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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

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

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SAMSON PAPER HOLDINGS LIMITED

森信紙業集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 731)

DISCLOSEABLE AND CONNECTED TRANSACTION

SALE AND PURCHASE OF THE ENTIRE ISSUED SHARE CAPITAL OF HYPEX HOLDINGS LIMITED

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



A letter from the board of directors of Samson Paper Holdings Limited is set out on pages 5 to 15 of this circular and a letter from the Independent Board Committee (as defined herein) is set out on page 16 of this circular. A letter from the Independent Financial Adviser (as defined herein) containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 17 to 25 of this circular.

A notice convening the special general meeting of the Company to be held at Strategic Financial Relations Limited, Room 3203, 32/F., Admiralty Centre I, 18 Harcourt Road, Hong Kong on Wednesday, 1 November 2006 at 10:00 a.m., is set out on pages 30 and 31 of this circular. Whether or not you intend to attend the meeting, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the principal place of business of the Company in Hong Kong at 3rd Floor, Seapower Industrial Centre, 177 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong as soon as possible and in any event so as to be received not less than 48 hours before the time appointed for holding of the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjourned meeting should you so wish.

* For identification purpose only

CONTENTS

	<i>Page</i>
DEFINITIONS	1
 LETTER FROM THE BOARD	
1. INTRODUCTION	5
2. THE SALE AND PURCHASE AGREEMENT DATED 25 SEPTEMBER 2006	6
3. INFORMATION ON HYPEX GROUP	9
4. REASONS FOR AND BENEFITS OF THE ACQUISITION	12
5. FINANCIAL EFFECTS OF THE ACQUISITION	12
6. GENERAL	13
7. LISTING RULES REQUIREMENTS	13
8. SGM	13
9. PROCEDURE FOR DEMANDING A POLL	14
10. RECOMMENDATION	14
11. ADDITIONAL INFORMATION	15
 LETTER FROM THE INDEPENDENT BOARD COMMITTEE	16
 LETTER FROM THE INDEPENDENT FINANCIAL ADVISER	17
 APPENDIX – GENERAL INFORMATION	26
 NOTICE OF THE SGM	30

DEFINITIONS

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

“Acquisition”	the acquisition of the Sale Shares and the Loan by the Company subject to and upon the terms and conditions of the Sale and Purchase Agreement
“Agreed Exchange Rate”	S\$1 to HK\$4.95
“associates”	has the meaning ascribed thereto under the Listing Rules
“Audited 2006 Accounts”	the consolidated accounts of Hypex Holdings for the year ended 31 March 2006 as audited in accordance with the terms of the Sale and Purchase Agreement
“Audited 2007 Accounts”	the consolidated accounts of Hypex Holdings for the financial year ending 31 March 2007 to be prepared in accordance with generally accepted accounting principles and practices in Singapore as audited in accordance with the terms of the Sale and Purchase Agreement
“Audited 2007 Net Profit”	the audited consolidated profit after taxation but before extraordinary items of Hypex Holdings for the financial year ending 31 March 2007, as ascertained from the Audited 2007 Accounts
“Audited 2008 Accounts”	the consolidated accounts of Hypex Holdings for the financial year ending 31 March 2008 to be prepared in accordance with generally accepted accounting principles and practices in Singapore as audited in accordance with the terms of the Sale and Purchase Agreement
“Audited 2008 Net Profit”	the audited consolidated profit after taxation but before extraordinary items of Hypex Holdings for the financial year ending 31 March 2008, as ascertained from the Audited 2008 Accounts
“Board”	the board of Directors
“Company”	Samson Paper Holdings Limited, a company incorporated in Bermuda with limited liability and the issued shares of which are listed on the main board of the Stock Exchange

DEFINITIONS

“Completion”	the completion of the Acquisition pursuant to the terms and conditions of the Sale and Purchase Agreement
“Completion Date”	the date on which the sale and purchase of the Sale Shares and the Loan in accordance with the Sale and Purchase Agreement is completed
“Conditions”	the conditions precedent to Completion provided in the Sale and Purchase Agreement, a summary thereof is set out in this circular
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Consideration”	the consideration for the Sale Shares and the Loan, comprising the Share Consideration and the Loan Consideration
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency for the time being of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of PRC
“Hypex Group”	Hypex Holdings and its subsidiaries, namely, Hypex International, Hypex Engineering Pte. Ltd., Hypex Marine Engineering Pte. Ltd., Hypex Engineering & Services Pte. Ltd., Hypex Offshore Marine Pte. Ltd. and Hypex Surface Protection & Coating Pte. Ltd., all such subsidiaries being incorporated in Singapore, and “Hypex Group Company” means any of them
“Hypex Holdings”	Hypex Holdings Limited, a company incorporated in the British Virgin Islands with limited liability wholly-owned by the Vendor as at the Latest Practicable Date
“Hypex International”	Hypex International Pte. Ltd., a company incorporated in Singapore with limited liability and a wholly-owned subsidiary of Hypex Holdings and the holding company of all of Hypex Engineering Pte. Ltd., Hypex Marine Engineering Pte. Ltd., Hypex Engineering & Services Pte. Ltd., Hypex Offshore Marine Pte. Ltd. and Hypex Surface Protection & Coating Pte. Ltd

DEFINITIONS

“Independent Board Committee”	an independent committee of the board of Directors comprising the independent non-executive Directors, namely, Mr. Pang Wing-Kin, Patrick, Mr. Tong Yat Chong and Mr. Ng Hung Sui, Kenneth, to consider and advise the Independent Shareholders on the terms of the Acquisition
“Independent Financial Adviser”	Taifook Capital Limited, a corporation licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO and the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the Acquisition
“Independent Shareholders”	Shareholders other than those prohibited from voting under the Listing Rules
“Latest Practicable Date”	6 October 2006, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan”	the aggregate amount of the loan owing by Hypex Holdings to the Vendor and outstanding as at the Completion Date (which shall not be less than S\$965,544.95 (equivalent to approximately HK\$4,779,448) which is unsecured, interest-free and repayable on demand
“Loan Consideration”	the consideration for the Loan, which shall be an amount denominated in Hong Kong dollars equivalent to the principal amount of the Loan as at Completion Date
“Long Stop Date”	30 November 2006, or such other date as the Vendor and the Purchaser may agree in writing
“PRC”	the People’s Republic of China
“Purchaser”	Kemp International Holdings Limited, a company incorporated in Singapore with limited liability and a wholly-owned subsidiary of the Company
“S\$”	Singapore dollars, the lawful currency of Singapore

DEFINITIONS

“Sale and Purchase Agreement”	the sale and purchase agreement dated 25 September 2006 entered into between the Vendor, the Vendor Guarantors and the Purchaser in relation to the Acquisition
“Sale Shares”	two ordinary shares of US\$1 each, representing the entire issued share capital of Hypex Holdings
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company, to be convened and held to consider and, if thought appropriate, to approve the Acquisition and transactions contemplated under the Sale and Purchase Agreement
“Shares”	shares in the capital of the Company
“Share Consideration”	the consideration for the Sale Shares, which shall be the difference between HK\$50,000,000 and the Loan Consideration, subject to potential adjustments in accordance with the Sale and Purchase Agreement
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed thereto under the Listing Rules
“Target”	S\$1,302,000 (equivalent to approximately HK\$6,444,900)
“US\$”	United States dollars, the lawful currency of the United States of the America
“Vendor”	Partisan Holdings Limited, a company incorporated in the British Virgin Islands which is owned as to 50% by Mr. Sham Kit Ying and as to 50% by Mr. Lee Seng Jin
“Vendor Guarantors”	Mr. Sham Kit Ying and Mr. Lee Seng Jin, both being Directors
“%”	per cent.

For the purposes of this circular, for illustration purpose, amounts in Singapore dollars have been translated into Hong Kong dollars at the exchange rate of S\$1 to HK\$4.95. Such translation does not constitute a representation that any amount has been, could have been or may be exchanged at such rates.

LETTER FROM THE BOARD



SAMSON PAPER HOLDINGS LIMITED

森信紙業集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 731)

Executive Directors:

Sham Kit Ying (alias Sham Kit) (*Chairman*)

Lee Seng Jin (*Deputy Chairman*)

Chow Wing Yuen

Sham Yee Lan, Peggy

Lee Yue Kong, Albert

Registered Office:

Canon's Court

22 Victoria Street

Hamilton HM12

Bermuda

Non-Executive Director:

Lau Wang Yip, Eric

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

3rd Floor

Seapower Industrial Centre

177 Hoi Bun Road

Kwun Tong

Kowloon

Hong Kong

Independent Non-Executive Directors:

Pang Wing Kin, Patrick

Tong Yat Chong

Ng Hung Sui, Kenneth

12 October 2006

To the Shareholders,

Dear Sir and Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION
SALE AND PURCHASE OF
THE ENTIRE ISSUED SHARE CAPITAL OF
HYPEX HOLDINGS LIMITED**

1. INTRODUCTION

By an announcement dated 25 September 2006, the Company announced that the Purchaser (a wholly-owned subsidiary of the Company) entered into the Sale and Purchase Agreement with the Vendor and the Vendor Guarantors for the acquisition by the Purchaser of the entire issued share capital of, and shareholder's loan to, Hypex Holdings for an aggregate consideration of HK\$50,000,000, subject to potential adjustments mentioned below.

* For identification purpose only

LETTER FROM THE BOARD

Hypex Holdings, a wholly-owned subsidiary of the Vendor as at the Latest Practicable Date, was incorporated in the British Virgin Islands with limited liability. The subsidiaries of Hypex Holdings are principally engaged in the provision of corrosion prevention services, comprising blasting (hydro and grit) and painting work to customers in the marine, oil and gas industries.

As both the profits ratio and consideration ratio are not less than 5% but are less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules. As the Vendor is owned as to 50% by Mr. Sham Kit Ying and as to 50% by Mr. Lee Seng Jin (both being Directors), the Vendor is a connected person of the Company. Therefore, the Acquisition also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

The purpose of this circular is to provide further information on the Sale and Purchase Agreement and the Acquisition and other information relating to the Group.

2. THE SALE AND PURCHASE AGREEMENT DATED 25 SEPTEMBER 2006

Date: 25 September 2006

Parties:

- (1) Vendor
- (2) Vendor Guarantors
- (3) Purchaser

Subject matter:

The Sale Shares

Two ordinary shares of US\$1 each in the share capital of Hypex Holdings, representing the entire issued share capital of Hypex Holdings.

The Loan

The aggregate amount of the loan owing by Hypex Holdings to the Vendor and outstanding as at the Completion Date (which shall not be less than S\$965,544.95 (equivalent to approximately HK\$4,779,448) which is unsecured, interest-free and repayable on demand.

Consideration:

The Consideration, comprising the Loan Consideration and the Share Consideration, subject to potential adjustments mentioned below, is arrived at based on (i) a price to earnings multiple of approximately 7.02 times of the Target (being S\$1,302,000 (equivalent to approximately HK\$6,444,900 at the Agreed Exchange Rate)), and after taking into account of the average price to earnings multiple for companies comparable to Hypex Holdings of approximately 9 times; and (ii) the

LETTER FROM THE BOARD

amount of the Loan as at 31 March 2006 of approximately S\$965,544.95 (equivalent to approximately HK\$4,779,448 at the Agreed Exchange Rate). The Consideration was arrived at on an arm's length basis between the Vendor and the Purchaser.

The Consideration is payable by the Company to the Vendor in cash, either by way of banker's draft, telegraphic transfer to the account of the Vendor or by such other method as the Vendor and the Purchaser may agree in writing, on Completion. The Loan Consideration is an amount denominated in Hong Kong dollars (at the Agreed Exchange Rate) equivalent to the principal amount of the Loan. The aggregate amount of the loan owing by Hypex Holdings to the Vendor and outstanding as at the Latest Practicable Date is the same as the amount outstanding as at 31 March 2006 of approximately S\$965,544.95 (equivalent to approximately HK\$4,779,448 at the Agreed Exchange Rate). The Share Consideration is the difference between HK\$50,000,000 and the Loan Consideration, subject to potential adjustments mentioned below. The Purchaser will fund the Acquisition through internal resources of the Group.

In the event that the audited consolidated profit after taxation but before extraordinary items of Hypex Holdings for the year ended 31 March 2006 as shown in the Audited 2006 Accounts (the "Audited 2006 Net Profit") shall be less than the Target (being the unaudited consolidated profit after taxation but before extraordinary items of Hypex Holdings as shown in the unaudited consolidated management accounts of Hypex Holdings for the year ended 31 March 2006), the Share Consideration payable by the Purchaser upon Completion shall be an amount equivalent to HK\$50,000,000 less the Loan Consideration and as reduced by an amount calculated as follows:

$$(\text{HK\$}50,000,000 - \text{Loan Consideration}) \times \left[1 - \left(\frac{A}{\text{HK\$}6,444,900} \right) \right]$$

where

"A" is an amount equal to the Audited 2006 Net Profit converted to Hong Kong dollars at the Agreed Exchange Rate.

It is expected that the Audited 2006 Accounts will be available to the Purchaser on or before 31 October 2006.

Assuming that no adjustment to the Share Consideration (whether as mentioned above or as below) is required and that the principal amount of the Loan as at Completion is S\$965,544.95 (equivalent to approximately HK\$4,779,448), the Share Consideration will be approximately HK\$45,220,553, representing approximately 7.02 times of the Target.

If the Consideration needs to be adjusted as mentioned above, the Vendor shall pay to the Purchaser the amount of the adjustment within 5 business days following the determination of the amount of adjustment (if any). The amount of adjustment as mentioned above (if any) will be determined within approximately eleven weeks after the date of the Sale and Purchase Agreement.

LETTER FROM THE BOARD

Subject to Completion taking place, the Share Consideration is subject to further potential adjustments as follows:

- (1) if the Audited 2007 Net Profit is less than the Target, the Vendor shall pay to the Purchaser a sum in Hong Kong dollars at the Agreed Exchange Rate equivalent to such shortfall; and
- (2) if the Audited 2008 Net Profit is less than the Target, the Vendor shall pay to the Purchaser a further sum in Hong Kong dollars at the Agreed Exchange Rate equivalent to such shortfall;

and if the Share Consideration needs to be so adjusted, the Vendor shall pay the Purchaser (or such other person(s) as the Purchaser may direct) the amount of the adjustment within 30 business days after the date of delivery to the Vendor and the Purchaser of the Audited 2007 Accounts and the Audited 2008 Accounts (as the case may be). The Audited 2007 Accounts and the Audited 2008 Accounts shall be delivered to the Vendor and the Purchaser on or before 30 June 2007 and 30 June 2008 respectively, or such later dates as may be agreed between the Vendor and the Purchaser in writing from time to time. Further announcement will be made if the Share Consideration is adjusted as mentioned above.

It is currently expected that Completion shall take place no later than 4 December 2006, the second business day after the Long Stop Date, unless otherwise agreed by the Vendor and the Purchaser.

Conditions:

Completion of the Sale and Purchase Agreement is conditional upon the satisfaction or (where applicable) waiver of the following conditions:

- (a) the Independent Shareholders passing at the SGM of ordinary resolution(s) approving the Sale and Purchase Agreement and the transactions contemplated thereby;
- (b) due diligence on Hypex Group being completed to the satisfaction of the Purchaser and there being no matter appearing to the Purchaser from such due diligence which in the opinion of the Purchaser may adversely affect the value of the Sale Shares and/or the Loan;
- (c) all consents, approvals and waivers as may be required or necessary under any instrument, contract, document or agreement to which the Vendor, any Vendor Guarantor or a Hypex Group Company is a party or by which any of them or their respective assets are bound for the sale and transfer of the Sale Shares and the Loan to give effect to the transactions contemplated by the Sale and Purchase Agreement being obtained and where any consent or approval is subject to conditions, such conditions being satisfactory to the Purchaser in its sole and absolute discretion; and

LETTER FROM THE BOARD

- (d) the representations, warranties and undertakings set out in the Sale and Purchase Agreement given by the Vendor remaining true, accurate and not misleading as of the Completion Date by reference to the facts and circumstances subsisting as at the Completion Date.

The conditions set out in (b), (c) and (d) above may be waived by the Purchaser in writing at any time either in whole or in part and such waiver(s) may be made subject to such terms and conditions as the Purchaser may require. If any of the conditions to the Sale and Purchase Agreement is not fulfilled or waived by the Purchaser in accordance with the Sale and Purchase Agreement on or before the Long Stop Date or such other date as may be agreed in writing between the Vendor and the Purchaser, the Sale and Purchase Agreement shall lapse and be terminated with immediate effect and, save in respect of any antecedent breaches, all rights and liabilities of the parties to the Sale and Purchase Agreement thereunder shall cease and determine and no party thereto shall have any claim against the others but such termination shall be without prejudice to any rights or remedies of the Purchaser and the Vendor to the Sale and Purchase Agreement which have accrued prior to such termination.

Guarantee:

Each of the Vendor Guarantors has unconditionally and irrevocably guaranteed to the Purchaser the due and punctual performance and discharge by the Vendor of all obligations due, owing or incurred to the Purchaser by the Vendor under the Sale and Purchase Agreement. The liability of the Vendor Guarantors under such guarantee is joint and several.

Completion:

Completion of the Sale and Purchase Agreement shall take place on the Completion Date. Upon Completion, the Vendor will cease to be interested in Hypex Holdings and Hypex Holdings will cease to be a subsidiary of the Vendor and will become an indirect wholly-owned subsidiary of the Company.

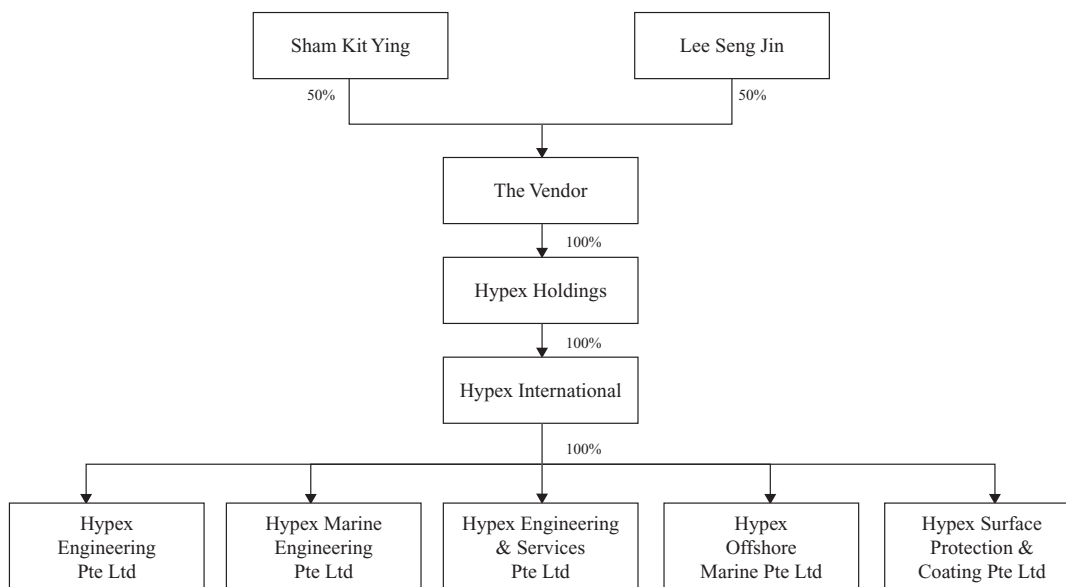
3. INFORMATION ON HYPEX GROUP

Hypex Holdings is an investment holding company and its subsidiaries are principally engaged in the provision of corrosion prevention services, comprising blasting (hydro and grit) and painting work, to customers in the marine, oil and gas industries. Corrosion prevention generally involves the use of high pressure blasting equipment and cleaning processes to remove old coatings of paint and surface contaminants before the application of new coats of paint onto clean surfaces of the metal structure. The Hypex Group provides corrosion prevention services to shipyards which require the blasting and painting services as part of their shipbuilding, ship conversion and ship repair activities. The Hypex Group also provides its corrosion prevention services for steel work structures and piping modules of oil rigs and jack-up rigs for customers in the oil and gas industries. The principal market of the Hypex Group is now in Singapore.

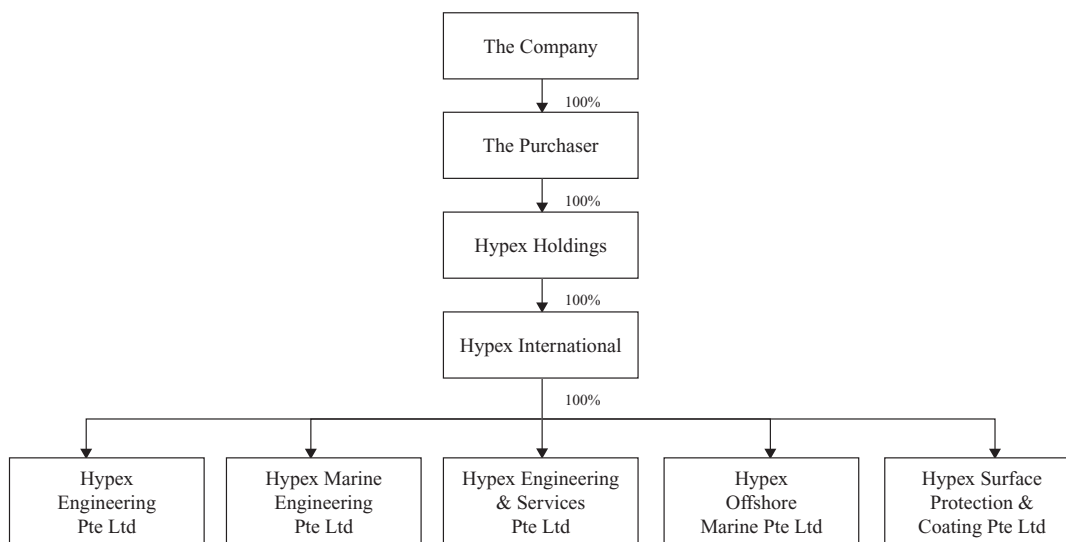
LETTER FROM THE BOARD

Set out below are the shareholding structure of the Hypex Group before and immediately after Completion respectively:

Before Completion



Immediately after Completion



LETTER FROM THE BOARD

Hypex Holdings became the holding company of the Hypex Group on 30 March 2005. No audited consolidated accounts of Hypex Holdings have been prepared. According to the audited consolidated accounts of Hypex International for the period from 29 April 2004 (the date of its incorporation) to 31 March 2005 (being the latest available audited consolidated accounts of Hypex International), the consolidated net profit before and after taxation and minority interests of Hypex International were as follows:

**For the period from
29 April 2004 to
31 March 2005**
(Approximately)

Consolidated net profit before taxation and minority interests	S\$54,419 (equivalent to approximately HK\$269,374)
Consolidated net profit after taxation and minority interest	S\$16,055 (equivalent to approximately HK\$79,472)

According to the unaudited consolidated management accounts of Hypex Holdings for the financial year ended 31 March 2006, the unaudited consolidated net assets of Hypex Holdings was approximately S\$2,409,865 (equivalent to approximately HK\$11,928,832) and the unaudited consolidated net profit before and after taxation of Hypex Holdings were as follows:

**For the year ended
31 March 2006**
(Approximately)

Unaudited consolidated net profit before taxation	S\$1,627,869 (equivalent to approximately HK\$8,057,952)
Unaudited consolidated net profit after taxation	S\$1,302,000 (equivalent to approximately HK\$6,444,900)

The original purchase cost of the entire issued share capital of, and shareholder's loan to, Hypex Holdings to the Vendor is S\$2,137,550.95 (equivalent to approximately HK\$10,580,877) at the Agreed Exchange Rate.

LETTER FROM THE BOARD

4. REASONS FOR AND BENEFITS OF THE ACQUISITION

The Directors are of the view that investment in the Hypex Group has good future potentials and may bring good return to the Company as well as diversifying the business of the Group. The Acquisition is in line with the Company's long term investment objectives which are to expand into other area so as to diversify the revenue and earning base of the Company.

The Directors (including the independent non-executive Directors) believe that the terms of the Sale and Purchase Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

5. FINANCIAL EFFECTS OF THE ACQUISITION

Based upon the maximum Share Consideration of approximately HK\$45.2 million and the unaudited consolidated net assets value of Hypex Holdings as at 31 March 2006 of approximately HK\$11.9 million, a goodwill, being the maximum Share Consideration less the unaudited consolidated net assets value of Hypex Holdings as at 31 March 2006, of approximately HK\$33.3 million will arise. As at 31 March 2006, the audited consolidated net tangible assets value attributable to the equity holders of the Company was approximately HK\$630.1 million. The Company is therefore of the view that there would not be any significant impact on the consolidated net tangible assets value of the Company immediately after the Completion.

As to the effect on the earnings of the Group, Hypex Holdings had unaudited consolidated net profit attributable to its shareholders of approximately S\$1,302,000 (equivalent to approximately HK\$6,444,900) for the year ended 31 March 2006. As Hypex Holdings will become a wholly-owned subsidiary of the Company after Completion, the Acquisition would have a positive contribution to the earnings of the Group if the Hypex Group continues to operate profitably.

Given that the unaudited consolidated non-current liabilities of Hypex Holdings as at 31 March 2006 of approximately S\$1.4 million (equivalent to approximately HK\$6.9 million) represents only approximately 1.1% of the total equity of the Company as at 31 March 2006, it is expected that the gearing ratio (measured on the basis of the Group's long term loans over the Group's shareholders' funds) of the Company will only be increased slightly as a result of the Acquisition.

The Consideration for the Acquisition will be paid in cash and financed by the internal resources of the Group. The maximum Consideration of HK\$50 million, assuming there would not be any adjustments to the Consideration, represents about 16% of the audited bank and cash balance of approximately HK\$307.8 million as at 31 March 2006. The Acquisition will not have any adverse impact on the working capital position and the normal operations of the Group.

LETTER FROM THE BOARD

6. GENERAL

The Group is principally engaged in investment holding, trading and marketing of paper products.

The Vendor is an investment holding company.

7. LISTING RULES REQUIREMENTS

As both the profits ratio and consideration ratio are not less than 5% but are less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules. As the Vendor is owned as to 50% by Mr. Sham Kit Ying and as to 50% by Mr. Lee Seng Jin (both being Directors), the Vendor is a connected person of the Company. Therefore, the Acquisition also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. Pursuant to Rule 14A.18 of the Listing Rules, the Acquisition is therefore conditional upon the approval of the Independent Shareholders by poll at the SGM.

8. SGM

The SGM will be held for the purpose of considering and, if thought fit, approving the Sale and Purchase Agreement and the transactions contemplated thereunder. Only the Independent Shareholders will be entitled to vote on the ordinary resolution relating to the Acquisition to be proposed at the SGM.

As far as the Company was aware having made all reasonable enquiries, as at the Latest Practicable Date, Quinselle Holdings Limited held 268,340,000 Shares (representing approximately 62.51% of the nominal value of the securities giving the right to attend and vote at any general meeting of the Company) in the capacity of a trustee of a private unit trust. The majority units in such private unit trust are held by HSBC International Trustee Limited in its capacity as the trustee of a family trust. The objects of such family trust include Mr. Lee Seng Jin and, his spouse, Ms. Sham Yee Lan, Peggy (both being Directors). As at the Latest Practicable Date, Mr. Sham Kit Ying had no shareholding interest, whether direct or indirect, in the Company, Ms. Sham Yee Lan, Peggy, daughter of Mr. Sham Kit Ying, had personal and corporate interests in an aggregate of 16,712,556 Shares (representing approximately 3.89% of the nominal value of the securities giving the right to attend and vote at any general meeting of the Company) and Mr. Lee Seng Jin had a personal interest in 11,624,000 Shares (representing approximately 2.71% of the nominal value of the securities giving the right to attend and vote at any general meeting of the Company). In view of Mr. Lee Seng Jin's 50% interest in the Vendor, Mr. Lee Seng Jin is required to abstain from voting at the SGM on the resolution approving the Acquisition in accordance with Rule 14A.18 of the Listing Rules. In view of their relationship with Mr. Lee Seng Jin as mentioned above, Ms. Sham Yee Lan, Peggy, Quinselle Holdings Limited and HSBC International Trustee Limited are also required to abstain from voting at the SGM, in respect of any Shares held by them, on the resolution approving the Acquisition in accordance with Rule 14A.18 of the Listing Rules.

LETTER FROM THE BOARD

A notice convening the SGM to be held at Strategic Financial Relations Limited, Room 3203, 32/F., Admiralty Centre I, 18 Harcourt Road, Hong Kong on Wednesday, 1 November 2006 at 10:00 a.m. is set out on pages 30 and 31 of this circular. Whether or not you are able to attend the SGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM (or any adjournment thereof). The proxy form should be returned to the Company's principal place of business in Hong Kong at 3rd Floor, Seapower Industrial Centre, 177 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong. The completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM (or at any adjournment thereof) should you so wish.

9. PROCEDURE FOR DEMANDING A POLL

Pursuant to the Bye-Laws of the Company, at any general meeting, a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is taken as may from time to time be required under the Listing Rules or any other applicable laws, rules or regulations or unless a poll is (before or on the declaration of the result of the show of hands) demanded by:

- (a) the chairman of the meeting; or
- (b) at least three shareholders of the Company present in person or by proxy or authorised representative for the time being entitled to vote at the meeting; or
- (c) any shareholder or shareholders of the Company present in person or by proxy or authorised representative and holding between them not less than one-tenth of the total voting rights of all shareholders of the Company having the right to attend and vote at the meeting; or
- (d) any shareholder or shareholders of the Company present in person or by proxy or authorised representative and holding Shares conferring a right to attend and vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the Shares conferring that right.

10. RECOMMENDATION

Your attention is drawn to:

- (1) the letter from the Independent Board Committee set out on page 16 of this circular, which contains its recommendation to the Independent Shareholders concerning the Acquisition; and

LETTER FROM THE BOARD

- (2) the letter from the Independent Financial Adviser, the text of which is set out on pages 17 to 25 of this circular, which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the terms of the Acquisition and the principal factors and reasons considered by it in arriving at its advice.

The Independent Shareholders are advised to read the aforesaid letters before deciding as to how to vote at the SGM.

The Board considers that the terms of the Sale and Purchase Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the board of Directors recommends the Independent Shareholders to vote in favour of the ordinary resolution as set out in the notice of the SGM.

11. ADDITIONAL INFORMATION

Your attention is also drawn to the letter from the Independent Board Committee, the letter from the Independent Financial Adviser, Notice of the SGM and additional information set out in the appendix to this circular.

Yours faithfully,
For and on behalf of the Board
SHAM Kit Ying
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



SAMSON PAPER HOLDINGS LIMITED

森信紙業集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 731)

12 October 2006

To the Independent Shareholders

Dear Sir and Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION
SALE AND PURCHASE OF
THE ENTIRE ISSUED SHARE CAPITAL OF
HYPEX HOLDINGS LIMITED**

We refer to the circular of the Company dated 12 October 2006 (the “Circular”) to the Shareholders, of which this letter forms part. Unless specified otherwise, capitalised terms used herein shall have the same meanings as those defined in the Circular.

We have been appointed by the Board as the Independent Board Committee to advise you as to whether or not the terms of the Acquisition is fair and reasonable so far as the Independent Shareholders as a whole are concerned. Taifook Capital Limited has been appointed as the Independent Financial Adviser to advise us and the Independent Shareholders in this regard. Details of its advice, together with the principal factors taken into consideration in arriving at such, are set out in its letter on pages 17 to 25 of the Circular. Your attention is also drawn to the Letter from the Board in the Circular and the additional information set out in the appendix thereto.

Having considered the terms of the Acquisition and taking into account of the independent advice of Taifook Capital Limited, we consider that the terms of the Acquisition are fair and reasonable so far as the Independent Shareholders as a whole are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution approving the Acquisition to be proposed at the SGM.

PANG Wing-Kin, Patrick
*(Independent Non-executive
Director)*

Yours faithfully,
TONG Yat Chong
*(Independent Non-executive
Director)*

Independent Board Committee

NG Hung Sui, Kenneth
*(Independent Non-executive
Director)*

* For identification purpose only

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of a letter received from the Independent Financial Adviser setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Acquisition for inclusion in this circular.



25th Floor
New World Tower
16-18 Queen's Road Central
Hong Kong

12 October 2006

To the Independent Board Committee and the Independent Shareholders

Samson Paper Holdings Limited
3rd Floor
Seapower Industrial Centre
177 Hoi Bun Road
Kwun Tong
Kowloon
Hong Kong

Dear Sirs,

DISCLOSEABLE AND CONNECTED TRANSACTION SALE AND PURCHASE OF THE ENTIRE ISSUED SHARE CAPITAL OF HYPEX HOLDINGS LIMITED

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders with respect to the terms of the Sale and Purchase Agreement, details of which are set out in the letter from the Board (the "Letter") contained in the circular of the Company dated 12 October 2006 (the "Circular"), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

As referred to in the Letter, on 25 September 2006, the Purchaser (a wholly-owned subsidiary of the Company) entered into the Sale and Purchase Agreement with the Vendor and the Vendor Guarantors pursuant to which the Purchaser conditionally agreed to acquire from the Vendor, and the Vendor conditionally agreed to sell and assign to the Purchaser its interest in the entire issued share capital of, and shareholder's loan to, Hypex Holdings.

Since the Vendor is owned as to 50% by each of Mr. Sham Kit Ying and Mr. Lee Seng Jin who are both executive Directors, the Vendor is a connected person of the Company. Therefore, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Moreover, as stated in the Letter, both the profits ratio and consideration ratio are more than 5% but are less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules. The Acquisition is therefore subject to Independent Shareholders' approval requirements under

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Rule 14A.18 of the Listing Rules. As set out in the Letter, as at the Latest Practicable Date, Quinselle Holdings Limited, in its capacity as trustee of a private unit trust, held 268,340,000 Shares (representing approximately 62.51% of the nominal value of the securities giving the right to attend and vote at any general meeting of the Company as at the Latest Practicable Date); and HSBC International Trustee Limited, in its capacity as trustee of a family trust, held the majority units in the private unit trust. The objects of the family trust include Mr. Lee Seng Jin, and his spouse, Ms. Sham Yee Lan, Peggy (both being Directors). As at the Latest Practicable Date, Mr. Sham Kit Ying had no shareholding interest, whether direct or indirect, in the Company; Ms. Sham Yee Lan, Peggy, daughter of Mr. Sham Kit Ying and spouse of Mr. Lee Seng Jin, had personal and corporate interests in an aggregate of 16,712,556 Shares (representing approximately 3.89% of the nominal value of the securities giving the right to attend and vote at any general meeting of the Company as at the Latest Practicable Date); and Mr. Lee Seng Jin had a personal interest in 11,624,000 Shares (representing approximately 2.71% of the nominal value of the securities giving the right to attend and vote at any general meeting of the Company as at the Latest Practicable Date). In view of the above, Mr. Lee Seng Jin, Ms. Sham Yee Lan, Peggy, Quinselle Holdings Limited and HSBC International Trustee Limited will abstain from voting on the resolution to approve the Acquisition at the SGM.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Pang Wing Kin, Patrick, Mr. Tong Yat Chong and Mr. Ng Hung Sui, Kenneth, has been formed to consider the terms of the Sale and Purchase Agreement and to advise the Independent Shareholders whether or not to vote in favour of the Acquisition. In our capacity as the independent financial adviser to the Independent Board Committee and the Independent Shareholders, our role is to provide the Independent Board Committee and the Independent Shareholders with an independent opinion and recommendation as to whether the terms of the Sale and Purchase Agreement are fair and reasonable so far as the Independent Shareholders are concerned and whether the Acquisition is in the interests of the Independent Shareholders as a whole.

BASIS OF OUR OPINION

In formulating our recommendation, we have relied on the information, financial information and facts supplied to us and representations expressed by the Directors and/or the management of the Company and have assumed that all such information, financial information and facts and any representations made to us, or referred to in the Circular, are true, accurate and complete as at the time they were made and as at the date of the Circular, has been properly extracted from the relevant underlying accounting records (in the case of financial information) and made after due and careful inquiry by the Company and/or the management of the Company. The Directors and/or the management of the Company have confirmed that, having made all reasonable enquiries and to the best of their knowledge and belief, all relevant information has been supplied to us and that no material facts have been omitted from the information supplied and representations expressed to us. We have also relied on certain information available to the public and have assumed such information to be accurate and reliable. We have no reason to doubt the completeness, truth or accuracy of the information and facts provided and we are not aware of any facts or circumstances which would render such information provided and representations made to us untrue, inaccurate or misleading.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We considered we have reviewed sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent verification of the information nor have we conducted any form of in-depth investigation into the businesses, affairs, financial position or prospects of the Group or that of the Hypex Group.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the terms of the Sale and Purchase Agreement, we have considered the following principal factors and reasons:

1. Background and reasons for the Acquisition

The Company and its subsidiaries are principally engaged in investment holding, trading and marketing of paper products which contributed over 90% of the Group's total turnover and net profit. Besides the paper business, the Company has diversified into the businesses including consumable aeronautic parts and transportation services in recent years. As advised by the Directors, having been in the paper industry for over 40 years, the principal business of the Group is mature and generating stable profit and surplus cash inflow to the Group. As a result, the Group has been looking for other investment opportunities in various fields with a view to expand its revenue stream and diversify its sources of profit. Moreover, as advised by the Directors, in identifying such investment opportunities, the Group mainly targets at established companies with profitable track records and growth potential and of which the management of the Group has expertise and experience.

The Directors believe that the Acquisition will provide the Group with an opportunity to broaden its revenue and earnings base, in view of the market potential of the Hypex Group's business in the marine industry in Singapore.

Information on the Hypex Group

The Acquisition involves the acquisition by the Purchaser, which is a wholly-owned subsidiary of the Company, of the entire issued share capital of, and the outstanding shareholder's loan to, Hypex Holdings, from the Vendor which is owned as to 50% by each of Mr. Sham Kit Ying and Mr. Lee Seng Jin (both being Directors). Upon completion of the Acquisition, Hypex Holdings will become a wholly-owned subsidiary of the Company.

Through its subsidiaries, Hypex Holdings is principally engaged in the provision of corrosion prevention services, comprising blasting (hydro and grit) and painting work, to its customers in the marine, oil and gas industries. The Hypex Group has been engaged in such business for approximately four years. Customers of the Hypex Group are mainly shipyards which require the blasting and painting services of Hypex Group as part of their shipbuilding, ship conversion and ship repair activities. The Hypex Group also provides its corrosion prevention services for steel work structures and piping modules of oil rigs and jack-up rigs for customers in the oil and gas industries. The Hypex Group has

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

established good and long-term relationships with its major customers, some of which are well-known Singapore shipyards or listed companies, with business relationship ranging from approximately nine months to four years. The Directors believe that these relationships could be maintained in the future. As set out in the Letter, Hypex Holdings became the holding company of the Hypex Group on 30 March 2005. For the period from 29 April 2004 (being the date of incorporation of Hypex International) to 31 March 2005 and for the financial year ended 31 March 2006, Hypex International has recorded audited consolidated profit attributable to equity holders of the company of approximately S\$16,000 (equivalent to approximately HK\$80,000) and unaudited consolidated profit attributable to equity holders of the company of approximately S\$1.3 million (equivalent to approximately HK\$6.4 million).

Prospects of the Hypex Group

As Singapore is the principal market of the Hypex Group and customers of the Hypex Group are mostly Singapore shipyards, the business of the Hypex Group is affected by the competitiveness of the shipyards and state of the marine industry in Singapore, as well as the global economic environment. The Directors are optimistic about the business prospects of the Hypex Group and expect that the corrosion prevention activities related to marine and offshore oil and gas industries would increase in view of the expected increase in regional marine activities and new vessel construction by Singapore shipyards.

According to the 2005 annual report of the Association of Singapore Marine Industries (the "2005 Marine Report") dated 28 March 2006 provided by the Company, the total turnover of Singapore's marine industry has continued to grow from approximately S\$3.8 billion (equivalent to approximately HK\$18.8 billion) in 2003 to approximately S\$5.3 billion (equivalent to approximately HK\$26.2 billion) in 2004, and further increased to approximately S\$7.4 billion (equivalent to approximately HK\$36.6 billion) in 2005. As stated in the 2005 Marine Report, such growth in turnover was partially contributed by the continued increase in output and revenue from all three sectors of the marine industry, namely ship repair and conversion, shipbuilding, and offshore engineering. According to the 2005 Marine Report, revenue from the ship repair and conversion sector increased from approximately S\$2.3 billion (equivalent to approximately HK\$11.4 billion) in 2003 to approximately S\$3.1 billion (equivalent to approximately HK\$15.2 billion) in 2004, and further increased to approximately S\$3.8 billion (equivalent to approximately HK\$18.8 billion) in 2005.

Management expertise

As advised by the Directors, the Hypex Group is managed by a team of directors who have strong expertise in the corrosion prevention business as well as decades of marine experience and strong networks. The marketing director, Mr. Lee Seng Hain, Alvin, who is the brother of Mr. Lee Seng Jin, has more than 35 years of experience and knowledge in the marine industry. The operations director, Mr. Goh Kwang Yong, Eric, has been in the blasting business for more

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

than 10 years. We are advised by the Directors that Mr. Lee, Mr. Goh and the other senior management of the Hypex Group will be substantially retained after the completion of the Acquisition. The Group as enlarged by the Hypex Group will therefore have the necessary skills and expertise to manage the business of the Hypex Group subsequent to the Acquisition.

Based on (i) the Acquisition was negotiated and entered into on an arm's length basis and on normal commercial terms; (ii) the Hypex Group has proven track record and capabilities, the Acquisition offers an opportunity for the Group to broaden its revenue and earnings base; (iii) the potential of the Singapore marine industry as illustrated above; and (iv) the senior management of Hypex Group who has ample experience in the marine and blasting industry will continue to manage the Hypex Group after the completion of the Acquisition, we are of the view that the Acquisition represents a good business opportunity for the Group to diversify its scope of business and is beneficial to the Group and the Shareholders as a whole.

2. Principal terms of the Sale and Purchase Agreement

Basis of the Consideration

The Consideration payable by the Company for the Acquisition pursuant to the Sale and Purchase Agreement is HK\$50,000,000, being the sum of (i) the Loan Consideration which will be equal to the principal amount of the Loan as at the Completion Date; and (ii) the Share Consideration which will be equal to the difference between HK\$50,000,000 and the Loan Consideration, subject to potential downward adjustments which details are set out in the Letter and below.

As at the Latest Practicable Date, the aggregate amount of the loan owed by Hypex Holdings to the Vendor was approximately S\$965,544.95 (equivalent to approximately HK\$4,779,448). As stated in the Letter, the Loan as at the Completion Date shall not be less than S\$965,544.95 (equivalent to approximately HK\$4,779,448). On this basis, the Company expects that the Share Consideration will not be more than HK\$45,220,553 (the "Maximum Share Consideration"), being the difference between HK\$50,000,000 and the minimum Loan Consideration, and assuming no downward adjustment is necessary. The Consideration was arrived at on arm's length basis between the Vendor and the Purchaser.

Since the Loan Consideration, which is calculated on a dollar for dollar basis, will be equal to the principal amount of the Loan outstanding as at the Completion Date, we consider it to be fair and reasonable.

To assess the fairness and reasonableness of the valuation of the Maximum Share Consideration, we consider the price-to-earnings ratio ("P/E Ratio") analysis, which is one of the most commonly used references for valuing a company which reflects the earnings potential of the underlying business as a going concern, is applicable in this instance as Hypex Group has a profitable track record. We are not aware of any company listed on the Stock Exchange the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

principal business of which is similar to that of the Hypex Group (i.e. the provision of corrosion prevention services, comprising blasting (hydro and grit) and painting work, to its customers in the marine, oil and gas industries). As such, in assessing the fairness and reasonableness of the Maximum Share Consideration, we have extended our analysis to other stock markets and have identified eight listed companies (the “Comparable Companies”) that are principally engaged in the provision of corrosion prevention services or ship repair and maintenance business which market capitalisations are less than HK\$500 million and reviewed the P/E Ratios of the Comparable Companies as at the Latest Practicable Date. We noted that the ship repair and maintenance services provided by the Comparable Companies may not be exactly identical to those provided by the Hypex Group, but all of the following Comparable Companies are principally engaged in the provision of corrosion prevention services or ship repair and maintenance business and we consider that they are relevant and would have reflected the market’s collective valuation for the similar nature of business conducted by the Hypex Group. The following table summarises the historical P/E Ratios of the Comparable Companies as at the Latest Practicable Date:

Comparable Companies	Place of listing	Principal business	P/E Ratio (times)
Beng Kuang Marine Limited	Singapore	provides corrosion prevention and infrastructure and infrastructure engineering services.	9.95
See Hup Seng Limited	Singapore	provides grit blasting, tank cleaning, painting, ship repair, ship building, and scaffolding services	n.a.
Nakabohtec Corrosion Protecting Co., Ltd.	Japan	performs corrosion prevention works for steel structures	16.86
Swissco International Limited	Singapore	provides marine logistics services and ship repair and maintenance services	3.83
Asian Marine Services Public Company Limited	Bangkok	provides ship building and repairing services	6.19
PSC Industries Berhad	Kuala Lumpur	builds and repairs ships and provides heavy engineering construction	n.a.
Bahrain Ship Repairing and Engineering Company	Manama	provides repair and maintenance services to vessels	12.85
Keppel Philippines Marine, Inc.	Philippines	provides shipbuilding and ship repair services	7.54
Average			9.54
Hypex Holdings			7.02 (Note)

Source: Bloomberg

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Note:

The calculation of the P/E Ratio of Hypex Holdings is based on the Maximum Share Consideration of approximately HK\$45,220,553 divided by the unaudited consolidated profit attributable to equity shareholders of Hypex Holdings for the year ended 31 March 2006 of approximately S\$1.3 million (equivalent to approximately HK\$6.4 million).

Save for See Hup Seng Limited and PSC Industries Berhad which were loss making and therefore no meaningful P/E Ratios can be calculated, the P/E Ratios of the Comparable Companies range from approximately 3.83 to 16.86, with an average of approximately 9.54. The P/E Ratio of Hypex Holdings of approximately 7.02 falls within the range and is approximately 26.4% lower than the average P/E ratio of the Comparable Companies.

Adjustments to the Consideration

As stated in the Letter, in the event that the audited consolidated profit after taxation but before extraordinary items of Hypex Holdings for the year ended 31 March 2006 as shown in the Audited 2006 Accounts (the “Audited 2006 Net Profit”) is less than S\$1,302,000 (equivalent to approximately HK\$6,444,900) as shown in the unaudited consolidated management accounts of Hypex Holdings for the year ended 31 March 2006, the Share Consideration payable by the Purchaser upon Completion shall be an amount equivalent to HK\$50,000,000 less the Loan Consideration and as reduced by, and the Vendor shall pay back to the Purchaser, an amount equal to:

$$(\text{HK\$}50,000,000 - \text{Loan Consideration}) \times [1 - (A/\text{HK\$}6,444,900)]$$

where A is equal to the Audited 2006 Net Profit in HK\$ at the Agreed Exchange Rate.

The adjustment, if any, will be determined within approximately eleven weeks after the date of the Sale and Purchase Agreement and shall be paid by the Vendor within five business days following such date of determination.

In addition, if the Audited 2007 Net Profit or the Audited 2008 Net Profit is less than S\$1,302,000 (equivalent to approximately HK\$6,444,900), the Vendor shall further pay back to the Purchaser the amount of such shortfall (being the difference between the Audited 2007 Net Profit or the Audited 2008 Net Profit (as the case may be) and S\$1,302,000) in HK\$ at the Agreed Exchange Rate.

Funding of the Consideration

Pursuant to the terms of the Sale and Purchase Agreement, the Consideration, comprising the Loan Consideration and the Share Consideration, is HK\$50 million and is payable by the Purchaser to the Vendor in cash upon Completion. As advised by the Directors, the Purchaser will fund the Acquisition by using internal resources of the Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Based on the audited consolidated balance sheet of the Company as at 31 March 2006, the Company had bank and cash balance of approximately HK\$307.8 million. Based on the foregoing, we concur with the Directors that the Company has the necessary financial resources to pay for the Consideration and its financial position will not be adversely affected by the Acquisition.

Given that (i) the P/E Ratio of Hypex Holdings falls within the range of the P/E Ratios of the Comparable Companies and is approximately 26.4% lower than the average P/E Ratio of the Comparable Companies, which is favorable to the Company and the Independent Shareholders as a whole; (ii) the P/E Ratio of Hypex Holdings is calculated based on the Maximum Share Consideration, any potential downward adjustments to the Share Consideration as discussed above will reduce the P/E Ratio of Hypex Holdings further which is favorable to the Company and the Independent Shareholders as a whole; and (iii) the Company has necessary internal resources to fund the Acquisition, we are of the view that the Consideration is fair and reasonable so far as the Independent Shareholders are concerned.

3. Financial effects of the Acquisition

The following illustrates the effect on net tangible assets value, earnings, gearing and cash position of the Group as a result of the Acquisition.

Net tangible assets value

Upon completion of the Acquisition, based on the Maximum Share Consideration of approximately HK\$45.2 million and the unaudited consolidated net assets value of Hypex Holdings as at 31 March 2006 of approximately HK\$11.9 million, it is expected that a goodwill, being the Maximum Share Consideration less the unaudited consolidated net assets value of Hypex Holdings as at 31 March 2006, of approximately HK\$33.3 million will arise. As at 31 March 2006, the audited consolidated net tangible assets value attributable to equity holders of the Company was approximately HK\$630.1 million. We therefore consider that there would not be any material impact on the consolidated net tangible assets value of the Company immediately after the Completion.

Earnings

As stated in the Letter, Hypex Holdings had unaudited consolidated net profit attributable to its shareholders of approximately S\$1,302,000 (equivalent to approximately HK\$6,444,900) for the year ended 31 March 2006. As Hypex Holdings will become a wholly-owned subsidiary of the Company after Completion, the Acquisition would have positive contribution to the earnings of the Group if the Hypex Group continues to operate profitably.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Gearing

Based on the latest annual report of the Company, the audited gearing ratio (represents the Group's long term loans of approximately HK\$221.2 million over the Group's shareholders' funds of approximately HK\$634.0 million) of the Group as at 31 March 2006 was approximately 34.9%. Given that the unaudited consolidated non-current liabilities of Hypex Holdings as at 31 March 2006 of approximately S\$1.4 million (equivalent to approximately HK\$6.9 million) represents only approximately 1.1% of the Group's shareholders' funds as at 31 March 2006, it is expected that the gearing ratio of the Group will only be increased slightly as a result of the Acquisition which will not have a material effect on the Group as a whole.

Cash position

The Consideration for the Acquisition will be paid in cash and financed by the internal resources of the Group. As previously discussed, the Group had an audited bank and cash balance of approximately HK\$307.8 million as at 31 March 2006. Given that, assuming there would not be any adjustments to the Consideration, the maximum Consideration is HK\$50 million, which represents approximately 16% of such bank and cash balances available, we are of the view that the Acquisition will not have any adverse impact on the working capital position and hence, the normal operations of the Group.

Given the above, we are of the view that the Acquisition will not have a material impact on the financial position and earnings of the Group after Completion.

RECOMMENDATION

Having considered the above principal factors and reasons, we are of the view that the terms of the Sale and Purchase Agreement are fair and reasonable so far as the Independent Shareholders are concerned and the Acquisition is in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Taifook Capital Limited
Derek C.O. Chan **April Chan**
Managing Director *Executive Director*

(1) RESPONSIBILITY STATEMENT

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

(2) DISCLOSURE OF DIRECTORS' INTERESTS

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

Name of Director	Capacity	Number of Shares beneficially held				Total	Percentage
		Personal Interest	Corporate Interest	Family Interest	Other Interest		
Mr. LEE Seng Jin	Beneficial owner & beneficiary of trust	11,624,000	–	16,712,556	268,340,000 <i>(Note)</i>	296,676,556	69.11%
Ms. SHAM Yee Lan, Peggy	Beneficial owner & beneficiary of trust	572,556	16,140,000	11,624,000	268,340,000 <i>(Note)</i>	296,676,556	69.11%
Mr. CHOW Wing Yuen	Beneficial owner	540,000	–	–	–	540,000	0.13%

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

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

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have

under such provisions of the SFO); or (ii) were required to be entered in the register maintained by the Company pursuant to section 352 of the SFO; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as contained in the Listing Rules.

(3) DIRECTORS' INTERESTS IN CONTRACTS

- (a) As at the Latest Practicable Date, none of the Directors had entered, or proposed to enter into a service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).
- (b) Save as disclosed herein, as at the Latest Practicable Date, none of the Directors is materially interested in any contract or arrangement subsisting at the date hereof which is significant in relation to the business of the Group as a whole.
- (c) As at the Latest Practicable Date, none of the Directors nor the Independent Financial Adviser had any direct or indirect interest in any assets which had been acquired, or disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group, since 31 March 2006, the date to which the latest published audited consolidated financial statements of the Company were made up.

(4) SUBSTANTIAL SHAREHOLDERS

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

Long Position in the Shares

Name of Shareholder	Number of Shares	Approximate percentage of the Company's total issued share capital
Quinselle Holdings Limited <i>(Note 1 & 2)</i>	268,340,000	62.51%
HSBC International Trustee Limited <i>(Note 1 & 2)</i>	268,340,000	62.51%

Notes:

1. Quinselle Holdings Limited held the 268,340,000 Shares in its capacity as trustee of a private unit trust. HSBC International Trustee Limited, acting in its capacity as trustee of a family trust, holds the majority units in the private unit trust.

2. None of the Directors of the Group is a director or employee of Quinselle Holdings Limited and HSBC International Trustee Limited.

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

(5) LITIGATION

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

(6) COMPETING INTERESTS

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

(7) MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 March 2006 (being the date to which the latest published audited consolidated financial statements of the Company were made up).

(8) EXPERT

- (a) The following is the qualification of the expert which has given opinion or advice which is contained in this circular:

Name	Qualifications
Taifook Capital Limited	a corporation licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO

- (b) As at the Latest Practicable Date, the Independent Financial Adviser did not have any shareholding in the Company or any of its subsidiaries and did not have any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for securities in the Company or any of its subsidiaries.

- (c) The Independent Financial Adviser has given and has not withdrawn its written consent to the issue of this circular with the inclusion of the text of its letter and references to its name, in the form and context in which they respectively appear.

(9) GENERAL

- (a) The qualified accountant and secretary of the Company is Mr. Lee Yue Kong, Albert, an executive Director. Mr. Lee is a Certified Public Accountant. He is an associate member of the Institute of Chartered Accountants in Australia and the Hong Kong Institute of Certified Public Accountants.
- (b) The registered office of the Company is situated at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda. The head office and principal place of business of the Company is situated at 3rd Floor, Seapower Industrial Centre, 177 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong.
- (c) The principal share registrar and transfer office of the Company is Butterfield Corporate Services Limited situated at 6 Front Street, Hamilton, Bermuda. The Hong Kong branch share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited situated at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (d) The English text of this circular shall prevail over the Chinese text in case of inconsistency.

(10) DOCUMENTS FOR INSPECTION

Copies of the following documents will be available for inspection at the principal place of business of the Company in Hong Kong at 3rd Floor, Seapower Industrial Centre, 177 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong during normal business hours from the date of this circular up to and including 25 October 2006:

- (a) the Sale and Purchase Agreement dated 25 September 2006;
- (b) the letter from the Independent Financial Adviser, the text of which is set out in this circular;
- (c) the letter from the Independent Board Committee, the text of which is set out in this circular; and
- (d) the written consent referred to in the paragraph headed "Expert" of this appendix.

NOTICE OF THE SGM



SAMSON PAPER HOLDINGS LIMITED

森信紙業集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 731)

NOTICE IS HEREBY GIVEN that a special general meeting of Samson Paper Holdings Limited (the “Company”) will be held at Strategic Financial Relations Limited, Room 3203, 32/F., Admiralty Centre I, 18 Harcourt Road, Hong Kong on Wednesday, 1 November 2006 at 10:00 a.m. for the purpose of considering and, if thought fit, passing (with or without modifications) the following resolution as an ordinary resolution of the Company:–

ORDINARY RESOLUTION

“**THAT:**–

- (a) the conditional sale and purchase agreement dated 25 September 2006 (the “**Agreement**”) entered into between Kemp International Holdings Limited (a wholly-owned subsidiary of the Company) as purchaser (the “**Purchaser**”), Partisan Holdings Limited (a company owned as to 50% by Mr. Sham Kit Ying and as to 50% by Mr. Lee Seng Jin) as vendor, and Mr. Sham Kit Ying and Mr. Lee Seng Jin (both being directors of the Company) as vendor guarantors in respect of the acquisition by the Purchaser of the entire issued share capital of, and shareholder’s loan to, Hypex Holdings Limited (a copy of the Agreement has been produced to this meeting and marked “A” and initialled by the chairman of the meeting for the purpose of identification) and all transactions contemplated under or incidental to the Agreement and all actions taken or to be taken by the Company and/or its subsidiaries pursuant thereto be and are hereby generally and unconditionally approved, ratified and confirmed; and
- (b) the directors of the Company be and are hereby authorised for and on behalf of the Company to do all such acts and things, to sign, seal, execute, perfect, perform and deliver all such other documents, agreements, instruments and deeds, and to take all such steps as they may consider necessary, appropriate, desirable or expedient to implement and/or to give effect to and/or in connection with the Agreement or any of the transactions contemplated thereunder and all other matters incidental thereto, and to agree to any amendment to any of the terms of

* For identification purpose only

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the Agreement which in the opinion of the directors of the Company are in the interests of the Company.”

By Order of the Board
LEE Yue Kong, Albert
Company Secretary

Hong Kong, 12 October, 2006

Registered office:

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

Head Office and Principal Place of Business in Hong Kong:

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

Notes:

- (1) A member of the Company who is entitled to attend and vote at the above meeting shall be entitled to appoint not more than two proxies to attend and vote instead of him. A proxy need not be a member of the Company.
- (2) A form of proxy for use at the above meeting is enclosed. Whether or not you intend to attend the above meeting in person, you are urged to complete and return the form of proxy in accordance with the instructions printed thereon.
- (3) To be valid, the form of proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority, must be deposited at the Company's principal place of business in Hong Kong at 3/F, Seapower Industrial Centre, 177 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof (as the case may be).
- (4) Completion and return of the form of proxy will not preclude members of the Company from attending and voting in person at the meeting.
- (5) The ordinary resolution set out above will be determined by way of a poll.