

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



SAMSON PAPER HOLDINGS LIMITED

森信紙業集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 731)

DISCLOSEABLE TRANSACTION DISPOSAL OF SHARES IN AND LOAN TO A SUBSIDIARY

On 5 March, 2010, Samson Paper (BVI), a wholly-owned subsidiary of the Company, and Legend Bright, an Independent Third Party, entered into the Sale and Purchase Agreement whereby Samson Paper (BVI) agreed to sell and assign and Legend Bright agreed to purchase and take the assignment of the Sale Shares and the Sale Loan at the Consideration.

As one of the relevant percentage ratios calculated in accordance with Chapter 14 of the Listing Rules for the Disposal exceeds 5% but is less than 25%, the Disposal constitutes a discloseable transaction of the Company under the Listing Rules.

On 5 March, 2010, Samson Paper (BVI), a wholly-owned subsidiary of the Company, and Legend Bright entered into the Sale and Purchase Agreement whereby Samson Paper (BVI) agreed to sell and assign and Legend Bright agreed to purchase and take the assignment of the Sale Shares and the Sale Loan at the Consideration.

THE SALE AND PURCHASE AGREEMENT

Date

5 March, 2010

Parties

The vendor: Samson Paper (BVI)

The purchaser: Legend Bright

The Directors confirm that, to the best of their knowledge, information and belief having made all reasonable enquiries, Legend Bright and its ultimate beneficial owner are Independent Third Parties.

Asset to be disposed of by the Group

Pursuant to the Sale and Purchase Agreement, Samson Paper (BVI) agreed to sell and assign and Legend Bright agreed to purchase and take the assignment of (i) the Sale Shares which represented the entire issued share capital of Smartpro as at the date of the Sale and Purchase Agreement and (ii) the Sale Loan which represented the entire amount of the shareholder's loan owing by Smartpro to Samson Paper (BVI) as at the date of the Sale and Purchase Agreement.

Information on Smartpro

Smartpro is a company incorporated in the British Virgin Islands with an authorized share capital of US\$50,000 divided into 50,000 shares of par value of US\$1.00 and an issued share capital of US\$2.00 divided into 2 shares of par value of US\$1.00. Smartpro is an indirect wholly-owned subsidiary of the Company immediately before completion of the Disposal.

Smartpro is an investment holding company, the only investments held by it are the UPP Shares which represents approximately 6.75% of the issued share capital of UPP as at the date of the Sale and Purchase Agreement and 6,227,777 warrants with each warrant carrying the right to subscribe for one new UPP Share at an exercise price of S\$0.36, such right was exercisable up to and including 29 May, 2012.

UPP is a company incorporated in Singapore, the shares of which are listed on the Singapore Exchange Limited. UPP, an investment holding company, and its subsidiaries are principally engaged in the manufacturing and selling of paper and paper packaging products.

Consideration

The total consideration is HK\$65,000,000 which comprises (i) HK\$3,393,659.00 for each of the 1st Tranche Sale Share and the 2nd Tranche Sale Share and (ii) HK\$58,212,682 for the Sale Loan and shall be settled in cash and payable as follows:

- (a) an amount of HK\$6,500,000, representing 10% of the Consideration, shall be paid by Legend Bright to Samson Paper (BVI) on the date of the 1st Completion ("1st Installment");
- (b) a further sum of HK\$13,000,000, representing 20% of the Consideration, shall be paid by Legend Bright to Samson Paper (BVI) by 15 April, 2010 ("2nd Installment");
- (c) a further sum of HK\$13,000,000, representing 20% of the Consideration, shall be paid by Legend Bright to Samson Paper (BVI) by 15 July, 2010 ("3rd Installment");
- (d) a further sum of HK\$13,000,000, representing 20% of the Consideration, shall be paid by Legend Bright to Samson Paper (BVI) by 15 October, 2010 ("4th Installment");
- (e) a further sum of HK\$13,000,000, representing 20% of the Consideration, shall be paid by Legend Bright to Samson Paper (BVI) by 15 January, 2011 (the "5th Installment"); and
- (f) a further sum of HK\$6,500,000, representing the remaining 10% of the Consideration shall be paid by Legend Bright to Samson Paper (BVI) by 15 April, 2011.

Legend Bright undertakes that for so long as any part of the Consideration remains payable by Legend Bright, if Smartpro shall pay any dividend or cash distribution in respect of any of the Sale Shares and/or any other shares in Smartpro which may become held by Legend Bright, the whole of the outstanding Consideration (or, if the amount of such dividend or cash distribution shall be less than the amount of the outstanding Consideration then payable to Samson Paper (BVI) as aforesaid, such part of the Consideration as shall equal to the amount of dividend or cash distribution) shall become immediately due and payable and Legend Bright shall pay, or procure to be paid, to Samson Paper (BVI) such dividend or distribution (or the relevant part thereof) forthwith towards satisfaction of the outstanding Consideration (or the relevant part thereof).

Legend Bright also undertakes that at any time prior to the payment of the Consideration in full to Samson Paper (BVI) it (i) shall not sell, transfer or otherwise dispose of any of the Sale Shares, and (ii) shall not cause, permit or otherwise allow any of the UPP Shares to be sold, transferred or otherwise disposed of by Smartpro, in each case, without the prior written consent of Samson Paper (BVI).

In addition, Legend Bright agrees and undertakes that if it shall sell, transfer or otherwise dispose of any of the Sale Shares or Smartpro shall, at any time after the 2nd Completion, sell, transfer or otherwise dispose of any of the UPP Shares when there shall remain any part of the Consideration unpaid to Samson Paper (BVI) (whether or not the same shall be due for payment as mentioned above), Legend Bright shall, notwithstanding that the relevant part of the Consideration is not yet due for payment as mentioned above, forthwith upon the receipt of the proceeds of such disposal pay or procure to be paid to Samson Paper (BVI) the entire amount of the proceeds (or, in the event that the proceeds shall be more than the amount of the Consideration then remains unpaid, such part of the proceeds as shall equal to the amount of the Consideration then remains unpaid) which shall be applied towards satisfaction of the outstanding Consideration (or the relevant part thereof).

Composition of the board of directors of Smartpro

Legend Bright also agrees that notwithstanding the 1st Completion and/or the 2nd Completion, at all times prior to Samson Paper (BVI) having received the 1st Installment, 2nd Installment, 3rd Installment, 4th Installment and 5th Installment, all directors of Smartpro shall continue to be nominated by Samson Paper (BVI) and Legend Bright shall have no right to nominate any director of Smartpro or remove any director of Smartpro nominated by Samson Paper (BVI).

Legend Bright will be entitled to nominate one director to the board of directors of Smartpro (“**Smartpro Board**”) within 7 business days after payment by Legend Bright of the 1st Installment, 2nd Installment, 3rd Installment, 4th Installment. Legend Bright further undertakes that at all times after the 2nd Completion and the appointment of the director nominated by Legend Bright to the Smartpro Board and before payment of the Consideration in full to Samson Paper (BVI), the Smartpro Board shall consist of two members only of which one shall be nominated by Samson Paper (BVI) and one shall be nominated by Legend Bright. The director nominated to the Smartpro Board by Samson Paper (BVI) will resign from the Smartpro Board within 7 business days after the receipt of the Consideration in full by Samson Paper (BVI).

Share Charges

As security for performance of the obligations of Legend Bright under the Sale and Purchase Agreement (including but not limited to its obligation to pay the balance of the Consideration payable by it after the 1st Completion as mentioned in the section headed “Consideration” above), (i) Legend Bright entered into the Company Share Charge I to charge, mortgage and assign, by way of first fixed charge and mortgage, the 1st Tranche Sale Share in favour of Samson Paper (BVI) on the 1st Completion; (ii) Legend Bright shall enter into the Company Share Charge II to charge, mortgage and assign, by way of first fixed charge and mortgage, the 2nd Tranche Sale Share in favour of Samson Paper (BVI) and by way of first legal assignment, all of its rights, title, benefits, claims and interest in and to the Sale Loan and the related security to Samson Paper (BVI) on the 2nd Completion; and (iii) Smartpro shall enter into the UPP Share Charge to charge, mortgage and assign, by way of first fixed charge, 100% of the UPP Shares owned by Smartpro to Samson Paper (BVI) on the 2nd Completion.

COMPLETION

The Completion shall take place in two stages, namely the 1st Completion and the 2nd Completion.

The 1st Completion

The 1st Completion took place on 5 March, 2010 immediately after the signing of the Sale and Purchase Agreement, when amongst others, the following business took place:

- (a) the transfer of the 1st Tranche Sale Share from Samson Paper (BVI) to Legend Bright; and
- (b) the entering into of the Company Share Charge I by Legend Bright in favour of Samson Paper (BVI).

The 2nd Completion

The 2nd Completion shall take place on a date which is the 7th Business Days after the payment by Legend Bright of the 1st Installment, 2nd Installment and 3rd Installment, when the following business, amongst others, shall take place:

- (a) the transfer of the 2nd Tranche Sale Share and the assignment of the Sale Loan from Samson Paper (BVI) to Legend Bright; and
- (b) the entering into of the Company Share Charge II by Legend Bright in favour of Samson Paper (BVI); and the entering into of the UPP Share Charge by Smartpro in favour of Samson Paper (BVI).

Upon 1st Completion, the Group’s equity interest in Smartpro will be reduced to 50% but Smartpro will continue to be accounted for as a subsidiary of the Company. Smartpro will cease to be a subsidiary of the Company upon the 2nd Completion and the Group will no longer hold any shareholding in Smartpro after the 2nd Completion.

BASIS FOR DETERMINING THE CONSIDERATION

The Consideration was arrived at after arms length negotiations between the parties based on the total assets of Smartpro as at 31 December, 2009 in the amount of HK\$59,417,000, and the Consideration for the disposal represents a premium of approximately 9.4% over the net book value of the assets of Smartpro.

FINANCIAL INFORMATION

No audited accounts of Smartpro have been prepared. According to the unaudited management accounts of Smartpro for the two years ended 31 March, 2009, the unaudited net profit before taxation and the unaudited net profit after taxation of Smartpro, were as follows:

	Year ended 31 March, 2008 <i>HK\$'000</i>	Year ended 31 March, 2009 <i>HK\$'000</i>
Profit before taxation	7,369	199
Profit after taxation	7,369	199

The unaudited net assets and the unaudited total assets of Smartpro as at 5 March, 2010 amounted to approximately HK\$1.2 million and approximately HK\$59.4 million respectively.

The estimated gain arising from the Disposal is approximately HK\$5.6 million based on the Consideration and the carrying amount of the assets of Smartpro as at 31 December, 2009.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Directors consider that the Disposal enables the Group to dispose of its interests in Smartpro for cash so as to allow the Group to pursue its principal business in the PRC with a better return to the Shareholders. The proceeds from the Disposal receivable by the Group will create additional financial resources for the Group which is intended to be used as working capital to support further development of the Group's principal business in the PRC.

The Directors consider that the Disposal is on normal commercial terms, the terms of the Sale and Purchase Agreement are fair and reasonable and the Disposal is in the interests of the Shareholders as a whole.

GENERAL

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

Legend Bright is principally engaged in the business of investment holding.

LISTING RULES IMPLICATIONS

As one of the relevant percentage ratios calculated in accordance with Chapter 14 of the Listing Rules for the Disposal exceeds 5% but is less than 25%, the Disposal constitutes a discloseable transaction of the Company under the Listing Rules.

DEFINITIONS

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

“1 st Completion”	the completion of the sale and purchase of the 1 st Tranche Sale Share which took place immediately after the signing of the Sale and Purchase Agreement
“1 st Tranche Sale Share”	one share of par value US\$1.00 in the issued share capital of Smartpro legally and beneficially owned by Samson Paper (BVI), representing 50% of the entire issued share capital of Smartpro as at the date of the Sale and Purchase Agreement
“2 nd Completion”	the completion of the sale and purchase of the 2 nd Tranche Sale Share and the Sale Loan
“2 nd Tranche Sale Share”	the remaining one share of par value of US\$1.00 in the issued share capital of Smartpro legally and beneficially owned by Samson Paper (BVI), representing the remaining 50% of the issued share capital of Smartpro as at the date of the Sale and Purchase Agreement
“Board”	the board of Directors
“Company”	Samson Paper Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the ordinary shares of which are listed on the Stock Exchange
“Company Share Charge I”	the share mortgage in respect of the 1 st Tranche Sale Share in Smartpro entered into by Legend Bright in favour of Samson Paper (BVI)
“Company Share Charge II”	the share mortgage in respect of the 2 nd Tranche Sale Share in Smartpro to be entered into by Legend Bright and Smartpro in favour of Samson Paper (BVI)
“Completion”	the completion of the Disposal, comprising the 1 st Completion and the 2 nd Completion
“Consideration”	HK\$65,000,000, being the aggregate consideration for the Disposal
“Directors”	the directors of the Company
“Disposal”	the disposal of the Sale Shares together with the assignment of the Sale Loan by Samson Paper (BVI) pursuant to the Sale and Purchase Agreement
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“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

“Legend Bright”	Legend Bright Holdings Limited, a company incorporated in the British Virgin Islands
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Sale and Purchase Agreement”	the sale and purchase agreement dated 5 March, 2010 between Samson Paper (BVI) and Legend Bright, pursuant to which Samson Paper (BVI) agreed to sell and assign and Legend Bright agreed to purchase and take the assignment of the Sale Shares and the Sale Loan
“Sale Loan”	100% of the principal amount owing as at the date of the Sale and Purchase Agreement by Smartpro to Samson Paper (BVI) being HK\$58,212,682, which amount is unsecured, non-interest bearing and repayable on demand
“Sale Shares”	the 1 st Tranche Sale Share and the 2 nd Tranche Sale Share
“Shareholder(s)”	holder(s) of the share(s) in share capital of the Company
“Smartpro”	Smartpro Holdings Limited, a company incorporated in the British Virgin Islands and an indirect wholly owned subsidiary of the Company immediately before the 1 st Completion
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“UPP”	United Pulp & Paper Company Limited, a company incorporated in Singapore, the shares of which are listed on the Singapore Stock Exchange
“UPP Shares”	the 32,210,000 ordinary shares in the share capital of UPP held by Smartpro
“UPP Share Charge”	the share mortgage in respect of 100% of the UPP Shares to be entered into by Smartpro in favour of Samson Paper (BVI)
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“S\$”	Singapore dollars, the lawful currency of Singapore

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

Hong Kong, 5 March, 2010

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*