

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims 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 AND CONNECTED TRANSACTION

ANNOUNCEMENT

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

THE TRANSACTION

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 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.

Hypex Holdings, a wholly-owned subsidiary of the Vendor as at the date of this announcement, is 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.

The terms of the Acquisition were negotiated on an arm's length basis. The Directors (including the independent non-executive Directors) believe 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.

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 at the SGM. In accordance with Rule 14A.18 of the Listing Rules, Quinselle Holdings Limited, HSBC International Trustee Limited, Mr. Lee Seng Jin and Ms. Sham Yee Lan, Peggy are required to abstain from voting at the SGM, in respect of any Shares held by them, on the resolution(s) approving the Acquisition.

A circular containing, among other things, details of the Acquisition and a notice of the SGM of the Company will be despatched to the Shareholders as soon as practicable in accordance with the Listing Rules.

SALE AND PURCHASE AGREEMENT

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, which is approximately 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 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 date of this announcement is the same amount 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:

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

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.

Subject to Completion taking place, the Share Consideration is further subject to 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 it 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:

1. the Independent Shareholders passing at the SGM of ordinary resolution(s) approving the Sale and Purchase Agreement and the transactions contemplated thereby;
2. 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;
3. 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
4. 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 2, 3 and 4 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.

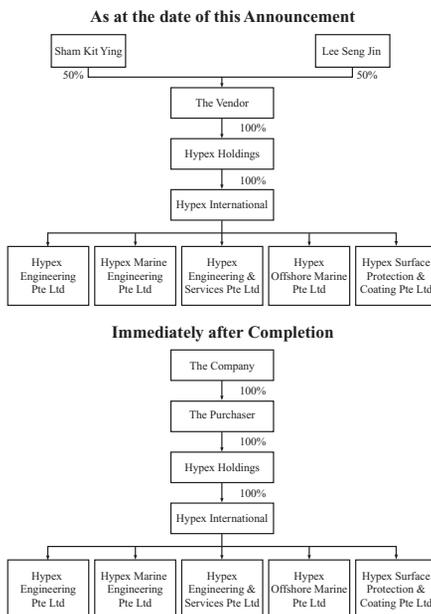
Completion:

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.

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.

Set out below are the shareholding structure of the Hypex Group as at the date of this announcement and immediately after Completion respectively:



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

US\$1,627,869
(equivalent to approximately HK\$8,057,952)

Unaudited consolidated net profit after taxation

US\$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 US\$2,137,550.95 (equivalent to approximately HK\$10,580,877 at the Agreed Exchange Rate).

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 transaction 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.

LISTING RULES IMPLICATIONS

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 at the SGM.

As at the date of this announcement, Quinselle Holdings Limited holds 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 date of this announcement, Mr. Sham Kit Ying has no shareholding interest, whether direct or indirect, in the Company, Ms. Sham Yee Lan, Peggy, daughter of Mr. Sham Kit Ying, has 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 has 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(s) 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(s) approving the Acquisition in accordance with Rule 14A.18 of the Listing Rules.

The board of Directors has appointed an independent board committee of the Company comprising the independent non-executive Directors (the "Independent Board Committee") to consider and advise the Independent Shareholders on the terms of the Acquisition. An independent financial adviser has been appointed by the Company to advise the Independent Board Committee.

A circular containing, among other things, (i) details of the Acquisition; (ii) the recommendation of the Independent Board Committee; (iii) an advice from the independent financial adviser on the terms of the Acquisition; (iv) a notice of the SGM; and (v) other information on the Company will be despatched to Shareholders as soon as practicable in accordance with the Listing Rules.

GENERAL

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

The Vendor is an investment holding company.

DEFINITIONS

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

"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"	US\$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

“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
“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 announcement
“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 the People’s Republic of China
“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 date of this announcement
“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
“Independent Shareholders”	Shareholders other than those prohibited from voting under the Listing Rules
“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
“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
“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
“Shareholders”	the shareholders 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.

In this announcement, 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.

* *For identification purpose only*

By order of the board of directors of
Samson Paper Holdings Limited
Mr. SHAM Kit Ying
Director

Hong Kong, 25 September 2006

As at the date of this announcement, the Board comprises of 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, 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.

Please also refer to the published version of this announcement in The Standard.