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SAMSON PAPER HOLDINGS LIMITED

森信紙業集團有限公司*

(Provisional Liquidators Appointed)

(For Restructuring Purposes Only)

(Incorporated in Bermuda with limited liability)

(Stock Code: 731)

KEY FINDINGS OF INDEPENDENT INVESTIGATION

The announcement is made by the board (the “**Board**”) of directors (the “**Directors**”) of Samson Paper Holdings Limited (Provisional Liquidators Appointed) (For Restructuring Purposes Only) (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rules 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

References are made to the announcements dated 14 July 2020, 16 July 2020, 17 July 2020, 23 July 2020, 26 July 2020, 10 August 2020, 17 September 2020, 27 November 2020 and 28 March 2021 in relation to, among other things, (i) the potential independent investigation of audit issues; (ii) the establishment of an IBC to look into and investigate the outstanding audit issues; (iii) the Resumption Guidance; (iv) the appointment of the JPLs; (v) the appointment of Grant Thornton Advisory Services Limited as an independent investigator (the “**Independent Investigator**”); (vi) the Outstanding Audit Issues; and (vii) the resignation of PwC as the auditor (collectively, the “**Announcements**”). Unless otherwise defined herein or the context otherwise requires, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcements.

BACKGROUND

As disclosed in the Company's announcement dated 17 July 2020, on 17 July 2020, the Board established the IBC, comprising all the independent non-executive Directors to investigate matters relating to the Outstanding Audit Issues. As one of the Resumption Guidance as disclosed in the Company's announcement on 23 July 2020, the Company is required to conduct an appropriate independent investigation into the audit issues, announce the findings and take appropriate remedial actions.

On 10 August 2020, the IBC appointed the Independent Investigator to conduct an independent investigation in respect of the Outstanding Audit Issues (the "**Independent Investigation**").

On 5 May 2021, the Independent Investigator issued a report of the Independent Investigation to the IBC (the "**Independent Investigation Report**").

This announcement outlines the key findings of the Independent Investigation and the observations made by the IBC.

KEY FINDINGS OF INDEPENDENT INVESTIGATION

The Independent Investigator conducted an independent investigation in respect of the Outstanding Audit Issues raised by the Auditor for the year ended 31 March 2020 (the "**Year**").

Subject to certain limitations, the Independent Investigator made the following key findings:

The 1st Outstanding Audit Issue — deferred payment agreements with two suppliers

1. The 1st Outstanding Audit Issue relates to the deferred payment agreements between the Group and two suppliers.
2. The Auditor noted that during the Year, the Group recorded purchase of paper products from Supplier A of HK\$450,944,000 (net of purchase rebate of HK\$26,245,000) in Hong Kong and Supplier B of HK\$966,543,000 (net of purchase rebate of HK\$22,347,000) in Mainland China. The Group also sold other paper products of HK\$160,176,000 to Supplier B in Mainland China. Both suppliers are connected persons at the subsidiary level of the Company by virtue of their holding company's interest as a substantial shareholder in a subsidiary of the Company.

3. As stated in the alleged deferred payment agreements between the Group and the two suppliers dated 31 March 2020 pursuant to which the balances of HK\$200,389,000 and HK\$494,178,000, respectively, should be settled after 12 months from 31 March 2020 and deferred for 13 months until 30 April 2021, respectively, and bear interest at 4 or 5% per annum. Hence, the accounting team classified accounts payable of HK\$694,567,000 in aggregate as non-current liabilities as at 31 March 2020.
4. Based on the original documents obtained from the Company, it was observed that the alleged deferred payment agreements were only approved by company chops of the two suppliers without any authorized signatures of the two suppliers. However, the Independent Investigator noted that a representative of the Auditor and the Group's accounting manager were present when the alleged deferred payment agreement of Supplier A were chopped at Supplier A's office on 30 June 2020.
5. The Independent Investigator requested the legal representative of Supplier A ("**Supplier A's Legal Representative**") to clarify the existence of the alleged deferred payment agreement which was believed to be chopped by a representative of Supplier A. The Independent Investigator obtained a reply from the Supplier A's Legal Representative stating that Supplier A had never agreed with the Group for the deferral of settlement of any account payable balance due from the Group, and never endorsed, agreed or approved any documents provided by the Group's representative to Supplier A for execution. In respect of the chopped deferred payment agreement of Supplier A, Supplier A's Legal Representative stated that the representative of Supplier A chopped the documents, including the alleged deferred payment agreement, upon request from the Group's accounting manager under urgent circumstances and did not have the opportunity to go through the contents and consider the implications in detail. Subsequently, the representative of Supplier A took steps via phone call in hope to verify the outstanding amount due from the Group and also via email correspondences to inform the Group of the revised figure based on Supplier A's records, which was inconsistent with the amount as stated in the documents provided for confirmation.
6. The Independent Investigator enquired with the Group's accounting manager present at the process of chopping the alleged deferred payment agreement that occurred on 30 June 2020 and was informed that she had no recollection of the phone call and email correspondences from Supplier A's representative as mentioned in the reply from the Supplier A's Legal Representative, furthermore, she was accompanying the Auditor for completing their audit work done regarding the deferred payment agreement and audit confirmation of Supplier A at the same time, the two documents were passed to Auditor after they were chopped at Supplier A's office on 30 June 2020 with the presence of the Auditor, the Auditor did not request for the authorized signature from Supplier A. However, she had no information on whether the deferral of settlement arrangement have been discussed or properly authorized in Supplier A's side, and did not understand why the Supplier A's Legal

Representative suggested that the representative of Supplier A did not have the opportunity to go through the contents and considered the implications in details while the documents were passed to him and he chopped on the documents.

7. The Independent Investigator has not received any responses from Supplier B, despite repeated requests.
8. The Independent Investigator noted that whilst the payment process required approvals, the Group had no other internal control measures over deferred payment arrangements.
9. Based on the limited information provided, the Independent Investigator stated that the Group appears to have reclassified certain of the accounts payable to the two suppliers from current liabilities to non-current liabilities for the Year, in order to meet the bank covenants requirements on current ratio of 1.10. The interviewees that the Independent Investigator was able to perform an interview with also confirmed that this arrangement existed at least for the two years ended 31 March 2019 and 31 March 2020.

The 2nd Outstanding Audit Issue — prepayment paid to two suppliers

1. The 2nd Outstanding Audit Issue relates to the purchase prepayment between the Group and two suppliers.
2. The Auditor noted that as at 31 March 2020, there were purchase prepayment of HK\$258,474,000 and HK\$443,557,000 made by the Group to Supplier A and Supplier B, respectively. The Auditor stated that certain of these payments amounting to HK\$570,558,000 were initially recorded as repayment of accounts payable to Supplier A and Supplier B but subsequently reclassified to prepayment. The Independent Investigator understood that in respect of Supplier A, the Company provided to the Auditor invoices from Supplier A and breakdowns of prepayment made to Supplier A; and in respect of Supplier B, the Company provided to the Auditor scanned copies of five signed sales contracts between the Company's subsidiaries and Supplier B and breakdowns of the prepayment made to Supplier B.
3. Regarding the prepayment made to Supplier A, the Independent Investigator obtained and reviewed two sets of documents, namely (a) the set of supporting documents provided to the Auditor which consisted of a list of prepayment to Supplier A, sales orders, journal vouchers showing draft accounting entries for the prepayment and payment records (“Set A”) and (b) the set of supporting documents reflected the accounting entries in the accounting system of Samson Paper Company Limited (“SMHK”), which consisted of journal vouchers, purchase orders, sales orders, invoices, cargo receipts and payment records (“Set B”).

4. It was noted that the information set out in Set A and Set B were inconsistent. For example, documents from Set A showed that there were purchase prepayment as at 31 March 2020, while documents from Set B indicated there were no purchase prepayment as at 31 March 2020. The Independent Investigator inquired on the veracity and accuracy of the documents in Set A, and was informed by the Group's accounting manager that she prepared the draft journal entries based on the relevant documents made available to her. Saved for the draft journal entries, she is not in the position to comment on the veracity and accuracy of the documents in Set A as she is not the preparer or reviewer of the relevant documents, however, she recalled that the Group's former chief financial officer once told the accounting team that the prepayment adjustments might have to be made. However, the Group's former chief financial officer denied giving out any instruction to the Group's accounting manager regarding the prepayment adjustments.
5. The Independent Investigator also obtained a reply from Supplier A's Legal Representative stating that Supplier A had never requested, instructed, agreed, authorized or executed any purported arrangement or agreement with any companies in the Group, or any of the Group's directors, management, employees or agents, for any prepayment in respect of any transactions between Supplier A and the Group. The Independent Investigator had requested Supplier A's Legal Representative to explain the existence of a sample of sales order under Set A which was chopped and signed by a representative of Supplier A. Supplier A's Legal Representative stated that Supplier A (including any of its directors, management, employees and agents authorized to act on its behalf) never approved, executed, signed and/or issued the sales order. In particular, Supplier A's Legal Representative further stated that Supplier A had compared the sales order under Set A with its own transaction records, and suspected that the company chop of Supplier A together with its signature that appeared on the sales order might have been taken by the Group from some other document(s) previously issued by Supplier A, and the document might have been fabricated using such chop and signature, unbeknown to Supplier A. As such, Supplier A has reasons to doubt the genuineness of the document provided by the Group to the Auditor for audit purposes.
6. Regarding the prepayment made to Supplier B, the Independent Investigator noted that there was a discrepancy of HK\$27,000 between the purchase prepayment amount provided by the Group and the amount stated in the letter from the Auditor as certain purchase prepayments from a subsidiary of the Company were not included in the letter from the Auditor.
7. The Independent Investigator obtained and reviewed the relevant documents and noted that the payment request forms were approved by the former financial controller of Samson Paper (Shenzhen) Company Limited (a subsidiary of the Company ("SMSZ")), and by an executive Director of the Company at the relevant time, and the delivery notes were dated before 31 March 2020. The Independent Investigator noted that the accounting entries for the prepayment adjustment were

debit prepayment and credit accounts payable to Supplier B, i.e. increasing the balances of both prepayment and payable. Based on available information, it appeared that the adjustment did not seem to affect the net current asset/liabilities of the Group.

8. The Independent Investigator noted that the Auditor raised queries on inconsistencies noted between amounts stated in the five sales contracts and amounts as stated in the breakdowns, and subsequently, the revised sales contracts were provided by the Group to the Auditor. However, as the former financial controller and majority of accounting team of SMSZ had resigned and based on the limited information and record currently available to the Group, the Group is unable to locate the relevant sales contracts. Since the Group and the Auditor have not provided the relevant sales contracts to the Independent Investigator, the Independent Investigator could not verify them.
9. The Independent Investigator has not received any responses from Supplier B, despite repeated requests.
10. The Independent Investigator noted that whilst approvals were required when payments were made, there were no other internal controls over the adjustments relating to purchase prepayment.
11. Based on the limited information provided, the Independent Investigator found that there was insufficient evidence to show that there were prepayment outstanding to Supplier A and Supplier B as at 31 March 2020.

The 3rd Outstanding Audit Issue — payment on behalf arrangements made for and on behalf of Supplier A

1. The 3rd Outstanding Audit Issue relates to the payment on behalf arrangements made for and on behalf of Supplier A.
2. The Auditor was advised by the former financial controller of Universal Pulp and Paper (Shandong) Co. Ltd. (“UPPSD”) that there were certain payment on behalf arrangements made for and on behalf of Supplier A by SMSZ and UPPSD, both being subsidiaries of the Company to Supplier A’s certain suppliers which are also suppliers of the Group in Mainland China, amounting to HK\$416,237,000. There were no fixed terms of repayment, no interests accrued and no disclosures of connected transactions. The Auditor was also informed that such payment on behalf was to facilitate Supplier A to make Renminbi payments in China and had no fix term of repayment. These payment on behalf were approved by a former executive Director of the Company and subsequently authorized and signed by UPPSD’s former financial controller and SMSZ’s former financial controller.

3. Based on the review of relevant documents, the Independent Investigator noted that Supplier A would initiate a payment request and send chopped and signed payment instructions, in which the relevant subsidiaries were then instructed to pay specified amounts to the bank accounts of certain suppliers, who were also suppliers of the Group. The subsidiaries concerned would then prepare internal payment requests forms for the payments and such forms contain specified information including the date for the amount to be paid and payment method. The forms reviewed were either approved by SMSZ's former financial controller, or approved by UPPSD's former financial controller and former financial vice manager.
4. The Independent Investigator reviewed relevant documents and noted that when payment was made by SMSZ, SMSZ debited the current account of UPPSD, and when payment was made by UPPSD, UPPSD debited the current account of SMSZ, and these payments were recorded as intercompany transactions. Furthermore, the Independent Investigator also noted that there were discrepancies in the identity of payees between the bank slips and bank statements. Specifically, the copies of bank slips showed that the payees were external suppliers, while the bank statements showed that the payees were the subsidiaries of the Group.
5. Since the bank statements were independently obtained from the banks, it appeared that the bank statements are accurate and most of those payments were indeed funds transferred within the Group instead of the payments on behalf of Supplier A.
6. The Independent Investigator also obtained a reply from Supplier A's Legal Representative stating that Supplier A had never requested, instructed, agreed or authorized any companies in the Group, or any of the Group's directors, management, employees or agents, for any payments to any entities other than Supplier A (such as Supplier A's own suppliers or creditors) on Supplier A's behalf. The Independent Investigator had requested Supplier A's Legal Representative to explain the existence of payment instructions chopped and signed by a representative of Supplier A. Supplier A's Legal Representative stated that Supplier A (including any of its directors, management, employees and agents authorized to act on its behalf) had never approved, signed and/or issued any of the purported payment instructions. In particular, Supplier A's Legal Representative further stated that Supplier A had compared the documents with its own transaction records, and suspected that the company chop of Supplier A together with its signature that appeared on the purported payment instructions might have been taken by the Group from some other document(s) previously issued by Supplier A, and the documents might have been fabricated using such chop and signature, unbeknown to Supplier A. As such, Supplier A had reasons to doubt the genuineness of the documents provided by the Group to the Auditor for audit purpose.
7. The Independent Investigator noted that no approvals were required for processes other than payments and the Group had no specific internal controls over payment on behalf of related parties.

8. It was noted from the interviews that such payment on behalf of Supplier A was an explanation suggested to address the Auditor's queries in relation to the audit issue of unreconciled intercompany balances and that such purported payment on behalf of Supplier A occurred in the Year only.
9. Based on the limited information provided, the Independent Investigator found that there was insufficient evidence showing that there were payments made on behalf of Supplier A to the common suppliers of the Group during the Year.

The 4th Outstanding Audit Issue — unreconciled intercompany balances

1. The 4th Outstanding Audit Issue relates to unreconciled intercompany in balances between Group companies.
2. The Auditor noted that there were unreconciled differences in balances between Group companies in the aggregate amount of HK\$580,643,000 (the "**Unreconciled Differences**") and they were adjusted to account for as addition to property, plant and equipment and other receivables of HK\$25,801,000 and HK\$299,166,000, respectively, and reduction of other payables of HK\$255,676,000. The reduction of other payables was subsequently adjusted as addition to other receivables.
3. The Independent Investigator noted that the Unreconciled Differences arose from the sum of debited amounts in "Other Payables", "Other Receivables" and "CIP" for the Year, and that a net increase of approximately HK\$66.7 million of the unreconciled intercompany balances mainly arose from intercompany differences between UPPSD and SMSZ, and foreign exchange differences. Such unreconciled balance consisted of those transactions between UPPSD and SMSZ, and payments to three external suppliers and a transfer of rebate receivables. Approximately RMB49.6 million of the net increase of HK\$66.7 million included in the unreconciled intercompany balances were also corresponding to the transactions under the 3rd Outstanding Audit Issue above.
4. Amongst the transactions, the Independent Investigator noted that the difference in accounting treatments between UPPSD and SMSZ for the transactions amongst UPPSD, SMSZ, the three external suppliers and Supplier B resulted in RMB63.8 million variance in the books of UPPSD and SMSZ during the Year.
5. The Independent Investigator noted that no approvals were required for processes other than payments and the Group had no specific internal controls and procedures over checking intercompany balances among subsidiaries.
6. Based on the limited information provided, the Independent Investigator found that the increase in unreconciled intercompany balances during the Review Period might be mainly contributed by different accounting treatments adopted by UPPSD and SMSZ for the transactions between the Group and Supplier B and other external suppliers. However, as the former financial controllers and the majority of the

accounting team of SMSZ and UPPSD had resigned, and based on the limited information and record currently available to the Group, the Group does not have the sufficient resource to prepare and provide the Independent Investigator with the information on the remaining of the unreconciled intercompany balance in the prior financial years and the relevant supporting documents to justify their accounting treatments. Based on the relevant supporting documents, a sum of HK\$514.9 million of unreconciled intercompany balances was brought forward from the previous financial years which in the opinion of the Auditor, the consolidated financial statements give a true and fair view as stated in the independent Auditor's report, and the net addition to the unreconciled intercompany balance during the Year was approximately HK\$66.7 million.

The 5th Outstanding Audit Issue — current ratio requirements

1. The 5th Outstanding Audit Issue relates to the compliance with bank covenants requirements.
2. The Auditor noted that based upon the latest unaudited financial information after adjustments were made in relation to the unreconciled intercompany balances, it was likely that a financial covenant ratio requirement of the Group might not be fulfilled and together with the Outstanding Audit Issues as described above, it might further negatively affect the Group's compliance with these covenant requirements and trigger event of defaults and cross defaults under its bank borrowings.
3. The Independent Investigator understood from the Group's former chief financial officer that the minimum current ratio under all bank facilities of the Group was 1.1; and it was noted that both facility agreements for the syndicated loans of HK\$780 million and HK\$356 million dated 21 September 2017 and 19 July 2019 respectively, stated that the ratio of consolidated current assets to consolidated current liabilities shall at all times be not less than 1.1:1, i.e. a current ratio of 1.1; whilst the Independent Investigator understood from the Auditor that the current ratio (after audit adjustment) of the Group was 1.098 as at 31 March 2020.
4. The Independent Investigator noted that the Group had no general procedures to monitor the compliance with bank covenants and had no written policies and procedures to monitor the current ratio of the Group.
5. Based on the interviews conducted and documents reviewed, the Independent Investigator noted that, with the limitation of the outstanding audit issues, the management was not in a position to confirm whether the current ratio (after audit adjustment) of the Group as at 31 March 2020 met the bank covenants requirements.

INTERNAL CONTROL DEFICIENCIES IDENTIFIED BY THE INDEPENDENT INVESTIGATOR

The Independent Investigator identified the following internal control weaknesses during the Independent Investigation:

1. The Company's internal audit team prepared an instruction manual in 2019 for standardizing procedures for operating activities of the PRC paper trading segment. However, the instruction manual did not cover other operating segments, i.e. Hong Kong paper trading segment and PRC paper manufacturing segment, and it also did not cover the procedures of financial reporting. Whilst the payment process required approvals, the Group had no other internal control measures over the deferred payment arrangements.
2. Whilst approvals were required when payments were made, the Group has no other internal controls over the adjustments relating to purchase prepayment.
3. No approvals were required for processes other than payments and the Group had no specific internal controls over payment on behalf of related parties.
4. No approvals were required for processes other than payments and the Group had no specific internal controls and procedures over cross-checking and reconciliation of intercompany balances among subsidiaries.
5. The Group has no general procedures to monitor the compliance with bank covenants and did not have written policies and procedures to monitor the current ratio of the Group.

LIMITATIONS OF THE INDEPENDENT INVESTIGATION

The Independent Investigator encountered a number of limitations and challenges which may have limited both the nature and extent of its investigation. The main limitations (the "**Limitations**") include:

1. Inconsistent information provided by the personnel during the interview.

The interviewees provided different responses as to the identity of the person calculating the deferred amounts, the person responsible for estimating the amounts of purchase prepayment to be adjusted, the reasons for adjusting the amounts of purchase prepayment, the person responsible for instructing the payment on behalf arrangements and whether the current ratio of the Group was able to meet the bank covenants requirements.

2. Inconsistent information provided by personnel and document evidence.

Information such as the deferred payment dates, the information set out in Set A and Set B documents in relation to the purchase prepayment did not reconcile, and there were discrepancies in the identity of payees between the bank slips and bank statements for the payment on behalf arrangements.

3. Required interviews were not arranged.

The Independent Investigator was unable to interview certain personnel for different reasons. A former non-executive Director and the former independent non-executive Directors expressly declined the interview requests. The Group also informed the Independent Investigator that some interviews could not be arranged as the personnel was laid off as part of the liquidation and restructuring process or had resigned. The Independent Investigator also attempted to invite the management of Supplier A and Supplier B for interviews, but the law firm acting for Supplier A only provided written reply on questions stated in the invitation letters without accepting the interview invitation; and there were no response received from Supplier B, despite repeated requests.

4. Information and documents are not available.

The Independent Investigator was not able to retrieve and review all the information, such as the relevant contracts, the list of adjusted prepayment, matrix of intercompany balances, the list of transactions and purchase rebate between relevant parties. In addition, the confirmations were outstanding due to the pending interviews and limited information provided by the Group, including certain accounting records for selecting relevant suppliers interviews and for sending confirmations.

5. Inconsistent figures provided by different parties.

The Independent Investigator noted that there were some discrepancies between the figures provided, including the amount of deferred payment, the amounts of the transactions between the Group and Supplier B, as well as the accounts payable to the Supplier A and Supplier B.

6. Original documents not available.

The Independent Investigator was only provided with some original documents such as the two alleged deferred payment agreements, supporting documents of prepayment to Supplier A and certain supporting documents of payment on behalf of Supplier A by UPPSD. However, it was not provided with certain original documents such as the list of payments made by UPPSD and SMSZ on behalf of Supplier A, and supporting documents of purchase prepayment to Supplier B such as sales contracts, journal vouchers and bank acceptance bills.

7. Limitation on electronic data preservation.

Full email archive for the Year was not retrievable as it was found that three out of five hard disks of the Company which stored email messages failed and certain information were only limited to those available on the email server which had a very limited storage space. In addition, a number of computer and servers were not made available to the Independent Investigator due to technical difficulties and change of personnel in mainland China.

8. Voluntary investigation.

Since the Independent Investigator was not authorized to conduct a compulsory investigation, the investigation was based on the voluntary cooperation of the Group and related parties. Therefore, the Independent Investigator was not able to verify some of the statements made by the interviewees during the Independent Investigation, and it was not able to ensure that the results of the investigation were free from error or omissions.

THE IBC'S VIEWS ON THE INDEPENDENT INVESTIGATION REPORT

The IBC has reviewed and considered the Independent Investigation Report. The IBC considered that the Independent Investigator has exploited all reasonably practicable means to conduct the investigation procedures. Due to the Limitations faced by the Independent Investigator, the Board considered that any further investigations by the Independent Investigator are not expected to reveal additional findings nor provide any additional insights on the Outstanding Audit Issues. SMHK, to which most of the Outstanding Audit Issues are related, was put into liquidation. After seeking legal advice, the Board noted that the liquidators of SMHK (“**SMHK Liquidators**”) have certain statutory powers to investigate into affairs of SMHK including the power to apply for orders for production of documents and examination of parties under the relevant provisions of the Companies (Winding-up and Miscellaneous Provisions) Ordinance (Cap. 32 of the Hong Kong Laws).

Based on the discussion with SMHK Liquidators, the Board noted that SMHK Liquidators have taken possessions of books and records of SMHK and are currently reviewing the claims of Supplier A against SMHK and investigating into affairs of SMHK (including but not limited to the transactions with Supplier A). In the circumstances, to increase the efficiency of the investigation and to avoid duplicated costs and efforts (especially in view of the limited resources of the Group), it would be in the interest of the creditors of SMHK and the Company that any further investigation work be conducted by SMHK Liquidators.

REMEDIAL MEASURES

The IBC and the Board noted that the following remedial actions have been taken to improve the internal control of the Group and mitigate the occurrence of the Outstanding Audit Issues:

- (a) On 24 July 2020, Messrs. Lai Kar Yan (Derek) and Ho Kwok Leung (Glen), both of Deloitte Touche Tohmatsu, and Rachelle Ann Frisby of Deloitte Ltd., were appointed by the Supreme Court of Bermuda as the JPLs of the Company with the power to act jointly and severally for the purpose of developing and proposing a restructuring plan of the Company's indebtedness in a manner designed to allow the Company to continue as a going concern. The Board's management of the Company's day-to-day affairs shall be subject to the oversight and monitoring of the JPLs who are independent and experienced professionals.
- (b) Since the appointment of the JPLs, the Board and the JPLs have agreed on and have been implementing a cash monitoring protocol to strengthen control and approval process over payments of the Group.
- (c) The Outstanding Audit Issues are related to the transactions between Supplier A, Supplier B and the paper trading business of the Group. The Group has ceased its trading with Supplier A and Supplier B and also its operations in paper trading business since August/September 2020, including:
 - (i) Putting SMHK, which is the major subsidiary of the Group carrying out paper trading business in Hong Kong, into creditors' voluntary liquidation on 14 August 2020. Messrs. Lai Kar Yan (Derek) and Ho Kwok Leung (Glen), both of Deloitte Touche Tohmatsu, were appointed as the SMHK Liquidators. Powers of the directors of SMHK to manage its affairs have ceased with effect from 14 August 2020 and the financial results and position of SMHK would be deconsolidated from the Group.
 - (ii) Winding down the Group's paper trading business in the PRC, including ceasing further purchase of inventories and focusing efforts in realizing assets of the paper trading business in the PRC (including inventories and accounts receivable) in an orderly manner. Legal representatives of the major subsidiaries engaging in paper trading business in the PRC were changed to an independent director in October/November 2020.

- (iii) Subject to further discussions with the JPLs, other paper trading subsidiaries shall be put into liquidation under the relevant laws and regulations, following which, their financial results and positions would be deconsolidated from the Group.

In view of the cessation of the paper trading business and trading with Supplier A and Supplier B, the Board considers that the risk of re-occurrence of the Outstanding Audit Issues is low.

- (d) All the executive Directors of the Company at the relevant time have resigned from the Company, following (i) their application to the Bermuda Court to appoint the JPLs; (ii) providing assistance to the JPLs to stabilize the operations of the Group and formulate a restructuring plan (including identifying the white knight to participate in the restructuring of the Group); and (iii) attending to queries of the Independent Investigator.
- (e) Qualified professionals were appointed as independent directors (and re-designated as executive directors) to monitor, oversee and supervise the Board in the management of the Company.
- (f) The chief financial officer of the Group at the relevant time has resigned from the Company and new chief financial officer has been appointed.
- (g) The Independent Investigator has identified certain internal control deficiencies of the Group. The Board recommended the JPLs to undertake a thorough review of the internal control system of the Group and implement measures to improve the same.
- (h) Any claims or cause of actions of the Company against any parties (whether arising from breach of contract, breach of fiduciary duties, default, negligence or fraud) shall be transferred to the scheme of arrangement to be implemented between the Company and its creditors. Any residual funds recovered from the claims after settling claims of the creditors of the Company are to be distributed back to the Company.

CONTINUED SUSPENSION OF TRADING

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

Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.

By Order of the Board
SAMSON PAPER HOLDINGS LIMITED
(Provisional Liquidators Appointed)
(For Restructuring Purposes Only)
YU Ngai
Company Secretary

Hong Kong, 25 May 2021

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

** for identification purposes only*