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SAMSON PAPER HOLDINGS LIMITED

森信紙業集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 731)

**MAJOR TRANSACTION IN RELATION TO THE
ACQUISITION OF ALL THE REMAINING ASSETS OF PROPERTIES OF
山東華眾紙業有限公司 (Shandong Huazhong Paper Co., Ltd.*) AND
山東華彩紙業有限公司 (Shandong Huacai Paper Co., Ltd.*)**

The Board is pleased to announce that on 20 February 2008, UPP Investments entered into the Assets Transfer Contract with Huazhong Receiver and Huacai Receiver, (collectively known as the “**Receivers**”), pursuant to which the Receivers have agreed to sell, and UPP Investments has agreed to procure the Acquisition by Universal Shandong on all the Assets at a total cash consideration of RMB385,250,173 (equivalent to approximately HK\$414,872,037). Upon completion of the Acquisition, Universal Shandong will own all the Assets.

Universal Shandong will be a Sino-foreign equity joint venture company to be established under the laws of PRC. It is intended that 90% and 10 % of its equity interest will be held by UPP Investments and Shenzhen Jialing respectively. Both UPP Investments and Shenzhen Jialing are indirect wholly-owned subsidiaries of the Company.

In respect of the Acquisition, as consideration ratio calculated in accordance with Chapter 14 of the Listing Rules are more than 25% but less than 100%, the Acquisition constitutes a major transaction of the Company under Chapter 14 of the Listing Rules. Accordingly, it is subject to reporting, announcement and shareholders’ approval requirements of the Listing Rules.

However, since none of the Shareholders is interested in the Acquisition, as such, no Shareholder is required to abstain from voting if the Company was to convene a general meeting for the approval of the Acquisition. According to Rule 14.44 of the Listing Rules, written approval from the majority Shareholder(s) is accepted in lieu of a majority vote at a general meeting of the Company to approve the Acquisitions. The Company will obtain the approval by way of written shareholders' approval from Quinselle Holdings Limited who controlled approximately 51.16% of the issued share capital of the Company as at the date of this announcement for the Stock Exchange's consideration as to whether the Acquisition which constitutes a major transaction could be approved by way of written shareholders' approval in lieu of holding a general meeting of the Company pursuant to Rule 14.44 of the Listing Rules.

A circular containing, among other things, (i) further details of the Acquisition and other information; and (ii) the valuation report in relation to the land acquired as required under the Listing Rules will be despatched to the Shareholders as soon as practicable.

INTRODUCTION

The Board is pleased to announce that on 20 February 2008, UPP Investments entered into the Assets Transfer Contract with Huazhong Receiver and Huacai Receiver, (collectively known as the “**Receivers**”), pursuant to which the Receivers have agreed to sell, and UPP Investments has agreed to procure the Acquisition by Universal Shandong of all the Assets at a total cash consideration of RMB385,250,173 (equivalent to approximately HK\$414,872,037). Upon completion of the Acquisition, Universal Shandong will own all the Assets. Universal Shandong is still in the process of being set up and it is intended that 90% and 10 % of its equity interest will be held by UPP Investments and Shenzhen Jialing respectively. Both UPP Investments and Shenzhen Jialing are indirect wholly-owned subsidiaries of the Company. The Directors confirm that, to the best of their knowledge, information and belief having made all reasonable enquiries, Huazhong, Huacai, the Receivers, and their respective ultimate beneficial owners are Independent Third Parties.

PROPOSED ACQUISITION

The Assets Transfer Contract

Major terms of the Assets Transfer Contract are summarised as below:

- Date : 20 February 2008
- Parties : (1) UPP Investments Limited (遠通發展投資有限公司)
(2) 山東華眾紙業有限公司破產管理人 (The receiver of Shandong Huazhong Paper Co., Ltd.*); and
(3) 山東華彩紙業有限公司破產管理人 (The receiver of Shandong Huacai Paper Co., Ltd.*)
- Nature of the transaction : Pursuant to the Assets Transfer Contract, the Receivers have agreed to sell, and UPP Investments has agreed to procure the Acquisition by Universal Shandong of all the Assets

- Consideration : The total Consideration for the Acquisition is RMB385,250,173 (equivalent to approximately HK\$414,872,037) and is payable by UPP Investments to the Receivers. Of such total Consideration, RMB302,723,113 (equivalent to approximately HK\$325,999,476) is for the acquisition of that part of the Assets of Huazhong and RMB82,527,060 (equivalent to approximately HK\$88,872,561) is for the acquisition of that part of the Assets of Huacai. In addition, an amount of RMB3,852,501.73 (equivalent to approximately HK\$4,148,720), being the Auction Service Charge is payable to the Auctioneer. The Consideration and the Auction Service Charge shall be paid in the following manners:
- (i) a security deposit of RMB100,000,000 (equivalent to approximately HK\$107,688,994) has been paid by UPP Investments to the Auctioneer, of which RMB3,852,501.73 (equivalent to approximately HK\$4,148,720) is in the payment of the Auction Service Charge and the remaining RMB96,147,498.27 (equivalent to approximately HK\$103,540,274) will be applied towards partial payment of the Consideration;
 - (ii) a sum of RMB96,477,588.23 (equivalent to approximately HK\$103,895,744), together with the partial payment of RMB96,147,498.27 (equivalent to approximately HK\$103,540,274) as mentioned above equivalent to 50% of the Consideration, shall be payable by Universal Shandong within three months from the Auction Completion Date and titles of all production equipments together with their related documents shall be transferred to Universal Shandong on the same day; and
 - (iii) the remaining balance of the Consideration, being RMB192,625,086.50 (equivalent to approximately HK\$207,436,018), will be payable by Universal Shandong within six months from the Auction Completion Date and titles of the rest of all the Assets (including but not limited to land use rights) shall be transferred to Universal Shandong on the same day.
- Other Undertakings : UPP Investments has undertaken to Huazhong and Huacai that:
- (1) UPP Investments will procure Universal Shandong to pay and settle the Consideration as it become due; and
 - (2) UPP Investments will pay by itself or procure Universal Shandong to pay according to the PRC laws, all the taxes incurred arising from the Acquisition.

The Receivers agreed, among other things, that:

- (1) the Receivers undertake that the Assets are free from mortgage, lien, and are not subject to any seizure or blocked in respect of the Assets;
- (2) in the event that the Assets are being seized, it shall use their best endeavours to obtain a release of the Assets from such seizure and to indemnify any losses suffered by UPP Investments or Universal Shandong; and
- (3) the Receivers undertake that Universal Shandong will not be required to pay any charges (including but not limited to any transfer fees, land premium, penalties or fines) incurred in relation to the transfer of the ownership of the Assets (including but not limited to the land use rights and real estate ownership). If any such charge is incurred, the Receivers undertake to fully indemnify Universal Shandong against any such charges.

Effective Date : The Assets Transfer Contract will become effective upon signing and/or sealed by the company seals of either the legal representatives or relevant authorized persons of all parties.

Information about the Assets

The Assets are located in Zaozhuang City, Shandong Province, PRC which is strategically located to tap strong demand from industrial zones along Yangtze River in the south as well as the Beijing-Tianjin area in the north-east. Another location advantage is the proximity to local supplies of coal for power generation for the production use. The Assets include land and factories which consist of machineries currently in use, the production equipments, the electricity power plant, the water treatment plant, and certain fixtures free from any related liabilities or encumbrances. The total area of the land and factories site is about 708 mu. The factories consist of 4 production lines which are running by machineries. Among the 4 production lines, 3 of such have a designed annual total production capacity of approximately 170,000 metric tonnes of duplex boards and 20,000 metric tonnes of kraftliner boards and corrugated medium respectively. The fourth production line is still under construction and is expected to have an installed machine capacity of approximately 200,000 metric tonnes of kraftliner boards and corrugated medium upon completion of construction. In order to meet the needs of the forthcoming operation of the fourth production line, it is understood that in addition to the existing 33 megawatt coal fired steam turbine power plant, additional 15 megawatt power plant expansion is under construction. The Assets will be recorded as fixed assets at the Consideration in the books of the Group.

Information about the Receivers

Huazhong and Huacai are under liquidation by order of the People's Court of the PRC upon voluntary petition of Huazhong and Huacai respectively. Both Huazhong and Huacai are not in operation currently. Huazhong Receiver and Huacai Receiver are the receivers appointed under the PRC laws in relation to the liquidation of Huazhong and Huacai respectively, whose principal business is to manage the remaining assets of Huazhong and Huacai under liquidation procedure.

Reasons for and Benefits of the Acquisition

The Group has identified the PRC market as the growth engine for its paper business. In order to further enlarge the market share to enhance the growth in sales and to secure a stable supply of these types of paper products, the Group decides to make use of its experience and sales network in distribution of paper products in the PRC market by vertically expanding its scope of business into manufacturing such types of paper products through the Acquisition, in addition to the previous acquisition in production investment in Nantong, PRC announced in July 2007. On top of having an expert team in paper manufacturing, the Group has substantial experience in paper manufacturing through its investment in United Pulp and Paper Company Ltd., a Singapore listed company, in 2002, and with more than 5 years experience in handling the integrated group, the Group has gained an extensive knowledge and experience in different areas from waste paper collection to paper manufacturing. With the extensive sales distribution network for the sales of paper products in the PRC, the management of the Company considers that the Group will be able to sell and distribute the types of paper products proposed to be manufactured by Universal Shandong and thus will directly benefit the financial performance of the Group.

Source of Funding

The Company will fund the Consideration and Auction Service Charge by the internal resources of the Company and bank borrowings.

LISTING RULES IMPLICATIONS

The Acquisition

In respect of the Acquisition, as the consideration ratio calculated in accordance with Chapter 14 of the Listing Rules are more than 25% but less than 100%, it constitutes a major transaction of the Company under Chapter 14 of the Listing Rules. Accordingly, the Acquisition is subject to reporting, announcement and shareholders' approval requirements of the Listing Rules.

Shareholders' Approval

Since none of the Shareholders is interested in the Acquisition and, as such, no Shareholder is required to abstain from voting if the Company was to convene a general meeting for the approval of the Acquisition. According to Rule 14.44 of the Listing Rules, written approval from the majority Shareholder(s) is accepted in lieu of a majority vote at a general meeting of the Company to approve the Acquisitions.

The Company will obtain the approval by way of written shareholders' approval from Quinselle Holdings Limited who is interested in 219,620,000 Shares representing approximately 51.16% of the issued share capital of the Company as at the date of this announcement for the Stock

Exchange's consideration as to whether the Acquisition which constitutes a major transaction could be approved by way of written shareholders' approval in lieu of holding a general meeting of the Company pursuant to Rule 14.44 of the Listing Rules.

A circular containing, among other things, (i) further details of the Acquisition; and (ii) the valuation report in relation to the land acquired will be despatched to the Shareholders as soon as practicable.

GENERAL INFORMATION

The Group is principally engaged in investment holding, trading and marketing of paper products. The principal products of the Group are book printing papers and packaging boards of which duplex boards, kraftliner boards, testliner boards and corrugated medium are currently accounted for approximately 34% of the Group's total sales volume in paper business.

DEFINITIONS

Unless the context otherwise requires, the following terms shall have the meanings set out below:

“Acquisition”	the proposed acquisition of the remaining assets of Huazhong and Huacai, which have both gone into liquidation, by the Group through its subsidiaries pursuant to the Assets Transfer Contract
“Assets”	the remaining assets of Huazhong and Huacai, including but not limited to land and factories which consist of machineries currently in use, the production equipments, the electricity power plant, the water treatment plant, and certain fixtures
“Assets Transfer Contract”	the assets transfer contract in respect of the Acquisition of the remaining assets of Huazhong and Huacai dated 20 February 2008 entered into between UPP Investments and the Receivers
“Auction”	the public auction held by the Auctioneer in Shandong Province, the PRC, on 10 January 2008 on which, among others, the Assets were put up for auction
“Auctioneer”	山東富通拍賣有限公司, an auction house in the Shandong Province, the PRC, who perform the Auction
“Auction Completion Date”	10 January 2008, being the date on which the Auction was held and completed
“Auction Service Charge”	the auction service charge payable by UPP Investments to the Auctioneer in relation to the Acquisition pursuant to the Assets Transfer Contract
“Board”	the board of Directors

“Company”	Samson Paper Holdings Limited, a company incorporated under the laws of Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Consideration”	the consideration for the Acquisition in the amount of RMB385,250,173
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Huacai”	山東華彩紙業有限公司 (Shandong Huacai Paper Co., Ltd.*), a company incorporated under the laws of PRC, which has gone into liquidation and has appointed the Huacai Receiver to manage its remaining assets
“Huacai Receiver”	山東華彩紙業有限公司破產管理人 (Receiver of Shandong Huacai Paper Co., Ltd.*), being the receiver appointed under the PRC laws in relation to the liquidation of Huacai
“Huazhong”	山東華眾紙業有限公司 (Shandong Huazhong Paper Co., Ltd.*), a company incorporated under the laws of PRC, which has gone into liquidation and has appointed the Huazhong Receiver to manage its remaining assets
“Huazhong Receiver”	山東華眾紙業有限公司破產管理人 (Receiver of Shandong Huazhong Paper Co., Ltd.*), being the receiver appointed under the PRC laws in relation to the liquidation of Huazhong
“Independent Third Party(ies)”	an independent third party not connected with any of the Directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or their respective associates, as defined in the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“mu”	being畝, a surface area measure being commonly used in PRC and 1 mu is equivalent to approximately 666 square metres
“PRC”	the People’s Republic of China
“Shares”	shares in the capital of the Company
“Shareholders”	holders of shares of the Company
“Shenzhen Jialing”	深圳市嘉凌貿易有限公司 (Shenzhen Jialing Trading Company Limited), an indirect wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Universal Shandong”	遠通紙業（山東）有限公司 (Universal Pulp & Paper (Shandong) Co. Ltd.*), a Sino-foreign equity joint venture company to be established under the laws of PRC. Upon establishment, it will be an indirect wholly-owned subsidiary of the Company
“UPP Investments”	遠通發展投資有限公司 (UPP Investments Limited), an indirect wholly-owned subsidiary of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

In this announcement, for illustration purpose, amounts in RMB have been translated into Hong Kong dollars at the exchange rate of HK\$1 to RMB0.9286. Such translation does not constitute a representation that any amount has been, could have been or may be exchanged at such rate.

By Order of the Board
SHAM Kit Ying
Director

Hong Kong, 20 February 2008

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

* *For identification purpose only*