistance to Shandong Bairun and management of Shandong Bairun on site;
- (c) bearing the liabilities incurred prior to the commencement of the Entrusted Operation; and
- (d) granting right of first refusal to Xiamen C&D Paper and Shandong Herun for the acquisition of equity interests or major assets of UPPSD at the same price and on the same terms as offered by any third party.

During the Entrusted Operation, UPPSD may retain its assets and employees and is benefiting from the upgraded production facilities and business resources introduced by Xiamen C&D Paper and Zhejiang Xinshengda, such as their supply and sales network.

- Financing** : Xiamen C&D Paper and Shandong Herun would provide working capital of not less than RMB78.5m to Shandong Bairun. The exact amount of funds to be provided would be agreed mutually by UPPSD, Xiamen C&D Paper and Shandong Herun. The working capital is to be provided to Shandong Bairun and segregated from funds and liabilities of UPPSD.
- Termination Events** : The Entrusted Operation Agreement could be terminated upon occurrence of any one of the following events:
- (a) major assets of UPPSD becoming subject to bankruptcy proceedings or enforcement action such that it becomes impractical for Xiamen C&D Paper, Shandong Herun and Shandong Bairun to continue production in accordance with the terms of the Entrusted Operation Agreement;
  - (b) completion of sale of major assets of UPPSD or interests in UPPSD to third parties other than Xiamen C&D Paper and Shandong Herun;
  - (c) Xiamen C&D Paper and Shandong Herun's failure of confirming in writing to accept any offer to acquire major assets of/interests in UPPSD by 30 April 2021 when UPPSD or its shareholder invites Xiamen C&D Paper and Shandong Herun to accept such offer;
  - (d) breach of obligations by either of Xiamen C&D Paper, Shandong Herun or Shandong Bairun under the Entrusted Operation Agreement, and failure to remedy such breach within 30 days after UPPSD's written notification of such breach; and
  - (e) breach of any laws and regulations by Xiamen C&D Paper, Shandong Herun or Shandong Bairun in connection to carrying out of production activities with the Entrusted Assets.

## **Basis for entering into the Entrusted Operation Agreement**

Having considered the following factors, the Company was of the view that the entering of the Entrusted Operation Agreement was a fair and reasonable measure to preserve operational value of UPPSD:

- (a) limited financial resources available to the Group;
- (b) the amount of working capital to be provided by Shandong Bairun for the ongoing manufacturing operations of UPPSD to preserve its operational value for the restructuring of the Group, with arrangements which would segregate such working capital from the indebtedness of UPPSD;
- (c) disruption to the operation of UPPSD caused by the actions of its creditors;
- (d) pressure exerted by the local government to maintain production and social stability;
- (e) likely deterioration in the value of UPPSD due to any prolonged suspension of production;
- (f) operations to be carried out by Shandong Bairun, a special purpose vehicle set up for this purpose, to ring-fence the working capital from the indebtedness of UPPSD and the Group and any sales receipts generated therefrom; and
- (g) time required for potentially interested parties to conduct due diligence on the Group and to negotiate terms of restructuring of the indebtedness of the Group.

## **Accounting treatment of UPPSD in the Company's consolidated financial statements after entering into the Entrusted Operation Agreement and the Company's assessment on the Listing Rules implication of the Entrusted Operation Agreement**

The Entrusted Operation Agreement provided Shandong Bairun with the right to use the Entrusted Assets and employees in exchange for the immediate availability of working capital provided by Shandong Bairun to keep the Entrusted Assets in operation and maintain the workforce.

While Shandong Bairun would be responsible for the expenses incurred during the Entrusted Operation and entitled to keep income generated, ownership of the Entrusted Assets and employment contracts (and relevant obligations) remained with UPPSD. Shandong Bairun would not be entitled to any increase in value of the Entrusted Assets and the operations of UPPSD. Also, Shandong Bairun would not bear any risk of deterioration in value of the Entrusted Assets and risks of seizure of the Entrusted Assets (e.g. Shandong Bairun could terminate the Entrusted Operation Agreement if major assets of UPPSD were under bankruptcy proceedings or enforcement action such that it became impractical for Xiamen C&D Paper, Shandong Herun and Shandong Bairun to continue production in accordance to the terms of the Entrusted Operation Agreement).



The Company/UPPSD also retained control over UPPSD/the Entrusted Assets, including but not limited to selling assets of and/or interests in UPPSD and rights to reject any proposed addition/upgrade to the Entrusted Assets.

In view of the above, the Company is of the view that there is no impact on the accounting treatment of UPPSD in the Company's consolidated financial statement after entering into the Entrusted Operation Agreement; and the entering of the Entrusted Operation Agreement did not constitute the Company's disposal of UPPSD.

### **UPPSD Bankruptcy Reorganisation**

On 23 December 2020, UPPSD was informed by the PRC Court, that a bankruptcy application was filed by a creditor of UPPSD, Weifang Red Automation Equipment Co., Ltd\* (濰坊瑞德自動化設備有限公司) who was an equipment provider to UPPSD, against UPPSD. UPPSD filed an objection letter to the PRC Court against the bankruptcy application. On 30 December 2020, UPPSD received a civil judgement issued by the PRC Court advising that the bankruptcy application was accepted.

The Company and the JPLs continued discussions with various interested parties, including Xiamen C&D Paper and Zhejiang Xinshengda, on the potential restructuring of the Group. Subsequently, on 13 April 2021, the Company, the JPLs, Xiamen C&D Paper and Zhejiang Xinshengda entered into a term sheet in relation to a proposed restructuring of the Group with details set out in the Company's announcement dated 13 April 2021.

On 19 January 2021, UPPSD, Shandong Bairun and the UPPSD Bankruptcy Administrator entered into the Supplemental Agreement to the Entrusted Operation Agreement. Under the Supplemental Agreement to the Entrusted Operation Agreement, the term of the Entrusted Operation was extended to 15 March 2022.

On 13 April 2021, UPPSD made an application to the PRC Court to convert the bankruptcy proceedings into a bankruptcy reorganisation with a view to facilitating a holistic restructuring of the Group involving the Company and UPPSD. On 20 April 2021, the PRC Court approved the conversion of the bankruptcy proceedings of UPPSD into a bankruptcy reorganisation.

On 23 April 2021, the UPPSD Bankruptcy Administrator convened the first creditors' meeting of UPPSD, at which the UPPSD Bankruptcy Administrator had, *inter alia*, confirmed the claims filed by the creditors against UPPSD. On 29 July 2021, the UPPSD Bankruptcy Administrator convened the second creditors' meeting of UPPSD, at which the UPPSD Bankruptcy Reorganisation plan was duly approved by the creditors and shareholders of UPPSD.

On 1 August 2021, the PRC Court approved the UPPSD Bankruptcy Reorganisation plan with effect on the same day. Following the PRC Court's approval of the UPPSD Bankruptcy Reorganisation plan, the Entrusted Operation Agreement was terminated

and UPPSD had resumed operation. For details of the principal terms of the UPPSD Bankruptcy Reorganisation, please see the section headed “UPPSD Bankruptcy Reorganisation” below.

On 1 August 2021, UPPSD, Shandong Bairun and the UPPSD Bankruptcy Administrator entered into an agreement of termination to the Entrusted Operation Agreement and the Supplemental Agreement to the Entrusted Operation Agreement, pursuant to which the Entrusted Operation was terminated and UPPSD carries on its business operation on its own since 1 August 2021.

## **THE RESTRUCTURING AGREEMENT**

On 30 July 2021, the Company, the JPLs, the Investor, Xiamen C&D Paper, Zhejiang Xinshengda and Shandong Bairun entered into the Restructuring Agreement (as further amended and supplemented by the Supplemental Agreement to the Restructuring Agreement dated 22 November 2021) in relation to the proposed Restructuring of the Group, which shall include, (i) the Capital Reorganisation, (ii) the Subscription, (iii) the Group Reorganisation, (iv) the Placement, (v) the Listco Scheme, (vi) the UPPSD Bankruptcy Reorganisation, and (vii) the Resumption.

## **CONDITIONS PRECEDENT TO THE CLOSING**

The Closing shall be conditional upon the fulfilment or waiver (as the case may be) of the following conditions precedent:

- (a) the passing of the necessary resolutions by the Independent Shareholders at the SGM in accordance with the requirements of the Takeovers Code and any applicable law and regulation to approve the following:
  - (i) the Capital Reorganisation;
  - (ii) the amendments to the Bye-Laws of the Company to reflect the Capital Reorganisation;
  - (iii) the Restructuring Agreement together with the transactions contemplated thereunder;
  - (iv) the grant of the Specific Mandates in respect of the issue and allotment of the Subscription Shares, the Placement Shares and the Creditors’ Shares;
  - (v) the Whitewash Waiver; and
  - (vi) the Special Deals;
- (b) the completion of the Capital Reorganisation, the Subscription, the Group Reorganisation and the Placement, and the issue and allotment of the Subscription Shares, the Placement Shares and the Creditors’ Shares;

- (c) the Placing Agreement for Placement is not subject to any conditions precedent (other than the conditions precedent under the Restructuring Agreement becoming unconditional) and has not been terminated in accordance with its terms;
- (d) the Listing Committee of Stock Exchange has granted the approval for the listing of, and permission to deal in the Subscription Shares, the Placement Shares and the Creditors' Shares (with or without conditions) and such approval for the listing and permission not subsequently having been revoked or withdrawn prior to the commencement of dealings in such Shares on the Stock Exchange, and the approval of the Resumption has been given by the Stock Exchange and such approval not having been revoked;
- (e) the granting of the Whitewash Waiver and consent to the Special Deals by the Executive and the satisfaction of all the conditions attached thereto and such approval and consent not having been subsequently revoked or withdrawn;
- (f) (i) obtaining the approval and/or recognition of the Hong Kong Court and/or the Bermuda Court of the Listco Scheme, and (ii) the Listco Scheme having become effective and the satisfaction of all the conditions precedent attached thereto;
- (g) the withdrawal of the petition for the winding up of the Company and the discharge of the JPLs;
- (h) obtaining all other necessary waivers, consents and approvals (including those from the Stock Exchange and the SFC) which are required for the implementation of the Restructuring and all transactions contemplated thereunder (including the Resumption);
- (i) obtaining the PRC Court's confirmation on the completion of the implementation of the UPPSD Bankruptcy Reorganisation as contemplated under the Restructuring Agreement or as recognised by the Investor;
- (j) obtaining all the necessary authorisations, consents and approvals from PRC authorities by the Investor, which shall include the state asset supervision authority and the anti-monopoly supervision authority; and
- (k) the due execution of all the transactional documents.

As of the date of this announcement, other than those mentioned in other conditions precedent to the Closing, in relation to condition (h), parties to the Restructuring Agreement are not aware of any other necessary waivers, consents or approvals which are required for the implementation of the Restructuring and all transactions contemplated thereunder.

Conditions (k) may be waived by the Investor at its absolute and sole discretion. Conditions (a) to (j) are not waivable by any parties to the Restructuring Agreement. As at the date of this announcement, other than conditions (f)(i) and (i) which have been

fulfilled, none of the other conditions have been fulfilled or waived, as applicable. In relation to condition (j), the Investor has made application to the Xiamen SASAC and expects to obtain such approval in November 2021. The Investor expects to make application to the Anti-Monopoly Bureau of the Ministry of Commerce in November 2021 and obtain such approval in December 2021.

Closing is subject to fulfillment (or waiver) of the above conditions. The Capital Reorganisation is expected to be completed (i) prior to the completion of the Subscription, the Group Reorganisation, the Placement, the taking effect of the Listco Scheme, and (ii) prior to the issue and allotment of the Subscription Shares, the Placement Shares and the Creditors' Shares at the Closing. Completion of the Subscription, the Group Reorganisation, the Placement, and the taking effect of the Listco Scheme shall be inter-conditional with one another and take place simultaneously at the place and on such date as provided in the Restructuring Agreement, which shall in any event take place on or before the date of the Resumption. While the Closing is conditional to the completion of the UPPSD Bankruptcy Reorganisation, the completion of UPPSD Bankruptcy Reorganisation is not inter-conditional with, and may complete independently from other transactions contemplated under the Restructuring Agreement. As at the date of this announcement, completion of UPPSD Bankruptcy Reorganisation has taken place.

## **DEALINGS AND INTEREST IN THE SECURITIES OF THE COMPANY**

The Investor, Xiamen C&D Paper and Zhejiang Xinshengda have confirmed to the Company and the JPLs that, as at the date of this announcement, save for entering into the Restructuring Agreement, the Facility Agreement, the Subscription Agreement, and any other related transaction documents:

- (a) the Concert Party Group does not hold, control or has direction over any outstanding options, warrants, or any securities that are convertible into Shares or any derivatives in respect of securities in the Company, or hold any securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;
- (b) the Concert Party Group does not have any arrangement referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) in relation to the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Investor (save as holding the shares of the Investor) or the Company, which might be material to the transactions contemplated under the Restructuring Agreement including the Subscription, the Whitewash Waiver and the Special Deals;
- (c) the Concert Party Group has not dealt in the Shares, outstanding options, derivatives, warrants or other securities (as defined in Note 4 to Rule 22 of the Takeovers Code) convertible or exchangeable into the Shares during the period commencing on the date falling six (6) months prior to 13 April 2021, being the date the Term Sheet was entered into and up to the date of this announcement;

- (d) the Concert Party Group has not borrowed or lent any of the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;
- (e) there is no agreement or arrangement pursuant to which any member of the Concert Party Group is a party which relates to circumstances which it may or may not invoke or seek to invoke a pre-condition or a condition to the transactions contemplated under the Restructuring Agreement;
- (f) the Concert Party Group has not received any irrevocable undertaking relating to voting for or against the Restructuring Agreement, the Whitewash Waiver, the Special Deals and the transactions contemplated thereunder;
- (g) save for the Special Deals, there is no other understanding, arrangement, agreement or special deal between the Concert Party Group and any Shareholder;
- (h) they shall comply with applicable rules and regulations of the Listing Rules and the Takeovers Code;
- (i) they note that the Executive may not grant the Whitewash Waiver or consent to the Special Deals if the Restructuring Agreement and the transactions contemplated thereunder, the grant of the Specific Mandates, the Whitewash Waiver or the Special Deals do not comply with applicable rules and regulations, and shall not take any actions (including acquisition of the Shares or New Shares) that withdraws the application for the Whitewash Waiver or the Special Deals, or revokes the granted Whitewash Waiver or the consent to the Special Deals; and
- (j) they shall provide all relevant information requested by the Stock Exchange and the SFC to the extent permissible under the applicable laws.

As at the date of this announcement, save for the Special Deals, there is no understanding, arrangement or agreement or special deal between any Shareholders and the Company, its subsidiaries or associated companies.

As at the date of this announcement, the executive Directors do not believe that the Restructuring Agreement and the transactions contemplated thereunder, the grant of the Specific Mandates, the Whitewash Waiver and the Special Deals give rise to any concerns in relation to compliance with applicable rules or regulations (including the Listing Rules and the Takeovers Code). If a concern should arise after the release of this announcement, the executive Directors will endeavour to resolve the matter to the satisfaction of the relevant authority as soon as possible but in any event before the despatch of the circular in respect of, among others, the Restructuring Agreement and the transactions contemplated thereunder, the grant of the Specific Mandates, the Whitewash Waiver, and the Special Deals. The executive Directors note that the Executive may not grant the Whitewash Waiver or consent to the Special Deals if the

Restructuring Agreement and the transactions contemplated thereunder, the grant of the Specific Mandates, the Whitewash Waiver and the Special Deals do not comply with applicable rules and regulations.

#### **UNDERTAKINGS BY XIAMEN C&D PAPER AND ZHEJIANG XINSHENGDA**

Each of Xiamen C&D Paper and Zhejiang Xinshengda unconditionally and irrevocably but severally undertakes to perform their respective obligations, commitments, undertakings, agreements, guarantees, compensations under the Restructuring Agreement and any other transaction documents, and procure the due and punctual performance by the Investor and Shandong Bairun of all their respective obligations under the Restructuring Agreement and any other related transaction documents. Such obligations include but without limitation to the following:

- (a) subscription of the Subscription Shares at the Subscription Price at Closing;
- (b) provision of guarantee to make payment to the SchemeCo of any shortfall between the Placing Price for Placing Out and the Issue Price of the Creditors' Shares under the Placing Agreement for Placing Out such that the SchemeCo would still receive the Issue Price of the Creditors' Shares for the Creditors' Shares on behalf of the relevant Scheme Creditors;
- (c) procuring the termination of the Entrusted Operation Agreement upon the PRC Court's approval of the UPPSD Bankruptcy Reorganisation plan;
- (d) provision of a loan of not less than RMB250 million by Shandong Bairun to SPV2 required for (a) fulfilling the First Instalment Payment obligations of UPPSD under the UPPSD Bankruptcy Reorganisation plan (which was estimated to be RMB170 million), and (b) the daily business operations of UPPSD which was estimated to be not less than RMB80 million, upon fulfilment of the Payment Conditions. For details of the payment made by Shandong Bairun, please refer to the section headed "UPPSD Bankruptcy Reorganisation" below;
- (e) application of the Whitewash Waiver to relieve the Investor from the obligation to make a mandatory general offer as a result of the acquisition of the Subscription Shares;
- (f) provision of the necessary financial and operational information of the Concert Party Group to the Company and/or the JPLs for the purpose of preparing the Resumption Proposal; and
- (g) payment of the Restructuring Expenses of approximately HK\$35 million to the JPLs according to the agreed timetable set forth in the Restructuring Agreement.

Details of the Restructuring Agreement, together with the detailed arrangements of (1) the Capital Reorganisation, (2) the Subscription, (3) the Group Reorganisation, (4) the Placement, (5) the Listco Scheme, (6) the UPPSD Bankruptcy Reorganisation, and (7) the Resumption are set out below:

## **1. THE CAPITAL REORGANISATION**

As at the date of this announcement, the authorised ordinary share capital of the Company is HK\$145,691,398.70 comprising 1,456,913,987 ordinary Shares, of which 1,141,075,827 ordinary Shares have been issued and fully paid. The Company also has, as at the date of this announcement, authorised preference share capital of HK\$14,308,601.3 comprising 143,086,013 Preference Shares, of which 132,064,935 Preference Shares have been issued and fully paid.

The Board proposes to implement, subject to the approval by the Shareholders, the Capital Reorganisation, which comprises of:

- (a) the Capital Reduction — the issued ordinary share capital of the Company shall be reduced by cancelling the paid up capital of the Company to the extent of HK\$0.095 on each of the issued Existing Shares such that the par value of each issued Existing Share shall be reduced from HK\$0.10 to HK\$0.005;
- (b) the Authorised Share Capital Diminution — upon the Capital Reduction becoming effective, all the authorised but unissued ordinary share capital shall be cancelled in its entirety;
- (c) the Share Premium Cancellation — upon the Capital Reduction becoming effective, the entire amount of approximately HK\$161,000,000 standing to the credit of the share premium account of the Company, being the aggregate amount subscribed for the Shares in excess of such Existing Shares' par value at that time, shall be cancelled from the share premium account and credited to the contributed surplus reserve account of the Company;
- (d) the Share Consolidation — upon the Capital Reduction, the Authorised Share Capital Diminution and the Share Premium Cancellation becoming effective, every ten (10) existing issued and unissued Shares of HK\$0.005 each shall be consolidated into one (1) New Share of HK\$0.05 each; and
- (e) the Increase in Authorised Share Capital — upon the Capital Reduction, the Authorised Share Capital Diminution, the Share Premium Cancellation and the Share Consolidation becoming effective, the Company's authorised ordinary share capital will be increased from approximately HK\$5,710,000 divided into 114,107,582 New Shares of HK\$0.05 each to HK\$100,000,000 divided into 2,000,000,000 New Shares of HK\$0.05 each.

## **Effects of the Capital Reorganisation**

Upon completion of the Capital Reorganisation, the authorised ordinary share capital of the Company shall be HK\$100,000,000 divided into 2,000,000,000 New Shares of HK\$0.05 each, of which 114,107,582 have been issued and credited as fully paid. The authorised preference share capital shall be HK\$14,308,601 divided into 143,086,013 Preference Shares of HK\$0.1 each, of which 132,064,935 have been issued and credited as fully paid that can be converted into 13,206,493 New Shares on a ten-to-one conversion basis.

The credit of approximately HK\$108,000,000 arising from the Capital Reduction and the credit arising from the Share Premium Cancellation in the amount of approximately HK\$161,000,000 will be transferred to the contributed surplus account of the Company and applied to set off against the accumulated losses of the Company as permitted by the laws of Bermuda and the Bye-Laws.

Other than the relevant expenses incurred, the implementation of the Capital Reorganisation will not have a material adverse effect on the consolidated net asset value of the Group, nor will it alter the underlying assets, business operations, management or financial position of the Company or the proportionate interests of the Shareholders in the Company.

The Capital Reorganisation will not involve any diminution of any liability in respect of any unpaid capital of the Company or the return of capital or cash to the Shareholders, nor will it result in any change in the relative rights of the Shareholders.

## **Arrangement on Odd Lot Trading**

In order to facilitate the trading of odd lots of Shares arising from the Capital Reorganisation, upon the Resumption, a designated broker will be appointed to match the purchase and sale of odd lots of the New Shares at the relevant market price per New Share on a best effort basis. Holders of odd lots of New Shares should note that successful matching of the sale and purchase of odd lots of New Shares is not guaranteed. Any Shareholder who is in any doubt about the odd lot arrangement is recommended to consult his/her/its own professional advisers. Details of the matching service will be provided in the circular to be despatched to the Shareholders in relation to, *inter alia*, the Capital Reorganisation.



## **Free Exchange of Share Certificates**

Subject to the Capital Reorganisation becoming effective, Shareholders may submit existing Share certificates to the Company's branch share registrar in Hong Kong, Boardroom Share Registrars (HK) Limited, at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong for exchange for new share certificates for the New Shares of par value of HK\$0.05 each from Thursday, 30 December 2021 to Tuesday, 8 February 2022 (both dates inclusive), at the expense of the Company. Thereafter, the existing share certificates for the New Shares of par value of HK\$0.10 each will be accepted for exchange only on payment of a fee of HK\$2.50 (or such higher amount as may from time to time be specified by the Hong Kong Stock Exchange), for each new share certificate issued or each existing Share certificate submitted for cancellation, whichever the number of share certificates issued or cancelled is higher. The existing Share certificates will continue to be valid for delivery, trading and settlement purposes.

Unless previously redeemed, cancelled or converted, each holder of Preference Shares shall be entitled to convert in respect of the whole or any part of its Preference Shares into fully paid ordinary Shares on the basis of one ordinary Share for every Preference Share at any time after the date of issue of the Preference Shares upon the giving of a conversion notice, subject to, the holders of the Preference Shares shall not exercise their rights to convert the Preference Shares into ordinary Shares unless at least 25% of the Company's total issued ordinary share capital that are listed on the Stock Exchange will at all times be held by the public.

The number of ordinary Shares arising on any conversion of the Preference Shares shall be adjusted if, among others, there shall be an alteration to the nominal value of the ordinary Shares as a result of a consolidation or sub-division.

Upon completion of the Capital Reorganisation, the Preference Shares can be converted into New Share(s) on a ten-to-one conversion basis.

Save for the above disclosed adjustment on conversion basis, other rights and restrictions of the Preference Shares are not affected by the Capital Reorganisation. For details of other rights and restrictions carried by the Preference Shares, please refer to the prospectus issued by the Company dated 27 October 2008.

The table below sets out the capital structure of the Company immediately before and after the completion of the Capital Reorganisation:

	Before completion of the Capital Reorganisation		After completion of Capital Reorganisation	
	Authorised	Issued	Authorised	Issued
<b>Ordinary Shares</b>				
No. of shares	1,456,913,987	1,141,075,827	2,000,000,000	114,107,582
Par value	<u>HK\$0.1 each</u>	<u>HK\$0.1 each</u>	<u>HK\$0.05 each</u>	<u>HK\$0.05 each</u>
Total ( <i>HK\$</i> )	<u>145,691,398.70</u>	<u>114,107,582.70</u>	<u>100,000,000.00</u>	<u>5,705,379.10</u>
<b>Preference Shares</b>				
No. of shares	143,086,013	132,064,935	143,086,013	132,064,935
Par value	<u>HK\$0.1 each</u>	<u>HK\$0.1 each</u>	<u>HK\$0.1 each</u>	<u>HK\$0.1 each</u>
Total ( <i>HK\$</i> )	<u>14,308,601.30</u>	<u>13,206,493.50</u>	<u>14,308,601.30</u>	<u>13,206,493.50</u>

### Conditions of the Capital Reorganisation

The completion of the Capital Reorganisation (which will be effected in accordance with the Bye-Laws and the Bermuda Companies Act) is conditional upon:

- (a) the passing of a special resolution by the Independent Shareholders to approve the Capital Reorganisation at the SGM;
- (b) the Stock Exchange granting the listing of, and permission to deal in, the New Shares issued and allotted following the Capital Reorganisation; and
- (c) compliance with the relevant procedures and requirements under sections 45 and 46 of the Bermuda Companies Act to effect the Capital Reorganisation, including (i) publication of notice of the Capital Reorganisation in Bermuda in an appointed newspaper in Bermuda on a date not more than thirty days and not less than fifteen days before the date on which the Capital Reorganisation is to take effect; and (ii) obtaining of the Directors' confirmation confirming that on the date on which the Capital Reduction is to take effect, there are no reasonable grounds for believing that the Company is, or after the Capital Reorganisation would be, unable to pay its liabilities as they fall due.

All of the abovementioned conditions cannot be waived by any of the parties to the Restructuring Agreement. As at the date of this announcement, none of the conditions have been fulfilled.

## 2. THE SUBSCRIPTION

Pursuant to the terms and conditions of the Restructuring Agreement, the Company shall issue and allot, and the Investor shall subscribe for 990,220,583 Subscription Shares at the Subscription Price of HK\$0.121056 per Subscription Share for a total consideration of HK\$119,872,142. Upon the issue and allotment of the Subscription Shares, the Placement Shares and the Creditors' Shares at Closing, the Subscription Shares represent approximately 70% and 70.66% of the then enlarged issued share capital of the Company, respectively, in case all the Preference Shares have been converted and none of the Preference Shares have been converted. For this purpose, the Company, the Investor and the JPLs have entered into the Subscription Agreement on 26 October 2021.

### **Status of the Subscription Shares**

The Subscription Shares to be issued will rank *pari passu* in all respects with the New Shares and will have the same voting, dividend and other rights attached or accruing thereto as from the date of issue and allotment of the Subscription Shares.

The Subscription Price was determined after arm's length negotiations between the Company and the Investor having considered factors including the suspension of trading of the shares of the Company, the prevailing market conditions, the financial position and prospects of the business operation of the Retained Group.

The Subscription Price which is the same as the Placement Share Price and the Issue Price of the Creditors' Shares, represents:

- (a) a discount of approximately 96.68% to the theoretical closing price of HK\$3.65 per New Share as adjusted for the effect of the Capital Reorganisation based on the closing price of HK\$0.365 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a discount of approximately 96.61% to the average theoretical closing price of HK\$3.57 per New Share as adjusted for the effect of the Capital Reorganisation based on the average closing price of HK\$0.357 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day;
- (c) a discount of approximately 96.71% to the average theoretical closing price of HK\$3.68 per New Share as adjusted for the effect of the Capital Reorganisation based on the average closing price of HK\$0.368 per Share as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Day; and

- (d) a discount of approximately 99.34% to the Group's unaudited consolidated net asset value per New Share of approximately HK\$18.37 as at 31 March 2020, based on unaudited consolidated net asset value attributable to Shareholders of approximately HK\$2,096,070,000 as at 31 March 2020 and 114,107,582 New Shares in issue upon the Capital Reorganisation becoming effective.

The Subscription Proceeds shall be used for (i) settling the Restructuring Expenses in the amount of approximately HK\$35,000,000, and (ii) discharging the debts of the Company under the Listco Scheme in the amount of approximately HK\$3,046 million. The Restructuring Expenses will be paid by the Investor in advance in accordance with the terms and conditions in the Restructuring Agreement on or prior to the Closing and will be off-set against the total consideration payable by the Investor upon completion of the Subscription on a dollar-to-dollar basis.

### **Conditions of the Subscription**

Pursuant to the Subscription Agreement, the implementation of the Subscription is conditional upon:

- (a) completion of the Capital Reorganisation;
- (b) the passing of the necessary resolutions by the Independent Shareholders at the SGM to approve (i) the Restructuring Agreement together with the transactions contemplated thereunder; (ii) the issue and allotment of the Subscription Shares, the Placement Shares and Creditors' Shares; (iii) the Whitewash Waiver; and (iv) the Special Deals;
- (c) UPPSD becoming a registered wholly-owned subsidiary of the SPV2 and obtaining the PRC Court's confirmation on the completion of the implementation of the UPPSD Bankruptcy Reorganisation plan as contemplated under the Restructuring Agreement or as recognised by the Investor;
- (d) (i) obtaining the approval and/or recognition of the Hong Kong Court and/or the Bermuda Court of the Listco Scheme; and (ii) the satisfaction of all the conditions precedent attached thereto (other than completion of the Subscription);
- (e) the granting of the Whitewash Waiver and the consent to the Special Deals by the Executive and the satisfaction of all the conditions attached thereto and such approval and consent not having been subsequently revoked or withdrawn;
- (f) the approval for listing of, and permission to deal in the Subscription Shares, the Placement Shares and the Creditors' Shares having been granted by the Listing Committee of the Stock Exchange (with or without conditions), and such

approval for the listing and permission not being subsequently withdrawn or revoked, and the approval of the Resumption has been given by the Stock Exchange and such approval not having been revoked;

- (g) obtaining all necessary consent, approval and waiver (including but without limitation to from the Stock Exchange and the SFC) in relation to transactions contemplated under the Subscription Agreement; and
- (h) obtaining all the necessary authorisations, consents and approvals from PRC authorities by the Investor, which, shall include those from state asset supervision authority and the anti-monopoly supervision authority.

None of the abovementioned conditions can be waived by any parties to the Subscription Agreement. As at the date of this announcement, conditions (c) and (d)(i) have been fulfilled. In relation to condition (h), the Investor has made application to the State-owned Assets Supervision and Administration Commission of Xiamen's People's Government and expects to obtain such approval in November 2021. The Investor expects to make application to the Anti-Monopoly Bureau of the Ministry of Commerce in November 2021 and obtain such approval in December 2021.

As of the date of this announcement, other than those mentioned in other conditions precedent to the completion of the Subscription, in relation to condition (g), parties to the Subscription Agreement are not aware of any other necessary waivers, consents or approvals in relation to the transaction contemplated under the Subscription Agreement.

The Subscription is inter-conditional with the Group Reorganisation, the Placement and the taking effect of the Listco Scheme; and the Subscription Shares, Placement Shares and Creditors' Shares will be issued simultaneously.

### **3. THE GROUP REORGANISATION**

Pursuant to the Restructuring Agreement, the Group Reorganisation shall involve:

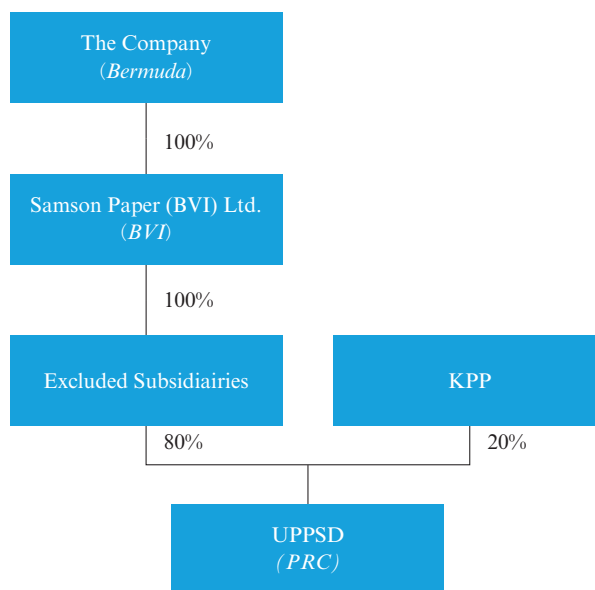
- (a) the incorporation of the SPV1 in Hong Kong, which shall be wholly-owned by the Company;
- (b) the incorporation of the SPV2 in the PRC, which shall be wholly-owned by the SPV1;
- (c) SPV2 becoming the sole registered shareholder of UPPSD through the UPPSD Bankruptcy Reorganisation;

- (d) upon the Closing, to effectuate the transfer of the Excluded Subsidiaries to the SchemeCo for the benefit of the Scheme Creditors by transferring the entire equity interests of Samson Paper (BVI) Ltd (being the holding company of the Excluded Subsidiaries and a directly wholly-owned subsidiary of the Company) held by the Company to the SchemeCo at a nominal consideration of HK\$1.0. The Retained Group will be principally engaged in manufacturing of paper product;
- (e) provision of a loan of not less than RMB80 million by Shandong Bairun to SPV2 which will be used in the daily business operations of UPPSD (which forms part of the loan of not less than RMB250 million to be provided by Shandong Bairun to SPV2 under the UPPSD Bankruptcy Reorganisation, the remaining RMB170 million of which will be used for fulfillment of the First Instalment Payment);
- (f) the completion of the implementation of the UPPSD Bankruptcy Reorganisation plan; and
- (g) the above-mentioned loan would be secured by charge over the shares of the SPV1, SPV2 and UPPSD and the appropriate assets of UPPSD created in favour of the Investor or Shandong Bairun by way of a first priority fixed charge, which shall be discharged upon the completion of the Group Reorganisation.

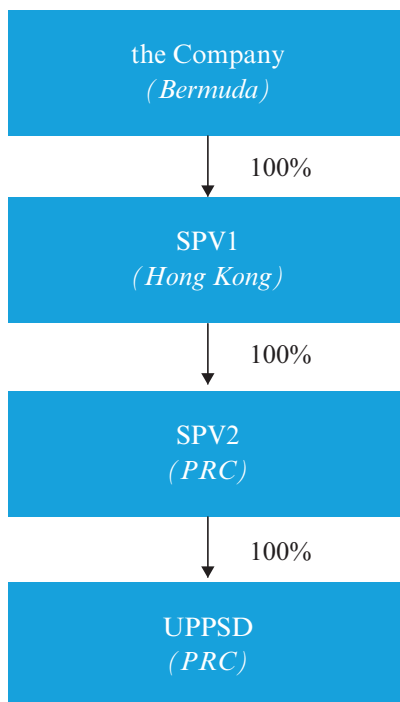
As at the date of this announcement, other than step (d), all the above steps have been completed.

Prior to the UPPSD Bankruptcy Reorganisation, UPPSD was indirectly owned as to 80% by the Company and 20% by KPP. As at the date of this announcement, KPP held no interest in UPPSD and SPV2 became the sole registered shareholder of UPPSD.

Set out below is the Group structure before the Group Reorganisation:



Upon the completion of the Group Reorganisation, the Retained Group will only comprise the Company and its three wholly-owned subsidiaries, being SPV1, SPV2 and UPPSD. Set out below is the structure of the Retained Group immediately after the completion of the Group Reorganisation:



#### **4. THE PLACEMENT**

Pursuant to the Restructuring Agreement, the Placing Agreement for Placement will be entered into amongst the Company, the Investor and the Placing Agent for Placement, pursuant to which the Placing Agent for Placement will undertake to place, on a fully underwritten basis, 56,584,032 Placement Shares to no less than six Placee(s) at the Placement Share Price of HK\$0.121056 per Placement Share.

##### **Placing Commitment**

The Placing Agent for Placement shall, on a fully underwritten basis, place, or procure the placing of, the Placement Shares in fulfillment of the Placing Commitment in the capacity as the Company's agent.

In the event that the Placing Agent for Placement fails to place, or procure the placing of, the relevant Placement Shares in fulfillment of the relevant Placing Commitment under the Placing Agreement for Placement, the Placing Agent for Placement itself shall, as principal, subscribe for such Placement Shares representing the Placing Commitment less those Placement Shares already agreed to be subscribed by the Placees procured by it.

The Placing Agent for Placement may carry out the Placement itself and/or through the Sub-agents. All fees, commissions, costs and expenses of such Sub-agents shall be paid by the Placing Agent for Placement out of the commissions, charges and expenses payable by the Investor under the Placing Agreement for Placement.

After taking into account the Subscription Shares, the Placement Shares and the Creditors' Shares issued and allotted, (i) assuming that none of the Preference Shares have been converted, the number of Placement Shares shall represent approximately 4.04% of the then issued share capital of the Company enlarged by the issue and allotment of the Subscription Shares, the Placement Shares and the Creditors' Shares; and (ii) assuming that all the Preference Shares have been fully converted, the number of Placement Shares shall represent approximately 4.00% of the Enlarged Capital.

Each of the Placing Agent for Placement, the Sub-agents and the Placees (or as the case may be, their ultimate beneficial owner(s)) thereunder will not be a Shareholder or member of the Concert Party Group and otherwise will be an Independent Third Party.

The gross proceeds from the Placement will be approximately HK\$6,849,836.58, and shall be used for discharging part of the debts of the Company under the Listco Scheme of approximately HK\$3,046 million as at 31 March 2021.



## **Placement Share Price**

The Placement Share Price of HK\$0.121056 per Placement Share is the same as the Subscription Price and the Issue Price of the Creditors' Share, which is determined after arm's length negotiations between the Company and the Placing Agent for Placement having considered factors including the suspension of trading of the Shares of the Company, the prevailing market conditions, the financial position and prospects of the business operation of the Retained Group. Please refer to the section headed "The Subscription" for details of the Subscription Price.

## **Placing Agreement for Placement**

The Placing Agreement for Placement will be executed in compliance with the requirements of the Listing Rules. It is expected that the Placing Agreement for Placement will be executed prior to the despatch of the circular and details of the Placing Agreement for Placement will be contained in the circular.

## **Conditions precedent to the Placement**

The completion of the Placement is conditional upon the following conditions being fulfilled:

- (a) the passing of the necessary resolution(s) by the Independent Shareholders at the SGM to approve the Restructuring Agreement (and the transactions contemplated thereunder); and the issue of the Placement Shares, Subscription Shares and Creditors' Shares;
- (b) the Listing Committee of Stock Exchange has granted the approval for the listing of, and permission to deal in the Subscription Shares, the Placement Shares and the Creditors' Shares (with or without conditions), and such approval for the listing and permission not being subsequently withdrawn or revoked;
- (c) all requirements and conditions imposed by the Stock Exchange or the SFC or under the Listing Rules otherwise in connection with the Placing Agreement for Placement and the transactions contemplated thereunder having been fulfilled or complied with;
- (d) compliance with the requirements under the applicable laws and regulations of Hong Kong and Bermuda; and
- (e) the Placing Agreement for Placement is not being terminated in accordance with its terms.

All of the abovementioned conditions cannot be waived by any of the parties to the Restructuring Agreement. As at the date of this announcement, none of the conditions have been fulfilled.

The Placement is inter-conditional with the Group Reorganisation, the Subscription and the taking effect of the Listco Scheme; and the Subscription Shares, the Placement Shares and the Creditors' Shares will be issued simultaneously.

### **Status of the Placement Shares**

The Placement Shares (when fully paid and allotted) will rank *pari passu* in all respects among themselves and the New Shares in issue as at the date of issue and allotment of the Placement Shares, including all rights to all future dividends or distributions, which may be declared, made or paid by the Company on or after the date of issue and allotment of the Placement Shares, as well as rights to voting and interest in capital.

### **Rescission**

If any of the following events occurs at any time prior to 10:00 a.m. on the Placement Completion Date, the Placing Agent for Placement may at its absolute discretion, by giving a written notice to the Company, at any time prior to 10:30 a.m. on the Placing Completion Date rescind the Placing Agreement for Placement without liability to the other party thereto or any thereof and, subject to certain provisions of the Placing Agreement for Placement (such as confidentiality as well as applicable law and jurisdiction) which shall continue, the Placing Agreement for Placement shall thereupon cease to have effect and none of the parties to the Placing Agreement for Placement shall have any rights or claims by reason thereof, save for any antecedent breaches:

- (a) there shall have been since the date of the Placing Agreement for Placement such a change in national or international financial, political or economic conditions or taxation or exchange controls as would be likely to prejudice materially and adversely the consummation of the Placement; or
- (b) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any matter whatsoever which may materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or
- (c) any material breach of any of the representations and warranties set out in the Placing Agreement for Placement comes to the knowledge of the Placing Agent for Placement or any event occurs or any matter arises on or after the date of the Placing Agreement for Placement and prior to 10:00 a.m. on the Placement Completion Date which if it had occurred or arisen before the Placement Completion Date would have rendered any of such representations and warranties untrue or incorrect in any material respect or there has been a material breach by the Company of any other provision of the Placing Agreement for Placement.

## 5. THE LISTCO SCHEME

As at 31 March 2021, based on the available books and records of the Company, the estimated total amount of claims against, and the liabilities of, the Company is approximately HK\$3,046 million.

Pursuant to the Restructuring Agreement, the principal terms of the Listco Scheme include:

- (a) upon the Listco Scheme becoming effective, all the claims of the Scheme Creditors shall be fully and finally discharged under the Listco Scheme by the SchemeCo by way of below:
  - (i) the SchemeCo, which shall be set up by the Scheme Administrators upon the Listco Scheme becoming effective, shall accept and assume an equivalent liability in place of the Company in respect of the claims of creditors of the Company; and
  - (ii) in return, the Scheme Creditors will be entitled to receive dividends (from the realisation of the assets of the SchemeCo) pursuant to the Listco Scheme in full and final settlement to the Scheme Creditors' claims against the SchemeCo;
- (b) the Scheme Administrators shall incorporate the SchemeCo to hold and realise assets of the SchemeCo for distribution to the Scheme Creditors and settle the costs and expenses arising from the implementation of the Listco Scheme in accordance with the terms of the Listco Scheme;
- (c) the transfer of the Excluded Subsidiaries to the SchemeCo;
- (d) the assets of the SchemeCo to be realised for the benefit of the Scheme Creditors shall include:
  - (i) the remaining balance of the gross Subscription Proceeds of approximately HK\$119,872,142 after deducting the Restructuring Expenses;
  - (ii) the 240,482,142 Creditors' Shares to be issued by the Company to the SchemeCo at the Issue Price of the Creditors' Shares for the benefit of the Scheme Creditors as part of the Listco Scheme, representing approximately 17.16% of the issued share capital of the Company enlarged by the issue and allotment of the Subscription Shares, the Placement Shares and the Creditors' Shares, assuming none of the Preference Shares have been converted; and approximately 17.0% of the Enlarged Capital assuming all Preference Shares have been fully converted, subject to the right to dispose the Creditors' Shares as detailed in paragraph (f) below;
  - (iii) the gross proceeds for the Placement of approximately HK\$6,849,836.58;

- (iv) the shares and/or other assets of the Excluded Subsidiaries;
  - (v) the inter-company account receivables due from the Excluded Subsidiaries to the Retained Group in the amount of approximately HK\$300 million;
  - (vi) the cash, bank deposits and account receivables of the Company as at the effective date of the Listco Scheme (apart from the account receivables due from the Retained Group);
  - (vii) all claims or litigations and all potential claims or litigation rights against third parties raised by the Retained Group (to the extent transferrable under the applicable law and approved by the relevant party);
- (e) in relation to the aforementioned Creditors' Shares to be issued and allotted by the Company to the SchemeCo for the benefit of the Scheme Creditors, as soon as practicable after the Listco Scheme becoming effective and the Scheme Administrators have adjudicated the claims of all creditors of the Company, they shall fix the respective entitlement of the Creditors' Shares of each Scheme Creditor by making reference to the amount of admitted claim of each Scheme Creditor to the total amount of admitted claims of all Scheme Creditors. The Scheme Administrators shall issue a notice to each Scheme Creditor in relation to its entitlement of the Creditors' Shares, and each Scheme Creditor shall have the option to (i) request the SchemeCo to deposit its entitled Creditors' Shares into a CCASS securities account designated by the Scheme Creditor or to be delivered physical certificate representing the entitled Creditors' Shares or (ii) receive cash to be realised from the disposal of the Creditors' Shares held by the SchemeCo for their benefits as detailed in (f) below;
- (f) the Scheme Creditors electing to hold the Creditors' Shares in their own names or through CCASS are not entitled to the Price Protection. Only the SchemeCo (for the benefit of the Scheme Creditors other than the Scheme Creditors who elected to hold the Creditors' Shares in their own names or through CCASS) shall have the right (exercisable by the Scheme Administrators in their absolute discretion) to dispose of the Creditors' Shares on behalf of the relevant Scheme Creditors, either (i) in the open market at the market price, or (ii) by instructing the Placing Agent for Placing Out one or more times during the Placing Out Period to place such number of Creditor's Shares to the Placees and, given the Price Protection will be in place, realise such Creditor's Shares at a price not less than the Issue Price of the Creditors' Shares, thereby offering a certain minimum realisation from the Creditors' Shares in exchange for the relevant Scheme Creditors discharging and releasing their admitted claims against the Company, subject to the passing of the necessary resolutions by the Shareholders at the SGM to approve the Special Deal III. The Investor shall enter into the Placing Agreement for Placing Out with the Scheme Administrators (on behalf of the Scheme Creditors), the SchemeCo and the Placing Agent for Placing Out upon Closing. In any event, the shareholding of the Investor and parties acting in

concert with it in the Company will not exceed 75% of the issued Shares as the Creditors' Shares are held by the Scheme Creditors, who are members of the public, in their own names or through CCASS, or to be sold in the open market, or placed out in part or in full under the Placing Agreement for Placing Out;

The relevant proceeds of the sale of the Creditors' Shares, after deducting the costs of realisation and payment of any applicable taxes or duties, will be paid by the Scheme Administrators to that Scheme Creditor in full satisfaction of his rights to those Creditors' Shares as and when such disposal has been completed.

Each of the Placing Agent for Placing Out and the Placees thereunder (or as the case may be, their ultimate beneficial owner(s)) will not be a Shareholder or member of the Concert Party Group and otherwise will be an Independent Third Party.

### **Conditions of the Listco Scheme**

The taking effect of the Listco Scheme is conditional upon:

- (a) obtaining the approval of the Listco Scheme from the Scheme Creditors at the meeting of the creditors of the Company; and
- (b) (i) obtaining the approval and/or recognition of the Hong Kong Court and/or the Bermuda Court of the Listco Scheme, and (ii) registration of a copy of each of the relevant Court Order(s) approving and/or recognising the Listco Scheme with the registrars of companies in Hong Kong and Bermuda, as appropriate, no earlier than the Closing.

The Listco Scheme shall be effective on the date when all the conditions set out above are satisfied.

Conditions (a) and (b) above are not waivable. As at the date of this announcement, the conditions (a) and (b)(i) above have been fulfilled. The taking effect of the Listco Scheme is inter-conditional with the Subscription, the Group Reorganisation and the Placement, and the Subscription Shares, Placement Shares and Creditors' Shares will be issued simultaneously. The Creditors' Shares will rank *pari passu* in all respects with the New Shares in issue as at the date of issue and allotment of the Creditors' Shares.

### **Application for listing of the Subscription Shares, Placement Shares and Creditors' Shares**

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares, Placement Shares and Creditors' Share.

## 6. UPPSD BANKRUPTCY REORGANISATION

Pursuant to the Restructuring Agreement, parties shall undertake and agree to use their best endeavours to procure the conversion of the bankruptcy proceedings of UPPSD into a bankruptcy reorganisation with a view to facilitating a holistic restructuring of the indebtedness of UPPSD, and the completion of the implementation of the UPPSD Bankruptcy Reorganisation as contemplated under the Restructuring Agreement and as approved by the PRC Court or as recognised by the Investor. The principal terms of the UPPSD Bankruptcy Reorganisation include, inter alia:

- (a) SPV2 becoming the sole registered shareholder of UPPSD through the UPPSD Bankruptcy Reorganisation;
- (b) settlement of four creditors' priority claims with an aggregate amount of RMB4,960,533.58 in one lump sum payment by cash in priority to other creditors with unsecured claims, with their unsecured claims totalling RMB1,084,101,760.80 settled in the method as provided in (d), (e) and (f) below;
- (c) settlement of two creditors' verified tax claims with an aggregate amount of RMB48,333,787.65 in one lump sum payment by cash;
- (d) settlement of each creditor's unsecured claims with principal amount of RMB200,000 (inclusive) or below in full by way of cash;
- (e) for each creditor's unsecured claims with principal amount exceeding RMB200,000, settlement will be completed within four (4) years in five (5) instalments of 20% every year. The First Instalment Payment shall be made to repay creditor's unsecured claim of principal amount below RMB200,000 (inclusive) and 20% of the principal amount in excess of RMB200,000. The four subsequent instalments of 20% of the principal amount in excess of RMB200,000 shall be paid on or before the first, second, third and fourth anniversary date of the First Instalment Payment. Remaining debts shall not bear any interest for the period of settlement in instalments;
- (f) the settlement of the Debts of UPPSD's Related Parties (Confirmed) in the total sum of RMB741,989,908.38 as recognised by the UPPSD Bankruptcy Administrator in one lump sum payment of RMB50 million; and
- (g) upon the completion of UPPSD Bankruptcy Reorganisation, UPPSD shall forfeit its all other receivables, prepayments and other debts due by the Group to UPPSD, which amounted to RMB156,943,268.36 based on the liquidation audit on UPPSD commissioned by the UPPSD Bankruptcy Administrator.

On 29 July 2021, the UPPSD Bankruptcy Administrator convened the second creditors' meeting, at which the UPPSD's Bankruptcy Reorganisation plan was duly approved by the creditors and shareholders of UPPSD. On 31 July 2021, the UPPSD Bankruptcy Administrator applied to the PRC Court for its approval of the UPPSD's Bankruptcy Reorganisation plan, and the PRC Court approved the same with effect from 1 August 2021. As such and commencing from 1 August 2021, the UPPSD's Bankruptcy Reorganisation plan started to be implemented by parties in accordance with the plan approved by the creditors and shareholders of UPPSD and the PRC Court.

The completion of the implementation of the UPPSD Bankruptcy Reorganisation plan took place on 29 September 2021 and was confirmed by the PRC Court on 11 October 2021 upon satisfaction of the following three conditions:

- (a) in respect of payment of claims in cash to each creditor of UPPSD, the payment of their respective First Instalment Payment has been paid in full as reserve to the bank account of the UPPSD Bankruptcy Administrator;
- (b) issuance of the "Confirmation of Remaining Debts Plan" by UPPSD to the creditors confirming that UPPSD shall pay the remaining debts/claims in accordance with the date and amounts specified in the UPPSD Bankruptcy Reorganisation plan to such creditors; and
- (c) the reorganisation expenses and debts in the amount of approximately RMB21 million have been paid off in compliance with the UPPSD Bankruptcy Reorganisation plan.

As required by and as part of the UPPSD Bankruptcy Reorganisation plan, Shandong Bairun was to provide a loan of not less than RMB250 million required for the implementation of the UPPSD Bankruptcy Reorganisation plan to SPV2 ( to be used to settle the First Instalment Payment to be paid to the creditors in the total amount of approximately RMB170 million and to be used in the daily business operations of UPPSD of not less than RMB80 million), within ten (10) business days after fulfilment of all of the following Payment Conditions:

- (a) approval of the UPPSD Bankruptcy Reorganisation plan by the PRC Court;
- (b) execution of the Facility Agreement in respect of the loan of not less than RMB250 million by Shandong Bairun, SPV2, UPPSD, the Company and the JPLs;
- (c) completion of the mortgage registration in favour of Shandong Bairun as the first priority mortgagor over assets (including land and buildings) of UPPSD;

- (d) completion of the share charge registration in favour of Shandong Bairun or the Investor (as the case may be) in respect of 100% shareholding in each of UPPSD, SPV1 and SPV2;
- (e) implementation of supervision of the bank account and chops of UPPSD, SPV1 and SPV2 pursuant to the Restructuring Agreement; and
- (f) revocation of the mortgage right of SJ (China) Company Limited (a Group company) over assets of UPPSD by the UPPSD Bankruptcy Administrator.

As of the date of this announcement, all of the above Payment Conditions have been satisfied.

On 28 September 2021, Shandong Bairun provided the loan of RMB250 million in accordance with the UPPSD Bankruptcy Reorganisation plan and the Facility Agreement, pursuant to which RMB170 million has been released to UPPSD Bankruptcy Administrator (at the instruction of SPV2) for settlement of the First Instalment Payments and the reorganisation expenses and debts; and RMB80 million has been released to UPPSD (also at the instruction of SPV2) for daily business operation of UPPSD.

The loan of RMB250 million provided by Shandong Bairun carries a fixed interest at the 1-year loan prime rate announced by the National Interbank Funding Centre and will become repayable upon the earlier of (i) the first anniversary of the date of releasing the loan to SPV2 or (ii) any material breach of the Facility Agreement by a party which is not remedied to the satisfaction of the non-breaching party. The loan is secured by charge over the shares of SPV1, SPV2 and UPPSD and the assets of UPPSD created in favour of the Investor or Shandong Bairun by way of a first priority fixed charge, which shall be discharged upon completion of the Group Reorganisation.

On 29 September 2021, after (i) receiving the fund of RMB170 million provided by Shangdong Bairun at the instruction of SPV2; and (ii) issuing the “Confirmation of Remaining Debts Plan” to the creditors, the UPPSD Bankruptcy Administrator applied to the PRC Court for confirmation of completion of implementation of the UPPSD Bankruptcy Reorganisation plan and verdict on the termination of the UPPSD’s bankruptcy reorganisation proceedings. On 11 October 2021, the PRC Court issued a verdict confirming the completion of implementation of the UPPSD’s Bankruptcy Reorganisation plan, and ordered the termination of UPPSD’s bankruptcy reorganisation proceedings with effect from 11 October 2021.



After receiving the funds, the UPPSD Bankruptcy Administrator has been allocating the First Instalment Payments to the creditors. The payment to creditors process has been completed, including the payment to DaiEi, except for payment to two offshore creditors, which are still in process as at the date of this announcement. The remaining funds in the bank account of the UPPSD Bankruptcy Administrator after the First Instalment Payments have been made to all creditors will serve as reserved funds, which shall be transferred to the reorganised bank account of UPPSD, with the bank account of the UPPSD Bankruptcy Administrator being cancelled afterwards.

## **7. THE RESUMPTION**

The Company, the JPLs and the Investor acknowledged in the Restructuring Agreement, as at the date of the Restructuring Agreement, the Stock Exchange has imposed on the Company the following conditions to the Resumption:

- (a) address all audit issues raised by the auditors of the Company;
- (b) conduct an appropriate independent investigation into the audit issues, announce the findings and take appropriate remedial actions;
- (c) publish all outstanding financial results required under the Listing Rules and address any audit modifications;
- (d) have the winding-up petition (or winding-up order, if made) against the Company withdrawn or dismissed;
- (e) announce all material information for the Company's Shareholders and investors to appraise the Company's position;
- (f) demonstrate its compliance with Rule 13.24 of the Listing Rules;
- (g) conduct an independent internal control review and demonstrate adequate internal control systems being put in place to meet the obligations under the Listing Rules; and
- (h) re-comply with Rules 3.05, 3.10(1), 3.21 and 3.25 of the Listing Rules.

If the Company fails to satisfy all the above conditions to the Resumption imposed by the Stock Exchange by 1 January 2022, the Listing Division of the Stock Exchange may recommend the Listing Committee to proceed with the cancellation of the Company's listing status. The Company is taking various steps to satisfy the Resumption conditions, including:

- (i) appointment of RSM Hong Kong as the auditor of the Company for the audit of the Company's financial statements for the years ended 31 March 2020 and 31 March 2021;

- (ii) appointment of Grant Thornton Advisory Services Limited to conduct an independent investigation on the audit issues and announcement by the Company on 25 May 2021 of the findings of Grant Thornton and remedial actions taken;
- (iii) appointment of Pan-China Enterprise Risk Management Consulting Limited as its internal control consultant to conduct a comprehensive review of the internal control systems and procedures of the Group and to make recommendations accordingly;
- (iv) sanctions of the Listco Scheme by the Hong Kong Court on 28 October 2021; and
- (v) submission of the Resumption Proposal to the Stock Exchange on 20 September 2021, which is currently under the Stock Exchange's review.

As of the date of this announcement, none of the Resumption conditions has been satisfied.

To facilitate the Resumption, each of the Company, the JPLs and the Investor undertakes and agrees to use its best endeavours to procure the satisfaction of all the above conditions to the Resumption imposed by the Stock Exchange as soon as reasonably practicable, including but not limited to:

- (a) providing information reasonably requested by the JPLs and the Company to only facilitate the formulation of the Resumption Proposal to be submitted to the Stock Exchange;
- (b) informing the Investor of the status of the Resumption to the extent permitted by law, and providing documents and information reasonably requested by the Investor relating to the Resumption; and
- (c) cooperating fully and reasonably to do such further acts and things and executing any further document that may be necessary or desirable to give full effect to the Restructuring.

## THE GROUP AND ITS SHAREHOLDING STRUCTURE

The tables below set out the shareholding structure of the Company under different scenarios before and after Closing:

### Scenario 1: Assuming none of the Preference Shares is converted

	As at the date of this announcement		Upon completion of the Capital Reorganisation		Immediately after the Closing (after issue of the Subscription Shares, Creditors' Shares and Placement Shares)		Immediately after the Closing (after issue of the Subscription Shares, Creditors' Shares and Placement Shares); and assuming all Creditors' Shares have been placed under the Placing Out	
	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%
Investor	—	—	—	—	990,220,583	70.66	990,220,583	70.66
Mr. Lee Seng Jin (Note 1)	816,992,935	71.60	81,699,293	71.60	81,699,293	5.83	81,699,293	5.83
Ms. Sham Yee Lan, Peggy (Note 2)	33,425,112	2.93	3,342,511	2.93	3,342,511	0.24	3,342,511	0.24
Mr. Chow Wing Yuen (Note 3)	1,080,000	0.09	108,000	0.09	108,000	0.01	108,000	0.01
SchemeCo (Note 4)	—	—	—	—	240,482,142	17.16	—	—
Placees and/or the Placing Agent for Placement (as the underwriter) under the Placement (Note 5)	—	—	—	—	56,584,032	4.04	56,584,032	4.04
Placees under the Placing Out (Note 6)	—	—	—	—	—	—	240,482,142	17.16
Public Shareholders (Note 4, 5, 6)	289,577,780	25.38	28,957,778	25.38	28,957,778	2.06	28,957,778	2.06
Total	<u>1,141,075,827</u>	<u>100.00</u>	<u>114,107,582</u>	<u>100.00</u>	<u>1,401,394,339</u>	<u>100.00</u>	<u>1,401,394,339</u>	<u>100.00</u>

#### Notes:

- As at the date of this announcement, Mr. Lee Seng Jin, a former Director, is beneficially interested in 816,992,935 Shares, of which 688,533,247 Shares are held by Quinselle Holdings Limited, a company wholly-owned by Mr. Lee Seng Jin and 128,459,688 Shares are held by Mr. Lee Seng Jin directly. Mr. Lee Seng Jin is also beneficially interested in 132,064,935 Preference Shares which are also held by Quinselle Holdings Limited. Neither Mr. Lee Seng Jin nor Quinselle Holdings Limited has the intention to convert the Preference Shares any time before Closing. Immediately after the Closing, Mr. Lee Seng Jin and Quinselle Holdings Limited will become public Shareholders.
- Ms. Sham Yee Lan, Peggy is the spouse of Mr. Lee Seng Jin and a former Director. Immediately after the Closing, Ms. Sham Yee Lan, Peggy will become a public Shareholder.
- Mr. Chow Wing Yuen is a former Director. Immediately after the Closing, Mr. Chow Wing Yuen will become a public Shareholder.
- DaiEi is a public Shareholder (which holds 20,000,000 Shares, representing approximately 1.8% of the issued ordinary share capital of the Company as at the date of this announcement, based on the records available to the Company) and a creditor of the Company. As DaiEi's entitlement of Creditors' Shares has not been fixed as at the date of this announcement, their entitlement of Creditors' Shares is included in the shareholding of the SchemeCo for illustration purpose.
- Each of the Placees and the Placing Agent for Placement (as the underwriter) under the Placement will be a public Shareholder.
- Each of the Placees under the Placing Out will be a public Shareholder.

## Scenario 2: Assuming all of the Preference Shares are converted

	As at the date of this announcement		Upon completion of the Capital Reorganisation		Immediately after the Closing (after issue of the Subscription Shares, Creditors' Shares and Placement Shares)		Immediately after the Closing (after issue of the Subscription Shares, Creditors' Shares and Placement Shares); and assuming conversion of all Preference Shares		Immediately after the Closing (after issue of the Subscription Shares, Creditors' Shares and Placement Shares); assuming conversion of all Preference Shares and all Creditors' Shares have been placed under the Placing Out	
	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%
Investor	—	—	—	—	990,220,583	70.66	990,220,583	70.00	990,220,583	70.00
Mr. Lee Seng Jin (Note 1)	816,992,935	71.60	81,699,293	71.60	81,699,293	5.83	94,905,786	6.71	94,905,786	6.71
Ms. Sham Yee Lan, Peggy (Note 2)	33,425,112	2.93	3,342,511	2.93	3,342,511	0.24	3,342,511	0.24	3,342,511	0.24
Mr. Chow Wing Yuen (Note 3)	1,080,000	0.09	108,000	0.09	108,000	0.01	108,000	0.01	108,000	0.01
SchemeCo (Note 4)	—	—	—	—	240,482,142	17.16	240,482,142	17.00	—	—
Placees and/or the Placing Agent for Placement (as the underwriter) under the Placement (Note 5)	—	—	—	—	56,584,032	4.04	56,584,032	4.00	56,584,032	4.00
Placees under the Placing Out	—	—	—	—	—	—	—	—	240,482,142	17.00
Public Shareholders (Note 4, 5, 6)	<u>289,577,780</u>	<u>25.38</u>	<u>28,957,778</u>	<u>25.38</u>	<u>28,957,778</u>	<u>2.06</u>	<u>28,957,778</u>	<u>2.04</u>	<u>28,957,778</u>	<u>2.04</u>
Total	<u>1,141,075,827</u>	<u>100.00</u>	<u>114,107,582</u>	<u>100.00</u>	<u>1,401,394,339</u>	<u>100.00</u>	<u>1,414,600,832</u>	<u>100.00</u>	<u>1,414,600,832</u>	<u>100.00</u>

### Notes:

- As at the date of this announcement, Mr. Lee Seng Jin, a former Director, is beneficially interested in 816,992,935 Shares, of which 688,533,247 Shares are held by Quinselle Holdings Limited, a company wholly-owned by Mr. Lee Seng Jin and 128,459,688 Shares are held by Mr. Lee Seng Jin directly. Mr. Lee Seng Jin is also beneficially interested in 132,064,935 Preference Shares which are also held by Quinselle Holdings Limited. Neither Mr. Lee Seng Jin nor Quinselle Holdings Limited has the intention to convert the Preference Shares any time before Closing. Immediately after the Closing, Mr. Lee Seng Jin and Quinselle Holdings Limited will become public Shareholders.
- Ms. Sham Yee Lan, Peggy is the spouse of Mr. Lee Seng Jin and a former Director. Immediately after the Closing, Ms. Sham Yee Lan, Peggy will become a public Shareholder.
- Mr. Chow Wing Yuen is a former Director. Immediately after the Closing, Mr. Chow Wing Yuen will become a public Shareholder.
- DaiEi is a public Shareholder (which holds 20,000,000 Shares, representing approximately 1.8% of the issued ordinary share capital of the Company as at the date of this announcement, based on the records available to the Company) and a creditor of the Company. As DaiEi's entitlement of Creditors' Shares has not been fixed as at the date of this announcement, their entitlement of Creditors' Shares is included in the shareholding of the SchemeCo for illustration purpose.
- Each of the Placees and the Placing Agent for Placement (as the underwriter) under the Placement will be a public Shareholder.
- Each of the Placees under the Placing Out will be a public Shareholder.

Save for disclosed above, no current or former Director from the preceding twelve months is interested in any Shares of the Company. None of Mr. Lee Seng Jin, Ms. Sham Yee Lan, Peggy or Mr. Chow Wing Yuen were involved in any negotiation and/or discussion of the Restructuring.

## **TAKEOVERS CODE IMPLICATIONS**

### **The Whitewash Waiver**

As at the date of the Restructuring Agreement and this announcement, the Concert Party Group does not hold any Shares. Upon the issue and allotment of the Subscription Shares, Placement Shares and the Creditors' Shares at Closing and assuming that none of the Preference Shares have been converted, the Investor will be interested in a maximum number of 990,220,583 New Shares, representing approximately 70.66% of the then issued share capital of the Company enlarged by the issue and allotment of the Subscription Shares, the Placement Shares and the Creditors' Shares. As such, the Investor would be required to make an unconditional mandatory general offer for all the issued Shares (not already owned or agreed to be acquired by the Concert Party Group) under Rule 26.1 of the Takeovers Code, unless the Whitewash Waiver is granted by the Executive.

In this regard, the Investor will make an application to the Executive for the Whitewash Waiver to relieve them from their obligation to make a mandatory general offer as a result of the acquisition of Subscription Shares. The Whitewash Waiver, if granted by the Executive, will be subject to, among other things, the Whitewash Waiver and the transactions contemplated under the Restructuring Agreement being separately approved by at least 75% and more than 50% of the votes cast by the Independent Shareholders at the SGM by way of poll, respectively, in accordance with Note 1 on dispensations from Rule 26 of the Takeovers Code.

The Whitewash Waiver may or may not be granted by the Executive. Completion of the Restructuring is conditional upon, among other things, the Whitewash Waiver being granted by the Executive and approved by the Independent Shareholders. If the Whitewash Waiver is not granted by the Executive or not approved by the Independent Shareholders, the Restructuring will not proceed. The Company notes that the Executive may not grant the Whitewash Waiver if the Restructuring does not comply with applicable rules and regulations. Nevertheless, the implementation of UPPSD Bankruptcy Reorganisation Plan has completed independently from the other transactions contemplated under the Restructuring Agreement with effect from 11 October 2021.

## **Special Deals**

### ***Special Deal I***

Based on the records available to the Company, as at the date of this announcement, DaiEi holds 20,000,000 Shares, representing approximately 1.8% of the issued ordinary share capital of the Company. Based on the records available to the Company, DaiEi is a creditor of the Company, and subject to adjudication by the Scheme Administrators upon the Listco Scheme taking effect, DaiEi may also be a Scheme Creditor.

If the claim of DaiEi is admitted by the Scheme Administrators, DaiEi will be entitled to the Payment to DaiEi under the Listco Scheme.

As the Payment to DaiEi under the Listco Scheme is not extended to all the other Shareholders, such settlement of indebtedness constitutes a special deal under Rule 25 of the Takeovers Code.

### ***Special Deal II***

During the UPPSD Bankruptcy Reorganisation proceeding, DaiEi as a creditor of UPPSD, claimed an amount of RMB382,621.59 owed by UPPSD to it. As a creditor with unsecured claim of UPPSD, accordance to the terms of the UPPSD Bankruptcy Reorganisation plan, DaiEi is entitled to receive RMB200,000 and 20% of the balance of the claimed amount in cash as its First Instalment Payment, and will receive four subsequent instalments, each representing 20% of the balance of the claimed amount on or before the first, second, third and fourth anniversary of the date payment of its First Instalment Payment. Accordingly, DaiEi is entitled to receive a total of RMB236,524 as the First Instalment Payment, and four subsequent instalments of RMB36,524 each totalling RMB146,096 in accordance with the aforementioned payment schedule.

DaiEi's entitlement for the Payment to DaiEi under the UPPSD Bankruptcy Reorganisation originated from its status as a creditor of UPPSD with unsecured claim of UPPSD pursuant to a sale and purchase contract dated 19 March 2020 and entered into by and between DaiEi as seller and UPPSD as buyer for purchase of certain amount of recycled liner board in rolls for a total purchase price of US\$60,000 (which approximately equals to RMB382,621.59), which has been verified and confirmed by the UPPSD Bankruptcy Administrator during the UPPSD Bankruptcy Reorganisation proceeding.

As at the date of this announcement, the Payment to DaiEi under the UPPSD Bankruptcy Reorganisation has been paid to DaiEi.

As the Payment to DaiEi under the UPPSD Bankruptcy Reorganisation is not extended to all the other Shareholders, such settlement of indebtedness constitutes a special deal under Rule 25 of the Takeovers Code.

### *Special Deal III*

DaiEi is a creditor of the Company. If admitted as a Scheme Creditor of the Company by the Scheme Administrator, DaiEi has a right to (i) receive the Creditors' Shares in their own names or through CCASS (in proportion to its claim adjudicated by the Scheme Administrators); or (ii) receive cash to be realised from the disposal of the relevant Creditors' Shares held by the SchemeCo for the benefits of DaiEi. In the latter case, the SchemeCo has the right exercisable by the Scheme Administrators in their absolute discretion to sell the relevant Creditors' Shares on DaiEi's behalf, either (i) in the open market at the market price, or (ii) by instructing the Placing Agent for Placing Out one or more times during the Placing Out Period to place such number of Creditors' Shares to the Placees and, given the Price Protection will be in place, realise such Creditors' Shares at a price not less than the Issue Price of the Creditors' Shares pursuant to the Placing Agreement for Placing Out.

As the Price Protection offered to DaiEi via the SchemeCo, through its participation in the Listco Scheme, is not extended to all the other Shareholders, such Price Protection offered to DaiEi via the SchemeCo, through its participation in the Listco Scheme, constitutes a special deal under Rule 25 of the Takeovers Code.

As such, each of Special Deal I, Special Deal II and Special Deal III requires consent by the Executive. An application will be made to the Executive for the consent to proceed with the Special Deals under Rule 25 of the Takeovers Code. Such consent, if granted, will be subject to (a) the Independent Financial Adviser to the Independent Shareholders publicly stating in its opinion that the respective terms of the Special Deals are fair and reasonable; and (b) approval of the Special Deals by the Independent Shareholders at the SGM, in which DaiEi, any creditors of the Company, any creditors under the UPPSD Bankruptcy Reorganisation and their respective associates and parties acting in concert with any of them, who is Shareholder will be required to abstain from voting in respect of the resolutions to approve the Special Deals.

Save as disclosed above, as at the date of this announcement, none of the creditors of the Company or creditors of UPPSD and their respective ultimate beneficial owners is a Shareholder.

Unless consents to the Special Deals by the Executive are obtained and the resolutions relating to the Special Deals have been approved by the Independent Shareholders, the Restructuring and all the underlying transactions will not proceed, other than the implementation of the UPPSD Bankruptcy Reorganisation which has been completed.

## TERMINATION OF THE RESTRUCTURING AGREEMENT

Either party may terminate the Restructuring Agreement on written notice to the other parties in any of the following events:

- (a) failure to comply with any provision of the Restructuring Agreement in any material manner by one party and such non-compliance is not remedied by the breaching party within ten (10) Business Days upon receipt of the written notice from the non-breaching party;
- (b) the Stock Exchange having determined that the Company is not suitable for continuing listing and the Company's appeal has not been successful within six (6) months from the date when the Stock Exchange informs the Company in writing that it is not suitable for continuing listing;
- (c) the Hong Kong Court or the Bermuda Court rejects the Company's application to convene creditors' meeting to consider and vote on the Listco Scheme;
- (d) the Hong Kong Court or the Bermuda Court does not grant approval for the Listco Scheme (upon the Company's application);
- (e) the Listco Scheme not being passed by the requisite majority of the Independent Shareholders at the SGM or not being passed by the requisite majority of the creditors of the Company at the creditors' meeting;
- (f) the required resolutions not being passed by the requisite majority of the Independent Shareholders at the SGM; or
- (g) either of the state asset supervision authority, the outbound direct investment authority and the anti-monopoly supervision authority in the PRC rejecting the approval of the transactions contemplated under the Restructuring Agreement,

provided that where the abovementioned determination, rejection or resolutions has become final and non-appealable, provided that before exercising the right of termination, the parties shall conduct bona fide discussions to seek alternative methods to satisfy the conditions precedent and take necessary steps to implement the Restructuring and the Resumption to the extent that is reasonable.

Unless the parties otherwise agree, the Restructuring Agreement shall be terminated automatically if any of the conditions precedent to the Closing as disclosed in the Section headed "Conditions Precedent to the Closing" of this announcement have not been satisfied (or not been waived) upon the expiry of the Long Stop Date.

The Company and the JPLs will not, and will procure the subsidiaries of the Company not to, solicit, initiate, consider, encourage or accept any discussion or negotiation with any other persons in respect of the Restructuring.



## **PROPOSED AMENDMENTS TO THE BYE-LAWS OF THE COMPANY**

Amendments to the Bye-Laws of the Company will be proposed at the SGM to reflect the changes in the Company's share capital as a result of the Capital Reorganisation.

### **PROPOSED CHANGE IN BOARD LOT SIZE**

Subject to the Capital Reorganisation becoming effective, the Board also proposes to change the board lot size for trading in the Company's shares from 2,000 Shares to 20,000 New Shares.

Such change in the board lot size will increase the value of each board lot of New Shares as well as reduce transaction and registration costs incurred by the Shareholders and investors of the Company. Accordingly, the Board is of the view that the change in board lot size is in the interest of the Company and the Shareholders as a whole.

### **REASONS FOR ENTERING INTO THE RESTRUCTURING AGREEMENT**

As at 31 March 2021, based on the available books and records of the Company, the estimated total amount of claims against, and the liabilities of, the Company is approximately HK\$3,046 million, comprising of claims arising from guarantees granted by the Company to bank creditors and a supplier in relation to certain indebtedness of the subsidiaries of the Company. Given the liquidity shortage and financial situation of the Group, it is crucial to obtain new funding to resolve indebtedness of the Group so as to continue the existing paper manufacturing business and to restore the financial strength of the Group.

As mentioned in the section headed "INFORMATION OF THE INVESTOR", Xiamen C&D Paper has an annual sales volume of 9 million tonnes and a sales network comprising over 5,000 customers in the PRC and overseas; it is also the largest wood pulp supply chain distributor in the PRC which has annual sales volume of the domestic and import wood pulp of over 4 million tonnes. Zhejiang Xinshengda Group has tapped into the paper manufacturing and distribution industry in the southeast Asia since 2018 and established its own production arm for both recycled paper pulp and industrial packaging paper in Malaysia. In view of the financial capability and industry experience and resources of Xiamen C&D Paper and Zhejiang Xinshengda, the Board and the JPLs consider that the entering into the Restructuring Agreement with the Investor will facilitate a holistic restructuring to (i) resolve the indebtedness of the Group; (ii) revive and grow the existing paper manufacturing business of the Group through leveraging the industry experience and resources of Xiamen C&D Paper and Zhejiang Xinshengda; and (iii) satisfy the Resumption conditions imposed on the Company by the Stock Exchange.

Having considered the factors above, the Board (excluding the member of the Independent Board Committee) and the JPLs consider that the terms of the Restructuring Agreement are on normal commercial terms that are fair and reasonable and the entering into of the Restructuring Agreement and the equity fund raising via the relevant transactions contemplated under the Restructuring Agreement, including the Subscription, the Capital Reorganisation, the Placement, and the issuance of Creditors' Shares is in the interests of the Company and the Shareholders as a whole.

In respect of the Capital Reorganisation, as the main purpose is to (i) apply the credit arising from the Capital Reduction and the Share Premium Cancellation to set off the accumulated losses of the Company, and (ii) facilitate the issue and allotment of the Subscription Shares, Placement Shares and the Creditors' Shares, the Board (excluding the member of the Independent Board Committee) and the JPLs are of the view that the expenses to be incurred in relation to the Capital Reorganisation will not have a material adverse effect on the financial position of the Group, and the Capital Reorganisation will not alter the underlying assets, business operations and management of the Company or the proportionate interests of the Shareholders in the Company.

In respect of the Placement, the Board considers that it would be in the interest of the Company to conduct equity fund raising via the Placement to fund the implementation of the Listco Scheme in accordance with the terms as approved by Scheme Creditors and the Hong Kong Court, which will facilitate the Group in discharging the debts of the Company under the Listco Scheme. In addition, the Placement would enlarge the shareholder base of the Company.

The amount of proceeds of the Placement to be applied to the Listco Scheme and the determination of the Placement Share Price were commercial decisions determined by reference to (i) the prevalent unstable financial market conditions; (ii) the Group's recent financial performance and its financial position as at 31 March 2020; (iii) the prevailing market price of the Shares prior to and including the Last Trading Day; (iv) the business prospects of the Group given the current market conditions; (v) the commercial viability of the Listco Scheme; (vi) its current cash flow needs; and (vii) the reasonable believe of the Board and sufficient certainty regarding the amount of funds that could potentially be raised by way of the Placement.

## **INFORMATION OF THE INVESTOR**

The Investor is a company incorporated in British Virgin Islands with limited liability, indirectly owned as to 55% and 45% by Xiamen C&D Paper and Zhejiang Xinshengda, respectively.

Xiamen C&D Paper is a limited liability company incorporated in the PRC. Xiamen C&D Paper is a wholly-owned subsidiary of Xiamen C&D Inc., a company whose shares are listed on the Shanghai Stock Exchange (stock code: 600153). The largest shareholder of Xiamen C&D Inc. is Xiamen C&D Corporation, which holds approximately 47.4% of the issued share capital of Xiamen C&D Inc. and is in turn wholly owned by Xiamen

SASAC. Xiamen C&D Paper is principally engaged in sourcing and supplying of forest products such as paper, pulp, wood chips and household paper products. Xiamen C&D Paper has an annual sales volume of 9 million tonnes of paper products and paper pulps and a sales network comprising over 5,000 customers in the PRC and overseas. In addition, Xiamen C&D Paper is the largest wood pulp supply chain distributor in the PRC which has annual sales volume of the domestic and import wood pulp of over 4 million tonnes.

Zhejiang Xinshengda is a limited liability company incorporated in the PRC. Zhejiang Xinshengda is owned by Mr. Li Shengfeng (李勝峰) and Ms. Lu Chengying (陸成英) as to 99% and 1%. Both Mr. Li Shengfeng and Ms. Lu Chengying are citizens of the PRC. The principal businesses of Zhejiang Xinshengda include manufacturing and trading of paper, chemical products, plastic products and hardware products. Zhejiang Xinshengda Group has tapped into the paper manufacturing and distribution industry in the southeast Asia since 2018 and established its own production arm for both recycled paper pulp and industrial packaging paper in Malaysia. Mr. Li Shengfeng is the founder and the chairman of the board of Zhejiang Xinshengda. He has over 16 years of management experience in the manufacturing and trading industry. Ms. Lu Chengying is also a founding member of Zhejiang Xinshengda. She was responsible for the financial management of Zhejiang Xinshengda until her retirement in 2019.

Shandong Bairun is a limited liability company incorporated in the PRC, which is owned by Xiamen C&D Paper and Shandong Herun as to 55% and 45%. Shandong Bairun is principally engaged in trading of general goods such as paper and pulp.

## **POSSIBLE NON-EXEMPTED CONTINUING CONNECTED TRANSACTIONS**

Since the implementation of UPPSD Bankruptcy Reorganisation, UPPSD has sold and will continue to sell part of its paperboard products to Xiamen C&D Paper and its associates. After Closing, the Investor will become the majority Shareholder and a connected person of the Company. As disclosed in the section headed “Information of the Investor”, the Investor is indirectly owned as to 55% and 45% by Xiamen C&D Paper and Zhejiang Xinshengda, respectively. Xiamen C&D Paper is a connected person and any of its subsidiaries and their respective associates are connected persons of the Company.

After Closing, UPPSD will continue to sell part of its paperboard products to Xiamen C&D Paper or its associates. Accordingly, it is expected that after Closing, the sales of paperboard products to Xiamen C&D Paper and its associates will constitute non-exempted continuing connected transactions which are subject to reporting, annual review, announcement and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules. In accordance with the requirements of the Listing Rules, written agreements will be entered into between UPPSD and Xiamen C&D Paper to regulate the terms and annual caps of the Paperboard Sales in accordance with

Rule 14A.34 of the Listing Rules on or before Closing. Further announcement(s) and appropriate disclosures will be made by the Company in accordance with all applicable requirements of the Listing Rules as and when appropriate.

## **USE OF PROCEEDS FROM THE PLACEMENT AND THE SUBSCRIPTION**

The aggregate gross proceeds from the Placement and the Subscription of approximately HK\$126.7 million will be applied as follows:

- (i) HK\$91.7 million will be used for implementing the Listco Scheme for discharging the debts of the Company; and
- (ii) HK\$35 million will be used to pay the Restructuring Expenses in accordance with the Restructuring Agreement.

## **FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST 12 MONTHS**

The Company did not carry out any right issue, open offer or other issue of equity securities for fund raising purpose or otherwise within the past 12 months immediately prior to the date of this announcement.

## **IMPLICATIONS UNDER THE LISTING RULES**

### **Specific Mandates**

As the Subscription Shares, the Placement Shares and the Creditors' Shares will not be issued under the authority of currently available general mandate granted by the Shareholders to the Directors, and instead will be issued and allotted under the Specific Mandates to be obtained at the SGM, the issue and allotment of such Shares is subject to the Independent Shareholders' approval.

Pursuant to Rule 7.27B of the Listing Rules, a listed issuer may not undertake a rights issue, open offer or specific mandate placings that would result in a theoretical dilution effect of 25% or more, unless the Stock Exchange is satisfied that there are exceptional circumstances. The Subscription, the Placement and the issue of the Creditors' Shares in aggregate will result in a theoretical dilution effect of approximately 88.55%, which is over the 25% threshold as specified under Rule 7.27B of the Listing Rules. However, the Company is of the view that there are exceptional circumstances for the Company having considered the adverse financial position of the Company.

## **GENERAL**

The SGM will be convened and held to consider and, if thought fit, approve, among others, the Restructuring Agreement and the transactions contemplated thereunder, the grant of the Specific Mandates, the Whitewash Waiver, the Special Deals and the proposed amendments to the Bye-Laws of the Company.

The Investor, the creditors of the Company (including DaiEi), the Scheme Administrators, any creditors under the UPPSD Bankruptcy Reorganisation (including DaiEi), their associates, and the parties acting in concert with any of them, and those (if any) who are involved in or interested in the Restructuring Agreement and the transactions contemplated thereunder, the grant of the Specific Mandates, the Whitewash Waiver or the Special Deals (including DaiEi) and their associates shall abstain from voting on the relevant resolutions to be proposed at the SGM in accordance with the Takeovers Code and the Listing Rules (as the case may be).

The passing of the resolution(s) in relation to the Restructuring Agreement and the transactions contemplated thereunder, the grant of the Specific Mandates, and the Special Deals shall require the approval of more than 50% of the votes cast by the Independent Shareholders at the SGM by poll. In addition, the passing of the resolution in relation to the Whitewash Waiver shall require the approval of at least 75% of the votes cast by the Independent Shareholders.

An Independent Board Committee comprising the independent non-executive Director has been established to advise the Independent Shareholders on the Restructuring Agreement and the transactions contemplated thereunder, the grant of the Specific Mandates, the Whitewash Waiver and the Special Deals at the SGM. The Independent Financial Adviser has been appointed with the approval of the Independent Board Committee to advise Independent Board Committee and the Independent Shareholders in relation to the Restructuring Agreement and the transactions contemplated thereunder, the grant of the Specific Mandates, the Whitewash Waiver and the Special Deals at the SGM.

A circular containing, among other things details of: (a) the Restructuring Agreement and the transactions contemplated thereunder; (b) the Specific Mandates; (c) the Whitewash Waiver; (d) the Special Deals; (e) the amendments to the Bye-Laws; (f) the change in board lot size; (g) the recommendation of the Independent Board Committee in relation to the Restructuring Agreement and the transactions contemplated thereunder, the grant of the Specific Mandates, the Whitewash Waiver and the Special Deals; (h) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Restructuring and the transactions contemplated thereunder, the grant of the Specific Mandates, the Whitewash Waiver and the Special Deals; and (i) a notice of the SGM will be despatched to the Shareholders on or before as soon as practicable and in compliance with the Takeovers Code (where applicable) and the Listing Rules.

Pursuant to Rule 8.2 of the Takeovers Code, the Company is required to despatch the circular to the Shareholders within 21 days of the date of this announcement, which is on or before 13 December 2021, or such later date as the Executive may approve. Further announcement(s) will be made as and when appropriate.

## CONTINUED SUSPENSION OF TRADING

Trading in the shares of the Company on the Stock Exchange has been suspended with effect from 9:00 a.m. on 2 July 2020. The Company will keep its shareholders and the public informed of the latest development by making further announcement(s) as and when appropriate.

## WARNINGS

**The transactions contemplated under the Restructuring Agreement are subject to the fulfillment of various conditions and therefore may or may not materialise. The release of this announcement does not necessarily indicate that the Restructuring will be completed or trading in the Shares will be resumed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.**

**The Company is preparing and updating its Resumption Proposal to the Stock Exchange and will keep the Shareholders and investors informed of the latest developments by making further announcements as and when appropriate.**

**In the event that the Company fails to satisfy all of the Resumption conditions imposed by the Stock Exchange by 1 January 2022, the Listing Division of the Stock Exchange may recommend the Listing Committee to proceed with the cancellation of the Company's listing status.**

## DEFINITIONS

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

“acting in concert”	has the meaning ascribed to it in the Takeovers Code
“Authorised Share Capital Diminution”	the proposed cancellation of the authorised but unissued ordinary share capital of the Company in its entirety upon the Capital Reduction becoming effective
“Bermuda Companies Act”	The Companies Act 1981 of Bermuda, as amended, modified or supplemented from time to time
“Bermuda Court”	the Supreme Court of Bermuda
“Board”	the board of Directors
“Business Day(s)”	a day (other than a Saturday, Sunday or public holiday of the PRC and Hong Kong or day on which a typhoon signal No. 8 or above or black rainstorm signal is hoisted in Hong Kong at 10:00 a.m.) on which banks in the PRC and Hong Kong are generally open for business

“Bye-Laws”	the bye-laws of the Company from time to time as amended, supplemented or modified for the time being
“Capital Reduction”	the reduction of the issued capital of the Company by cancelling the paid up capital to the extent of HK\$0.095 on each of the issued Existing Shares such that the par value of each issued Existing Share shall be reduced from HK\$0.10 to HK\$0.005
“Capital Reorganisation”	the reorganisation of the capital of the Company by way of (i) Capital Reduction; (ii) Authorised Share Capital Diminution; (iii) Share Premium Cancellation; (iv) Share Consolidation; and (v) Increase in Authorised Share Capital
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Closing”	the completion of all the transactions under the Restructuring Agreement
“Company”	Samson Paper Holdings Limited (Provisional Liquidators Appointed) (for restructuring purposes only), a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
“Concert Party Group”	the Investor, Xiamen C&D Paper, Zhejiang Xinshengda, Shandong Bairun, Mr. Li Shengfeng, Ms. Lu Chengying and parties acting in concert with any of them
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Creditors’ Shares”	240,482,142 New Shares, which represent approximately 17% of the Enlarged Capital, to be issued and allotted by the Company to the SchemeCo under the Listco Scheme
“DaiEi”	DaiEi Papers (H.K.) Limited, a company incorporated in Hong Kong with limited liability, owned as to 100% by KPP, and a Shareholder and creditor of the Company

“Debts of UPPSD’s Related Parties (Confirmed)”	debts due by UPPSD to the Excluded Subsidiaries including 森信紙業(上海)有限公司 (Samson Paper (Shanghai) Co., Ltd.*), 森信紙業(深圳)有限公司 (Samson Paper (Shenzhen) Co., Ltd.*), Samson Paper Company Limited, UPP Investments Limited, 誠仁(中國)有限公司(SJ (China) Co., Ltd.*), 能京商貿(上海)有限公司 (NJ Trading (Shanghai) Co., Ltd.*) and 深圳市嘉凌貿易有限公司 (Shenzhen Jialing Trading Co, Ltd.*), as recognized by the UPPSD Bankruptcy Administrator and PRC Court
“Directors”	directors of the Company
“Enlarged Capital”	the issued ordinary shares in the capital of the Company after the completion of the Capital Reorganisation as enlarged by the issue and allotment of the Subscription Shares, the Placement Shares and the Creditors’ Shares and assuming that all the Preference Shares have been fully converted
“Entrusted Assets”	land and buildings, property, plant and equipment of UPPSD under the Entrusted Operation
“Entrusted Operation Agreement”	an agreement entered into by UPPSD, Xiamen C&D Paper and Shandong Herun dated 24 October 2020 in relation to, amongst others, the entrusted arrangement in respect of manufacturing facility of UPPSD
“Entrusted Operation”	entrusted operation in respect of the manufacturing facility of UPPSD contemplated under the Entrusted Operation Agreement
“Excluded Subsidiaries”	the subsidiaries of the Group to be transferred to the SchemeCo for the benefit of the Scheme Creditors
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or its delegate
“Existing Share(s)”	ordinary share(s) in the issued capital of the Company before the Capital Reorganisation becoming effective
“Facility Agreement”	the facility agreement entered into by and among Shandong Bairun, SPV2, UPPSD, the Company and JPLs on 1 September 2021 for the provision of a loan of not less than RMB250 million required for the implementation of the UPPSD Bankruptcy Reorganisation plan and daily business operation of UPPSD



“First Instalment Payment”	the first instalment payment to (i) repay UPPSD’s creditor’s claim of principal amount (as admitted by UPPSD Bankruptcy Administrator) below RMB200,000 (including RMB200,000) and 20% of the principal amount (as admitted by UPPSD Bankruptcy Administrator) in excess of RMB200,000; and (ii) settlement of Debts of UPPSD’s Related Parties (Confirmed) under the UPPSD Bankruptcy Reorganisation plan
“Group”	the Company and its subsidiaries as at the date of this announcement
“Group Reorganisation”	the reorganisation of the Group involving, <i>inter alia</i> , the transfer of the Excluded Subsidiaries to the SchemeCo and UPPSD becoming a wholly-owned subsidiary of SPV2 through the UPPSD Bankruptcy Reorganisation
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Court”	the High Court of Hong Kong
“Increase in Authorised Share Capital”	the proposed increase of authorised ordinary share capital of the Company from HK\$5,710,000 to HK\$100,000,000 upon the Capital Reduction, the Share Premium Cancellation, the Authorised Share Capital Diminution and Share Consolidation becoming effective
“Independent Board Committee”	an independent committee of the Board comprising the independent non-executive Director, namely Mr. Leung Vincent Gar-gene, who has no direct or indirect interest in the Restructuring, established in accordance with the Takeovers Code to advise the Independent Shareholders on whether the Restructuring Agreement and transactions contemplated thereunder, the grant of the Specific Mandates, the Whitewash Waiver and the Special Deals are fair and reasonable; and as to the voting of the relevant resolutions

“Independent Financial Adviser”	Dakin Capital Limited, a corporation licensed to conduct Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), and is the independent financial adviser appointed by the Company with the approval of the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in relation to the Restructuring Agreement and the transactions contemplated thereunder, the grant of the Specific Mandates, the Whitewash Waiver and the Special Deals at the SGM
“Independent Shareholder(s)”	Shareholder(s), other than: (a) the Concert Party Group; and (b) those Shareholders (other than in their capacity as a Shareholder of the Company) who are interested or involved in, the Restructuring Agreement and the transactions contemplated thereunder, the grant of the Specific Mandates, the Whitewash Waiver and the Special Deals (including DaiEi in respect of the Special Deals resolution), and their associates and parties acting in concert with any of them, who are permitted to vote at the SGM under the Listing Rules and the Takeovers Code
“Independent Third Party(ies)”	third party(ies) independent of the Company and its connected persons
“Investor”	NCD Investment Holding Limited, a company incorporated in British Virgin Islands with limited liability, indirectly owned as to 55% and 45% by Xiamen C&D Paper and Zhejiang Xinshengda, respectively
“Issue Price of the Creditors’ Shares”	HK\$0.121056 per Creditors’ Share
“JPLs”	Lai Kar Yan (Derek) and Ho Kwok Leung (Glen), both of Deloitte Touche Tohmatsu, and Rachelle Ann Frisby of Deloitte Ltd., in their capacity as joint provisional liquidators of the Company appointed by the Bermuda Court
“KPP”	Kokusai Pulp & Paper Co. Ltd., a company incorporated in Japan and listed in the Tokyo Stock Exchange
“Last Trading Day”	1 July 2020, being the last trading day immediately before the suspension of trading in the Shares
“Listco Scheme”	the scheme of arrangement between the Company and the Scheme Creditors as sanctioned by the Hong Kong Court on 28 October 2021

“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	31 January 2022, or such other date as the parties to the Restructuring Agreement may otherwise agree in writing
“New Share(s)”	ordinary share(s) of the Company of HK\$0.05 each in the capital of the Company immediately following the Capital Reorganisation becoming effective
“Payment Conditions”	the conditions for provision of a loan of not less than RMB250 million by Shandong Bairun to SPV2 to settle the First Instalment Repayment and for daily business operations of UPPSD
“Payment to DaiEi under the Listco Scheme”	the proposed settlement of the indebtedness due to DaiEi under the Listco Scheme
“Payment to DaiEi under the UPPSD Bankruptcy Reorganisation”	the proposed settlement of the indebtedness due to DaiEi under the UPPSD Bankruptcy Reorganisation
“Placee(s)”	any professional, institutional or other investors who themselves and their ultimate beneficial owner(s) will not be a Shareholder prior to the subscription of the Creditors’ Shares or the Placement Shares (as the case may be) or member of the Concert Party Group and otherwise will be an Independent Third Party, procured by or on behalf of the Placing Agent for Placing Out and the Placing Agent for Placement and/or any of its agent(s) to subscribe for any of the Creditors’ Shares or the Placement Shares (as the case may be)
“Placement”	the proposed placing of 56,584,032 New Shares by the Placing Agent for Placement on a fully underwritten basis pursuant to the terms of the Placing Agreement for Placement
“Placement Completion Date”	the date of completion of the Placement
“Placement Share Price”	HK\$0.121056 per Placement Share

“Placement Shares”	56,584,032 New Shares to be issued and allotted under the Placement to the Placees and/or the Placing Agent for Placement (as the underwriter)
“Placing Agent for Placement”	a corporation licensed under the SFO to carry out type 1 (dealing in securities) and type 4 (advising on securities) regulated activities to be engaged by the Company and the Investor, which will place the Placement Shares to the Placees on a fully underwritten basis
“Placing Agent for Placing Out”	a corporation licensed under the SFO to carry out type 1 (dealing in securities) and type 4 (advising on securities) regulated activities to be engaged by the SchemeCo and the Investor upon Closing, which will sell or otherwise dispose such number of Creditors’ Shares to Placees
“Placing Agreement for Placement”	the placing agreement to be entered into between the Company, the Investor and the Placing Agent for Placement in respect of the Placement before the despatch of the circular
“Placing Agreement for Placing Out”	an agreement to be entered into by and between the Investor, the Scheme Administrators, the SchemeCo and the Placing Agent for Placing Out in relation to the Placing Out and the Price Protection upon Closing
“Placing Commitment”	undertakings to be made by the Placing Agent for Placement to place, or procure the placing of, on a fully underwritten basis, 56,584,032 Placement Shares at the Placement Share Price of HK\$0.121056 per Placement Share under the Placing Agreement for Placement
“Placing Out”	placing of the Creditors’ Shares by the Placing Agent for Placing Out as instructed by the SchemeCo for the purpose of realisation of proceeds and payment to the relevant Scheme Creditors in full satisfaction of their rights to such Creditors’ Shares
“Placing Out Period”	the 12-months period after the Closing, during which the SchemeCo (for the benefit of the Scheme Creditors) may instruct the Placing Agent for Placing Out to place any part of the Creditors’ Shares and, given the Price Protection will be in place, to receive a price no less than the Issue Price of the Creditors’ Shares per Creditors’ Share pursuant to the Placing Agreement for Placing Out

“Placing Price for Placing Out”	placing price(s) per Creditors’ Share procured by the Placing Agent for Placing Out, on a best effort basis, pursuant to the Placing Agreement for Placing Out, which is not a fixed price and may vary for each batch of Creditors’ Shares
“PRC”	the People’s Republic of China, excluding the Hong Kong Special Administrative Region, and the Macau Special Administrative Region and Taiwan
“PRC Court”	the People’s Court of Xuecheng District, Zaozhuang City, Shandong Province, the PRC
“Preference Share(s)”	the convertible non-voting preference share(s) in the capital of the Company as at the date of this announcement
“Price Protection”	the Investor’s guarantee to pay any shortfall of the Placing Price for Placing Out and the Issue Price of the Creditors’ Shares should the Placing Price for Placing Out be lower than the Issue Price of the Creditors’ Shares, such that the SchemeCo would still receive the Issue Price of the Creditors’ Shares per Creditors’ Share on behalf of the relevant Scheme Creditors with regards to the Placing Out
“Restructuring”	restructuring of the Group which shall include, the Capital Reorganisation, the Subscription, the Group Reorganisation, the Placement, the Listco Scheme, the UPPSD Bankruptcy Reorganisation and the Resumption
“Restructuring Agreement”	the restructuring agreement dated 30 July 2021 (as amended and supplemented by the Supplemental Agreement to the Restructuring Agreement) entered into among the Company, the JPLs, the Investor, Xiamen C&D Paper, Zhejiang Xinshengda and Shandong Bairun in relation to the Restructuring
“Restructuring Expenses”	approximately HK\$35,000,000, which represents the costs, expenses, fees and charges to be incurred for the proposed Restructuring
“Resumption”	resumption of trading in the New Shares on the Stock Exchange
“Resumption Proposal”	the proposal submitted to the Stock Exchange in relation to the Resumption on 20 September 2021, to be supplemented from time to time

“Retained Group”	the Company and its subsidiaries upon the Closing, which shall comprise of the Company, SPV1, SPV2 and UPPSD
“RMB”	Renminbi, the lawful currency of the PRC
“Scheme Administrators”	the persons to be elected and appointed in accordance with the terms of the Listco Scheme, who are expected to be Mr. Lai Kar Yan (Derek), Mr. Ho Kwok Leung Glen and Mr. Kam Chung Hang (Forrest) of Deloitte Touche Tohmatsu
“Scheme Creditors”	the creditors of the Company with unsecured claims admitted in the Listco Scheme by the Scheme Administrators in accordance with the terms of the Listco Scheme
“SchemeCo”	a special purpose vehicle to be set up by the Scheme Administrators
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“SGM”	the special general meeting of the Company to be held to consider, and, if thought fit, approve, among others, the Restructuring Agreement and the transactions contemplated thereunder, the grant of the Specific Mandates, the Whitewash Waiver, the Special Deals and the proposed amendments to the Bye-Laws of the Company
“Shandong Bairun”	山東佰潤紙業有限公司 (Shandong Bairun Paper Co. Ltd.*), a company incorporated in the PRC with limited liability. Shandong Bairun is owned by Xiamen C&D Paper and Shandong Herun as to 55% and 45%
“Shandong Herun”	山東和潤控股集團有限公司 (Shandong Herun Holding Group Co., Ltd.*), a company incorporated in the PRC with limited liability. Shandong Herun is wholly owned by Mr. Li Shengfeng, the majority ultimate beneficial owner of Zhejiang Xinshengda
“Share(s)”	ordinary share(s) in the capital of the Company as at the date of this announcement
“Share Consolidation”	the proposed consolidation of every ten (10) issued and unissued Shares of HK\$0.005 each into one (1) New Share of HK\$0.05 each

“Share Premium Cancellation”	the cancellation of the entire amount standing to the credit of the share premium account of the Company
“Shareholder(s)”	holder(s) of the Shares and the Preference Shares of the Company
“Special Deal I”	the proposed Payment to DaiEi under the Listco Scheme, which constitutes a special deal under Note 5 to Rule 25 of the Takeovers Code
“Special Deal II”	the proposed Payment to DaiEi under the UPPSD Bankruptcy Reorganisation, which constitutes a special deal under Note 5 to Rule 25 of the Takeovers Code
“Special Deal III”	the Price Protection to be offered to DaiEi via the SchemeCo pursuant to the Placing Agreement for Placing Out, which constitutes a special deal under Note 5 to Rule 25 of the Takeovers Code
“Special Deals”	together, Special Deal I, Special Deal II and Special Deal III, and where the context requires, can mean either one of them
“Specific Mandates”	the specific mandates to be granted to the Directors by the requisite majority of the Independent Shareholders at the SGM for the issue and allotment of the Subscription Shares, the Placement Shares and the Creditors’ Shares
“SPV1”	Greater Paper Development Limited (偉紙發展有限公司), a company incorporated in Hong Kong with limited liability, owned as to 100% by the Company
“SPV2”	偉紙(深圳)紙業發展有限公司 (Greater Paper (Shenzhen) Paper Limited*), a company incorporated in the PRC with limited liability and owned as to 100% by SPV1 as at the date of this announcement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription by the Investor of the 990,220,583 Subscription Shares pursuant to the Subscription Agreement
“Subscription Agreement”	an subscription agreement entered into on 26 October 2021 by the Company, the JPLs and the Investor in relation to the Subscription

“Subscription Shares”	the 990,220,583 New Shares to be subscribed by the Investor under the Subscription
“Subscription Price”	the subscription price of HK\$0.121056 per Subscription Share
“Subscription Proceeds”	proceeds from the Subscription
“Sub-agents”	other agents to be procured by the Placing Agent for Placement to place the Placement Shares, who themselves and their ultimate beneficial owner(s) will not be a Shareholder prior to the subscription of the Placement Shares or member of the Concert Party Group and otherwise will be an Independent Third Party
“Supplemental Agreement to the Entrusted Operation Agreement”	a supplemental agreement entered into by UPPSD, UPPSD Bankruptcy Administrator and Shandong Bairun and dated 19 January 2021 in relation to amendments to certain terms of the Entrusted Operation Agreement
“Supplemental Agreement to the Restructuring Agreement”	a supplemental agreement entered into by and among the Company, the JPLs, the Investor, Xiamen C&D Paper, Zhejiang Xinshengda and Shandong Bairun and dated 22 November 2021 in relation to certain amendments to the Restructuring Agreement
“Takeovers Code”	the Code on Takeovers and Mergers
“Term Sheet”	term sheet dated 13 April 2021 entered into by and among the Company, the JPLs, Xiamen C&D Paper and Zhejiang Xinshengda in relation to the Restructuring
“UPPSD”	遠通紙業(山東)有限公司 (Universal Pulp & Paper (Shandong) Co. Ltd.*), a company incorporated in the PRC with limited liability and an indirect wholly owned subsidiary of the Company as at the date of this announcement (an indirect non-wholly owned subsidiary of the Company owned as to 80% by the Company and 20% by KPP prior to the implementation of UPPSD Bankruptcy Reorganisation)
“UPPSD Bankruptcy Administrator”	Shandong Deheng Law Firm, the bankruptcy administrator of UPPSD as appointed by the PRC Court
“UPPSD Bankruptcy Reorganisation”	reorganisation of the capital and indebtedness of UPPSD in accordance to the PRC Enterprise Bankruptcy Law



“Whitewash Waiver”	a waiver to be granted by the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code of the obligations on the part of the Investor to make a mandatory general offer under Rule 26 of the Takeovers Code for all the securities of the Company not already owned or agreed to be acquired by the Concert Party Group as a result of the Closing (which involves the Subscription)
“Xiamen C&D Corporation”	廈門建發集團有限公司 (Xiamen C&D Corporation Limited*), a company incorporated in the PRC with limited liability, the largest shareholder of Xiamen C&D Inc.
“Xiamen C&D Inc.”	廈門建發股份有限公司 (Xiamen C&D Inc.*), a joint stock limited company incorporated in the PRC whose shares are listed on the Shanghai Stock Exchange (Stock Code: 600153) and the 100% equity holder of Xiamen C&D Paper
“Xiamen C&D Paper”	廈門建發紙業有限公司 (Xiamen C&D Paper & Pulp Co., Ltd.*), a company incorporated in the PRC with limited liability
“Xiamen SASAC”	廈門市人民政府國有資產監督管理委員會 (the State-owned Assets Supervision and Administration Commission of Xiamen People’s Government*), the 100% equity holder of Xiamen C&D Corporation
“Zhejiang Xinshengda”	浙江新勝大控股集團有限公司 (Zhejiang Xinshengda Holding Group Co., Ltd.*), a company incorporated in the PRC with limited liability
“%”	per cent.

By order of the Board  
**SAMSON PAPER HOLDINGS LIMITED**  
(Provisional Liquidators Appointed)  
(For Restructuring Purposes Only)  
**Mr. CHOI Wai Hong, Clifford**  
*Executive Director*

Hong Kong, 22 November 2021

*As at the date of this announcement, the Board comprises two executive Directors, namely Mr. Choi Wai Hong, Clifford and Mr. Lau Wai Leung, Alfred; and one independent non-executive Director, namely Mr. Leung Vincent Gar-gene.*

*The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement (other than those relating to the Investor) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement (other than those expressed by the directors of the Investor, Xiamen C&D Corporation and Zhejiang Xinshengda) have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.*

*The directors of the Investor, namely Mr. Cheng Dongfang, Mr. Shi Yaofeng and Mr. Li Shengfeng, jointly and severally accept full responsibility for the accuracy of the information contained in this announcement (other than those relating to the Company) and confirm, having made all reasonable enquiries, that to the best of their knowledge, the opinions expressed in this announcement (other than those expressed by the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in the announcement misleading.*

*The directors of Xiamen C&D Corporation, namely Huang Wenzhou, Wang Qin, Pan Ziwan, Zhao Chengmin, Lin Yiqiang, Chen Dongxu, Zhao Shenghua and Shi Zhen and the sole director of Zhejiang Xinshengda, namely Li Shengfeng, jointly and severally accept full responsibility for the accuracy of the information contained in this announcement (other than those relating to the Company) and confirm, having made all reasonable enquiries, that to the best of their knowledge, the opinions expressed in this announcement (other than those expressed by the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in the announcement misleading.*

*\* For identification purposes only*