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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)

FULFILLMENT OF RESUMPTION GUIDANCE

This announcement is made by Samson Paper Holdings Limited (Provisional Liquidators Appointed) (For Restructuring Purposes Only) (the "**Company**", together with its subsidiaries, the "**Group**") pursuant to Rules 13.09 and 13.24A of the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the laws of Hong Kong) (the "**SFO**").

References are made to (i) the announcement published by the Company on 2 July 2020 in relation to the delay in the publication of audited financial information of the Group for the year ended 31 March 2020 (the "**2020 Annual Results**"), and suspension of trading in the Company's shares (the "**Shares**") since 2 July 2020 (the "**First Announcement**"); (ii) the announcement published by the Company on 23 July 2020 in relation to the Stock Exchange's guidance to the Company for the resumption of trading in the Shares (the "**Initial Resumption Guidance**"); (iii) the announcements published by the Company on 27 November 2020 and 18 June 2021 in relation to the Stock Exchange's additional guidance to the Company for the resumption of trading in the Shares (the "**Additional Resumption Guidance**", together with the Initial Resumption Guidance, the "**Resumption Guidance**"); (iv) the announcements published by the Company on 10 August 2020, 30 September 2020, 4 January 2021, 8 April 2021, 7 July 2021, 20 August 2021, 5 October 2021, 13 October 2021 and 5 January 2022 in relation to the updates on the progress of resumption of trading in the Shares; (v) the announcement of the Company published on 22 November 2021 in relation to the proposed Restructuring; (vi) the announcement on the 2020 Annual Results published by the Company on 16 December 2021 (the "**2020 Annual Results Announcement**"); (vii) the announcement on the unaudited interim results of the Group for the six months ended 30 September 2020 published by the Company on 16 December 2021 (the "**2020/2021 Interim Results Announcement**"); (viii) the announcement on the audited financial information of the Group for the year ended 31 March 2021 (the "**2021 Annual Results**") published by the Company on 16 December 2021 (the "**2021 Annual Results Announcement**"); and (ix) the announcement on the unaudited condensed consolidated interim results of the Group for the six months ended 30 September 2021 published by the Company on 16 December 2021 (the "**2021/2022 Interim Results Announcement**"). Capitalised terms used in this announcement have the same meanings as defined in the aforesaid announcements unless defined otherwise.

BACKGROUND OF SUSPENSION OF TRADING IN THE SHARES

As disclosed in the First Announcement, the Company was unable to publish the 2020 Annual Results, due to the reason that the then auditors of the Company required additional time to finalise their audit procedures in respect of the audit of the consolidated financial statements of the Group for the year ended 31 March 2020.

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended with effect from 9:00 a.m. on 2 July 2020 pending the publication of the 2020 Annual Results (the "**Suspension**").

FULFILLMENT OF RESUMPTION GUIDANCE

According to the Resumption Guidance, the Company must fulfill the following requirements to the satisfaction of the Listing Division of the Stock Exchange before the trading in Shares can resume:

1. address all audit issues (the "**Audit Issues**") raised by the former auditors of the Company (the "**Guidance 1**");

2. conduct an appropriate independent investigation into the Audit Issues, announce the findings and take appropriate remedial actions (the "**Guidance 2**");

3. publish all outstanding financial results required under the Listing Rules and address any audit modifications (the "**Guidance 3**");

4. have the winding-up petition (the "**Petition**") (or winding-up order, if made) against the Company withdrawn or dismissed (the "**Guidance 4**");

5. announce all material information for the Shareholders and investors to appraise the Company's position (the "**Guidance 5**");

6. demonstrate its compliance with Rule 13.24 of the Listing Rules (the "**Guidance 6**");

7. conduct an independent internal control review and demonstrate adequate internal control systems being put in place to meet the obligations under the Listing Rules (the "**Guidance 7**"); and

8. re-comply with Rules 3.05, 3.10(1), 3.21 and 3.25 of the Listing Rules (the "**Guidance 8**").

The Board is pleased to announce that the Company will fulfill the Resumption Guidance to the satisfaction of the Stock Exchange on 26 January 2022 upon the Listco Scheme becoming effective on the same date.

Guidance 1 & 2: The Company has addressed all the Audit Issues, has conducted an appropriate independent investigation into the Audit Issues, and announced the findings and taken appropriate remedial actions

As disclosed in the Company's announcement dated 10 August 2020, Grant Thornton Advisory Services Limited was appointed as the independent investigator (the "**Independent Investigator**") to conduct an independent investigation (the "**Independent Investigation**") in respect of the outstanding audit issues raised by Pricewaterhouse Coopers, the former auditors of the Company (the "**Former Auditors**"). On 5 May 2021, the Independent Investigator issued an independent investigation report, containing the detailed findings of the Independent Investigation and deficiencies in internal control identified by the Independent Investigator. The Company has published an announcement dated 25 May 2021 on the Audit Issues, the findings of the Independent Investigator and remedial measures taken/to be taken by the Company (the "**Independent Investigation Announcement**").

For further details on the key findings of the Independent Investigator, please refer to the Independent Investigation Announcement.

Remedial actions were taken to address and mitigate the re-occurrence of the Audit Issues and to improve the internal control of the Group, including, among others, (i) cessation of operation and winding down and/or liquidation of the paper trading business; (ii) appointment of Pan-China Enterprise Risk Management Consulting Limited ("**Pan-China**") as internal control consultant to strengthen the internal control of the Group; and (iii) resignation of the then executive Directors and chief financial officer at the relevant time and appointment of qualified professionals as new Directors and chief financial officer to monitor, oversee and supervise the management and operation of the Group.

Cessation of business, liquidation and deconsolidation of paper trading business segment

Out of the five Audit Issues identified by the Former Auditors and investigated by the Independent Investigator, the Group's paper trading business segment was involved in the first to fourth Audit Issues, namely (i) deferred payment agreements between the Group and the Supplier A and the Supplier B; (ii) prepayments paid to the Supplier A and the Supplier B; (iii) payment on behalf arrangements made for and on behalf of the Supplier A; and (iv) unreconciled intercompany balances.

Due to the withdrawal of banking facilities by various banks following the Suspension and the subsequent appointment of the JPLs, the Group experienced increased pressure on its working capital, affecting its ability to make new purchases and to maintain its usual trading operations. The paper trading business in both Hong Kong and the PRC had been wound down since August 2020 and September 2020 respectively, with minimal staff being retained to assist in realization of assets.

Samson Paper Company Limited ("**SMHK**"), the principal operating subsidiary engaged in paper trading business in Hong Kong and the principal borrower of the Group, was put into creditors' voluntary liquidation on 14 August 2020. Burotech Limited ("**BL**") and Shun Hing Paper Company Limited ("**SHPCL**"), the other subsidiaries of the Group carrying on paper trading business in Hong Kong, were also put into creditors' voluntary liquidation on 30 June 2021.

The Group carried on paper trading business in the PRC through the PRC subsidiaries (the "**PRC Paper Trading Subsidiaries**") of SMHK and Samson Paper (China) Company Limited ("**SMC**"). The PRC Paper Trading Subsidiaries had been wound down since September 2020, following completion of which, SMC was also placed into creditors' voluntary liquidation on 30 June 2021.

Upon the appointment of liquidators to SMHK, BL, SHPCL and SMC, the Group lost control over SMHK, BL, SHPCL and SMC. SMHK, BL, SHPCL, SMC and their respective subsidiaries were therefore deconsolidated from the consolidated financial statements of the Group with effect from the respective date of liquidation in accordance with the requirements of HKFRS 10 Consolidation Financial Statements.

All subsidiaries in the paper trading business segment of the Group had either (i) been deconsolidated from the Group, or (ii) ceased business and deconsolidated from the Group by the transfer to the SchemeCo. Hence, it is the Company's view that Audit Issues (i) to (iv), relating to the transactions and balances of the paper trading business of the Group with the Supplier A and the Supplier B, will not recur.

Payments on behalf arrangements made for and on behalf of the Supplier A and unreconciled intercompany balances

As far as the Retained Group is concerned, UPPSD, the Company's subsidiary carrying out the paper manufacturing business of the Group, was identified as a party in the Audit Issues (iii) and (iv), i.e. payments on behalf arrangements made for and on behalf of the Supplier A and unreconciled intercompany balances.

Based on the findings of the Independent Investigation, there was insufficient evidence showing that there were payments made on behalf of the Supplier A to the common suppliers of the Group, and the arrangement appeared to be an explanation suggested by the Company's former management to address the Former Auditor's queries in relation to the Audit Issue of unreconciled intercompany balances. It was further noted by the Independent Investigator that a net increase of approximately HK$66.7 million of the unreconciled intercompany balances for the year ended 31 March 2020 mainly arose from intercompany differences between UPPSD and Samson Paper (Shenzhen) Company Limited ("**SMSZ**") (a subsidiary of the Company), and foreign exchange differences, and such intercompany balance differences between UPPSD and SMSZ might be mainly contributed by different accounting treatments of UPPSD and SMSZ for those transactions between UPPSD and SMSZ, and payments by SMSZ to three external suppliers.

The Company had subsequently undertaken further analysis on the remaining unreconciled intercompany balances brought forward from previous financial years based on the available accounting records of SMSZ and UPPSD. The Company identified that, similar to the findings of the Independent Investigation, the unreconciled intercompany balances were mainly caused by the different accounting treatments of UPPSD and SMSZ for the net payments made by UPPSD to SMSZ, which made net payments to a number of external parties, but the rationale for such payments to external parties were not supported with sufficient explanation due to departure of the relevant management and accounting staff.

As (i) SMSZ is a wholly-owned subsidiary of SMHK and was deconsolidated from the Group following the commencement of liquidation of SMHK; (ii) the management of the Group at the relevant time and the relevant finance personnel of UPPSD had departed the Group; and (iii) adequate internal control systems have been in place (as further addressed in the Guidance 7), it is expected that the unreconciled intercompany balances caused by the accounting treatment of SMSZ and the instances of purported payments on behalf of the Supplier A made by SMSZ will not recur to the Retained Group.

Bank covenant requirements on current ratio

Based on the 2020 Annual Results, after making the accounting adjustments for the Audit Issues (i) to (iv), the Group's current ratio as at 31 March 2020 was 0.69 times, which was below the current ratio of 1.10 times as stipulated in the facilities agreements made available to SMHK and SG Finance Limited and guaranteed by the Company.

Upon the Listco Scheme taking effect on 26 January 2022, interests in SMHK and SG Finance Limited shall be transferred to the SchemeCo and all claims against the Company (including the claims arising from the guarantees provided by the Company in respect of the aforesaid facilities agreements) shall be discharged and released pursuant to the terms of the Listco Scheme. The bank covenant requirement will no longer be applicable to the Retained Group. In addition, upon the completion of the Restructuring, the Retained Group has no banking facilities.

Internal control deficiencies identified by the Independent Investigator

With regards to the internal control deficiencies identified during the Independent Investigation, various remedial actions had been taken to improve the internal control of the Group and to mitigate the occurrence of the Audit Issues.

Pan-China was appointed to conduct a comprehensive review of the internal control systems and procedures of the Retained Group for the period from 1 August 2021 to 15 November 2021 (the "**Internal Control Review**"). For details, please refer to the section headed "Guidance 7: The Company has conducted an independent internal control review and demonstrated adequate internal control systems being put in place to meet the obligations under the Listing Rules".

In any event, it is the Company's view that based on the reasons aforementioned, the Audit Issues will not recur in the future.

Guidance 3: The Company has published all outstanding financial results required under the Listing Rules and addressed any audit modifications

The Company has published the 2020 Annual Results Announcement, the 2020/2021 Interim Results Announcement, the 2021 Annual Results Announcement, and the 2021/2022 Interim Results Announcement on 16 December 2021. There is no outstanding unpublished financial results of the Company.

The audit modifications on the audited financial information of the Group for the year ended 31 March 2021 have been addressed by (i) completion of implementation of the UPPSD Bankruptcy Reorganisation plan; (ii) release and discharge of claims against the Company upon the Listco Scheme becoming effective; (iii) deconsolidation of the remaining subsidiaries of the Group's paper trading, property development and investment and others segments (by liquidation or by transfer to the SchemeCo pursuant to the terms of the Listco Scheme).

As far as the Retained Group is concerned, the Audit Issues related to UPPSD shall have no effect on the Group's financial statements for the year ending 31 March 2022. RSM Hong Kong, the auditors of the Company (the "**Auditors**") expected that the audit qualifications as set out in the audited financial results for the years ended 31 March 2020 and 31 March 2021 will be carried forward for the year ending 31 March 2022, in relation to (i) the gain/loss from the deconsolidation of subsidiaries of the Group during the year ending 31 March 2022 (by way of liquidation/deregistration/transfer of the subsidiaries to the SchemeCo pursuant to the terms of the Listco Scheme); (ii) profit and loss of the Excluded Subsidiaries which would be deconsolidated from the Group in the year ending 31 March 2022; and (iii) the opening balances of paper trading business segment, property development and investment business segment and others business segment as at 31 March 2021.

It is agreed by the Auditors that, in the absence of any unforeseen circumstances, the consolidated financial statements of the Company for the year ending 31 March 2023 will not carry the audit modifications.

Guidance 4: The Petition has been withdrawn

As disclosed in the announcement of the Company dated 13 December 2021, on 10 December 2021, the Bermuda Court ordered that the Petition be withdrawn and the JPLs be discharged, conditional upon the Listco Scheme becoming effective on 26 January 2022.

Guidance 5: The Company has announced all material information for the Shareholders and investors to appraise the Company's position

The Company has periodically made announcements for such material development of the Group so that its shareholders and other investors may be appraised of the Group's position.

Guidance 6: The Company has demonstrated its compliance with Rule 13.24 of the Listing Rules

Business Model

Prior to the Suspension, the Group was engaged in five business segments, namely (i) paper manufacturing business; (ii) paper trading business; (iii) FMCG business; (iv) PID business; and (v) other businesses including trading of consumable aeronautic parts and the provision of related services, and provision of logistic services and marine services. The Group's paper manufacturing business prior to the Suspension was reported under the "paper manufacturing" segment in the Group's financial statement and it was then, and continues now to be, conducted by UPPSD, a subsidiary of the Company in the PRC engaging in the paper manufacturing business. UPPSD has been since 2008 (i.e. more than 12 years ago), and is, the only operating subsidiary of the Company's paper manufacturing segment.

Since the Suspension, repayment obligation of certain indebtedness of the Group had been accelerated by certain creditors and the Group was unable to meet repayment obligations and, as a result, the Group, including UPPSD, faced increasing liquidity pressures.

In view of the limited financial resources made available to the Group, and after considering the respective financial position and working capital requirement of various segments of the Group and feedback from parties potentially interested in the restructuring of the Group, the Company considered it appropriate to focus on the paper manufacturing business of the Group which is carried out by UPPSD and to wind down or dispose of the remaining businesses of the Group. Upon the completion of the Restructuring, the Group shall comprise of the Company, SPV1, SPV2 and UPPSD, and continue its existing business of manufacture and sale of paper products.

Scale of Operations

UPPSD specializes in the manufacture of coated duplex board and kraft linerboard. Coated duplex board is generally used as packing material for small boxes that require high printability and water resistance such as consumer electronic products, cosmetics and other consumer merchandise. Kraft linerboard is a main material layer of boxes used to package consumer products varying in sizes, such as electrical appliances, furniture, personal care and chemical products. Both coated duplex board and kraft linerboard are primarily manufactured from recovered paper, therefore UPPSD is able to meet its customers' demand for environmentally-friendly products.

UPPSD's paper manufacturing facility is based in Zaozhuang City, Shandong Province, the PRC. UPPSD has been granted land use rights from the Zaozhuang municipal government over twelve pieces of land comprising a total area of approximately 589,234 square meters. UPPSD employs around 800 staff and implements an integrated production process through the operation of three production lines, namely PM2 and PM3 producing coated duplex board and PM5 producing kraft linerboard, coupled with other supporting facilities that are responsible for the provision of power, steam, waste water treatment and logistical support to UPPSD. The three production lines provide an aggregated annual estimated production capacity of approximately 460,000 tons (including 210,000 tons of coated duplex board and 250,000 tons of kraft linerboards).

UPPSD's products are mainly sold in the PRC market. It has a solid customer base in China, the majority of whom are (i) distributors of paper products ("**Wholesale Customers**") which, based on information to UPPSD, would sell UPPSD's products to customers of their own; and (ii) small to mid-sized printing and packaging manufacturers ("**End-users**") which use UPPSD's products to produce packaging for food and beverage producers, electronic product manufacturers and textile manufacturers.

UPPSD maintains a stable core management team comprising of long-serving personnel with deep industry expertise in the areas of production, technical know-how, sales and marketing and finance that will strengthen the Group's corporate governance and promote its business development.

UPPSD Bankruptcy Reorganisation

Due to shortage of cash flow, UPPSD defaulted on repayment of various debts, following which creditors of UPPSD had taken various legal actions including applying to the PRC Court to freeze bank accounts of UPPSD. As a result, production of the manufacturing facility of UPPSD was suspended in the third quarter of 2020.

In order to help UPPSD revive its operation, provide and ring-fence its working capital for its ongoing manufacturing activities as well as to preserve the operational value of UPPSD, and to assist UPPSD in keeping the jobs of over 900 employees, Xiamen C&D Paper and Shandong Herun (which is an affiliate of Zhejiang Xinshengda), with the support from the local government, agreed to jointly operate the assets of UPPSD on an entrusted basis. Production of UPPSD resumed in November 2020 under the Entrusted Operation Agreement. Please refer to the Company's announcement dated 22 November 2021 for details on the entering into of the Entrusted Operation Agreement in relation to the Entrusted Operation for UPPSD.

The principal effects of the Entrusted Operations Agreement were as follows:

(a) UPPSD's manufacturing operations that existed before the Suspension were able to continue as it had before the Suspension. UPPSD could retain its staff as the Entrusted Operation Agreement provided that except for reasons beyond the control of the parties, all staff and management should not in principle change and all parties to that agreement have the obligation to ensure the stability of UPPSD's employees and management team.

(b) The resumption of manufacturing operations were funded by the Entrusted Operator on the bases that UPPSD was paid/reimbursed the costs of its staff and the Entrusted Operator would pay all operating expenses (including raw materials and maintenance costs). The Entrusted Operator would not, however, bear liabilities that arose prior to the Entrusted Operation Period. In return, the Entrusted Operator was entitled to keep the proceeds of sales of all products produced. This means that the Entrusted Operator took the profit and losses of the operation of the paper manufacturing during the Entrusted Operation Period and as a result UPPSD would not recognize in its own financial statements the corresponding sales and purchases for that period. In view of the circumstances then prevailing, this is a reasonable arrangement that provides necessary ring fencing of risks to the immediate funding provided by Xiamen C&D Paper and Zhejiang Xinshengda, which were in the early stage of considering whether to participate in the restructuring of the Group, during UPPSD's defaults/bankruptcy proceedings.

As disclosed in the Company's announcement dated 22 November 2021, on 1 August 2021, the PRC Court approved the UPPSD Bankruptcy Reorganisation plan with effect on the same day. Following the PRC Court's approval of the UPPSD Bankruptcy Reorganisation plan, the Entrusted Operation Agreement was terminated and UPPSD has since 1 August 2021 carried business operations on its own.

On 11 October 2021, the PRC Court issued a verdict confirming the completion of the implementation of the UPPSD's Bankruptcy Reorganisation plan, and ordered the termination of UPPSD's bankruptcy reorganisation proceedings with effect from 11 October 2021.

The principal terms of the UPPSD Bankruptcy Reorganisation include, *inter alia*:

(a) settlement of four creditors' priority claims with an aggregate amount of RMB4,960,533.58 in one lump sum payment by cash in priority to other creditors with unsecured claims, with their unsecured claims totalling RMB1,084,101,760.80 settled in the method as provided in (c), (d) and (e) below;

(b) settlement of two creditors' verified tax claims with an aggregate amount of RMB48,333,787.65 in one lump sum payment by cash;

(c) settlement of each creditor's unsecured claims with principal amount of RMB200,000 (inclusive) or below in full by cash;

(d) for each creditor's unsecured claims with principal amount exceeding RMB200,000, settlement will be completed within four years in five instalments of 20% every year. The First Instalment Payment shall be made to repay creditor's unsecured claim of principal amount below RMB200,000 (inclusive) and 20% of the principal amount in excess of RMB200,000. The balance of approximately RMB234.5 million will be paid in four equal subsequent instalments of approximately RMB58.6 million each (each of which represents 20% of the principal amount in excess of RMB200,000) on or before the first, second, third and fourth anniversary date of the First Instalment Payment. Remaining debts shall not bear any interest for the period of settlement in instalments;

(e) the settlement of the Debts of UPPSD's Related Parties (Confirmed) in the total sum of RMB741,989,908.38 as recognised by the UPPSD Bankruptcy Administrator in one lump sum payment of RMB50 million; and

(f) upon the completion of UPPSD Bankruptcy Reorganisation, UPPSD shall forfeit its all other receivables, prepayments and other debts due by the Group to UPPSD, which amounted to RMB156,943,268.36 based on the liquidation audit on UPPSD commissioned by the UPPSD Bankruptcy Administrator.

On 28 September 2021, Shandong Bairun provided the loan of RMB250 million in accordance with the UPPSD Bankruptcy Reorganisation plan and the Facility Agreement pursuant to which RMB170 million has been released to UPPSD Bankruptcy Administrator (at the instruction of SPV2) for settlement of the First Instalment Payments and the reorganisation expenses and debts; and RMB80 million has been released to UPPSD (also at the instruction of SPV2) for daily business operations of UPPSD.

After receiving the funds from Shandong Bairun, the UPPSD Bankruptcy Administrator has been allocating the First Instalment Payments (which include (i) UPPSD's creditors' claim of principal amount (as admitted by UPPSD Bankruptcy Administrator) below RMB200,000 (including RMB200,000) and 20% of the principal amount (as admitted by UPPSD Bankruptcy Administrator) in excess of RMB200,000; and (ii) settlement of Debts of UPPSD's Related Parties (Confirmed) under the UPPSD Bankruptcy Reorganisation plan) to the creditors. As at the date of this announcement, the allotment process has been substantially completed including the Payment to DaiEi under the UPPSD Bankruptcy Reorganisation, except for two creditors whose payment has not been made due to the creditors' reasons. The remaining funds of approximately RMB13.8 million in the bank account of the UPPSD Bankruptcy Administrator after deducting the First Instalment Payments and the reorganisation expenses have been transferred to the reorganised bank account of UPPSD to be used as its working capital. As at the date of this announcement, the RMB80 million fund has been fully utilised to cover the working capital needs of UPPSD.

The operation of UPPSD upon approval of the UPPSD Bankruptcy Reorganisation and termination of the Entrusted Operation

With effect from 1 August 2020, upon the approval of the UPPSD Bankruptcy Reorganisation by UPPSD's creditors and the PRC Court and termination of the Entrusted Operation Agreement, UPPSD has carried business operations of manufacture and sale of coated duplex board and kraft linerboard on its own. Set out below are the business activities of UPPSD:

(a) Products and production

UPPSD specializes in the manufacture of coated duplex board and kraft linerboard. Coated duplex board is generally used as packing material for small boxes that require high printability and water resistance such as consumer electronic products, cosmetics and other consumer merchandise. Kraft linerboard is a main material layer of boxes used to package consumer products varying in sizes, such as electrical appliances, furniture, personal care and chemical products. Both coated duplex board and kraft linerboard are primarily manufactured from recovered paper, UPPSD is able to meet its customers' demand for environmentally-friendly products.

UPPSD implements an integrated production process through the operation of three production lines, namely PM2 and PM3 producing coated duplex board and PM5 producing kraft linerboard, coupled with other supporting facilities that are responsible for the provision of power, steam, waste water treatment and logistical support to UPPSD.

The production process for UPPSD's products begins with the collection of raw materials, which primarily include recovered paper. Recovered paper will first undergo pulp processing to become liquid fiber, which then will pass through the separation process to remove contaminants before being processed into paper sheets. Depending on the grade of the product, the paper sheets may or may not be processed for coating before being compressed and wound into reels and cut and/or packaged into finished products for delivery.

UPPSD continues to implement environmentally responsible practices and maintains high environmental standards in its custom designed and integrated production process, from sourcing of raw materials and treatment of wastes to recycling by-products and processing surplus products. In October 2020, UPPSD was accredited with ISO14001 Environmental Management System certification in relation to its environmental management system.

(b) Sales and Marketing

UPPSD continues to leverage its solid customer base in China, the majority of whom are Wholesale Customers and End-users.

UPPSD operates its sales network from its production sites in Zaozhuang City, Shandong Province and sells most of its products to customers directly through its sales team. This sales model has enabled UPPSD to maintain a close relationship with the Wholesale Customers and End-users, as well as reduce the cost of marketing intermediaries.

UPPSD is committed to maintain a high level of customer satisfaction and attract new customers through sales and marketing activities including (i) continuous promotion of its products in national industry websites such as Sublime China Information (www.sci99.com) and UMpaper (www.umpaper.com); (ii) market research; (iii) arrange offline marketing trips for potential customers to enable them to have a better understanding of UPPSD and its production process thereby encourage them to use UPPSD's products and/or buy from UPPSD directly.

(c) Procurement

The principal raw materials used for the production of UPPSD products are (a) recovered paper; (b) kraft pulp; and (c) other auxiliary materials. Recovered paper makes up for the largest portion of UPPSD's raw materials. UPPSD sources its recovered paper domestically which enables UPPSD to secure a stable source of raw materials to facilitate stable production. Kraft pulp are purchased in PRC. UPPSD uses various kinds of chemicals and agents in its production process, including starch and retention agent. UPPSD purchases other auxiliary materials in the PRC. There has been no change to the business model of UPPSD throughout the period from the end of the Entrusted Operations Arrangement to the date of this announcement.

Operating performance, sufficiency of assets and profit forecast

As stated in the "Discontinued Operations" section of the 2021 Annual Results (i.e. representing UPPSD as a result of the appointment of the bankruptcy administrator over UPPSD), for the year ended 31 March 2021, revenue of the paper manufacturing segment of the Group was HK$550 million (2020: HK$1,360 million) and the loss was HK$1,317 million (2020: HK$45 million profit). The drop in the revenue was due to the fact that UPPSD would not recognize revenue in its own financial statement upon the commencement of the Entrusted Operation in November 2020 for reasons stated in the section "UPPSD Bankruptcy Reorganisation" above. The loss was mainly attributable to the drop in the revenue, the impairment losses of financial assets (mainly representing impairment on receivables from other Group companies) and the impairment losses of property, plant and equipment. Based on the 2021 Annual Results, as of 31 March 2021, (i) the book value of the Group's total assets was approximately HK$1,097 million, and the book value of its total liabilities was approximately HK$3,275 million, resulting in net liabilities of approximately HK$2,178 million; and (ii) the book value of the Company's total assets was around HK$250 million and the book value of its total liabilities was around HK$2,303 million, resulting in net liabilities of around HK$2,053 million. Thus, both the Group and the Company were balance sheet insolvent.

As set out in Appendix II "Unaudited Pro Forma Financial Information of the Group" in the circular made by the Company dated 31 December 2021, which was prepared for the purposes of illustrating the effect of the Restructuring on the financial position and performance of the Retained Group as if the Restructuring had been completed on 30 September 2021, the total assets of the Group as at 30 September 2021 would decrease from approximately HK$2,075 million to approximately HK$1,666 million whereas the total liabilities would be reduced from approximately HK$4,044 million to approximately HK$1,210 million. On the other hand, the financial position of the Group would be reversed from having net liabilities of approximately HK$1,969 million to net assets of approximately HK$456 million. Such improvement is primarily attributable to the proceeds to be raised from the Subscription and the Placement pursuant to the Restructuring, the effect of the full and final settlement of the indebtedness of the Group with the Scheme Creditors under the Listco Scheme and deconsolidation of the Excluded Subsidiaries upon the Listco Scheme taking effect. The Retained Group would have pro forma revenue and net profit for the period ended 30 September 2021 of approximately HK$268 million and HK$2,436 million respectively. Shareholders and investors should note that because of its hypothetical nature, the "Unaudited Pro Forma Financial Information of the Group" may not give a true picture of the Group's financial position or results.

The table below shows the forecast revenue and operating profit of the Retained Group (the "**Forecast**") on a pro forma basis, after excluding Restructuring related costs and expenses and interests accrued on borrowings that would be discharged or released upon the completion of the Restructuring (the "**Excluded Items**"), for the financial year ending 31 March 2022 (the "**Forecast Period**" or "**FY2022**").

	FY2022 **(Forecast)** *(HK$'000)*
Revenue	1,242,711
Profit for the period excluding Excluded Items	17,527

The Forecast has been made after taking into account, among other things, (i) the performance of the paper manufacturing business carried out by Shandong Bairun with the Entrusted Assets of UPPSD over the four months ended 31 July 2021 during the Entrusted Operation Period, (ii) in respect of forecasted sales tonnage of approximately 125,480 tons of coated duplex board and 146,220 tons of kraft linerboard respectively for the eight months ending 31 March 2022, the expected demand of coated duplex board and kraft linerboard taking into account the prevailing market condition, historical purchase quantity of customers with long term business relationship and discussions with the relevant potential recurring customers on their purchase intention as demonstrated in over 30 framework agreements entered into between UPPSD and over 30 recurring customers respectively; (iii) in respect of expected selling price, the prevailing market price of coated duplex board and kraft linerboard, market price of similar products offered by other market players and certain market analysis reports; (iv) in respect of manufacturing cost, the expected price of raw materials required including recycled paper, kraft pulp and auxiliary materials with reference to recent purchase agreements entered into by UPPSD and market price outlook; (v) budgeted directors and staff salaries; and (vi) finance costs attributable only to those required to support the Retained Group's operations.

The Forecast has been made on the basis of, among others, the following principal assumptions (including commercial assumptions) during the Forecast Period:

(i) The Listco Scheme shall take effect on or around December 2021, by which all liabilities of the Company (including all contingent liabilities of the Company, if any) will be discharged;

(ii) There will be no material adverse change in the political, legal, fiscal and economic conditions prevailing in Hong Kong and the PRC where the Retained Group carries on its businesses as contemplated in the Forecast, nor would there be any changes in legislation, regulations or the imposition of restrictions that would materially affect the businesses carried on by the Retained Group;

(iii) The industry trends and market conditions for the business operations of the Retained Group will not deviate significantly from the current trends and market expectations. The Retained Group's operations and business will not be severely interrupted by any force majeure events, unforeseeable factors or unforeseeable reasons that are beyond the control of the Retained Group;

(iv) Key management, competent personnel and technical staff will be retained to support the ongoing operation of the Retained Group;

(v) The Retained Group will continue to apply the accounting policies and key accounting estimates adopted in the latest audited financial statements of the Group;

(vi) The Retained Group will not have any material impairment of tangible or intangible assets for the eight months ending 31 March 2022;

(vii) There will be no significant changes in inflation, exchange rates or interest rates from those currently prevailing in Hong Kong and the PRC during the Forecast Period; and

(viii) There will be no material change in the relevant tax policies and tax rates applicable to the Retained Group and the industries where the Retained Group operates in.

Since the termination of the Entrusted Operation Arrangement on 31 July 2021, the unaudited revenue of approximately HK$622 million for the four months ended 30 November 2021 recorded by the Retained Group represented approximately 52% of the forecasted revenue of approximately HK$1,202 million for the eight months ending 31 March 2022. Moreover, the unaudited profit excluding Excluded Items of approximately HK$32 million for the four months ended 30 November 2021 recorded by the Retained Group represented approximately 78% of the forecasted profit excluding Excluded Items of approximately HK$41 million for the eight months ending 31 March 2022.

Shareholders and potential investors should note that the Forecast is based on the Company's current expectations and assumptions regarding the Group's business, the economy and other future conditions. The Company gives no assurance that these expectations and assumptions will prove to be correct. Because the Forecast relates to the future, it is subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. The Group's actual results for the Forecast Period will include the effects of the Excluded Items up to the date of completion of the Restructuring. In any event, even if the Excluded Items were to be disregarded, the actual results of the Retained Group may differ materially from those contemplated by the Forecast. The Forecast is neither statement of historical fact nor guarantee or assurance of future performance. The Company cautions Shareholders and potential investors against placing undue reliance on the Forecast.

RSM Hong Kong, certified public accountants and the auditors of the Company, has been engaged by the Company to review the accounting policies and calculations of the Forecast and is of the view that the Forecast has been properly compiled in accordance with the bases and assumptions adopted by the Directors and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in the 2021 Annual Results. Deloitte & Touche Corporate Finance Limited ("**DTCFL**"), a corporation licensed to carry out types 1, 4 and 6 regulated activities under the SFO, has been engaged by the Company to act as the financial adviser of the Company to review the Forecast and is of the view that, on the basis of its work done for the review and the aforesaid opinion of RSM Hong Kong, the Forecast was made by the Directors after due and careful enquiry. A letter from each of RSM Hong Kong and DTCFL respectively in relation to their review of the Forecast is set out in Appendix I and Appendix II to this announcement.

Each of RSM Hong Kong and DTCFL has given and has not withdrawn its written consent to the publication of this announcement with the inclusion of its letter/reports and all references to its name (including its qualifications) in the form and context in which they are included.

To the best knowledge, information and belief of the Board and having made all reasonable enquiries, each of RSM Hong Kong and DTCFL does not have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate person(s) to subscribe for securities in any member of the Group.

Sufficiency of working capital

The Company considers that the Retained Group (including UPPSD) has sufficient working capital to support the operation in view of the following factors:

(a) Upon the Listco Scheme becoming effective, the Company's liabilities including the relevant interest expenses accrued will be finally and fully discharged;

(b) The implementation of the UPPSD Bankruptcy Reorganisation plan was completed on 29 September 2021 following the First Instalment Payments which was funded by a loan from Shandong Bairun;

(c) On 28 September 2021, Shandong Bairun provided the loan of RMB250 million (the "**Loan from Shandong Bairun**") in accordance with the UPPSD Bankruptcy Reorganisation plan and the Facility Agreement pursuant to which RMB170 million has been released to UPPSD Bankruptcy Administrator (at the instruction of SPV2) for settlement of the First Instalment Payments and the reorganisation expenses and debts; and RMB80 million has been released to UPPSD (also at the instruction of SPV2) for daily business operations of UPPSD. The Investor has undertaken to procure the Loan from Shandong Bairun to be extended to the extent necessary should UPPSD require more time to secure appropriate loan facilities from financial institutions for the repayment of such loan. In this regard, UPPSD has obtained from a letter of intent from a banking institution for a RMB300 million standby loan facility to be provided to UPPSD upon the Resumption for such purpose and to provide UPPSD additional working capital; and

(d) The results of UPPSD after the termination of the Entrusted Operation show that UPPSD has resumed operating on a gross profit margin and is able to generate adequate profits (i.e. HK$32 million unaudited profit excluding the Excluded Items for the four months ended 30 November 2021) to continue its operations and sales.

Guidance 7: The Company has conducted an independent internal control review and demonstrated adequate internal control systems being put in place to meet the obligations under the Listing Rules

As disclosed in the announcement of the Company dated 13 December 2021, the Company had engaged Pan-China to conduct the Internal Control Review and to make appropriate recommendations. According to the final internal control report issued on 13 December 2021, Pan-China is of the view that the identified internal control deficiencies have been rectified and the overall risk is now controlled at the low-priority level.

Guidance 8: The Company has re-complied with Rules 3.05, 3.10(1), 3.21 and 3.25 of the Listing Rules

Following the approval of the relevant resolutions at the SGM on 24 January 2022, the three independent non-executive Directors have been appointed to the Board with effect from the date of the Resumption and the newly appointed independent non-executive Directors shall form the audit committee and remuneration committee of the Board, to re-comply with Rules 3.10(1), 3.21 and 3.25 of the Listing Rules. Two authorised representatives have been appointed by the Company with effect from the date of the Resumption to re-comply with Rule 3.05 of the Listing Rules.

RESUMPTION OF TRADING IN THE SHARES

Trading in the Shares on the Stock Exchange has been suspended with effect from 9:00 a.m. on 2 July 2020. As the Resumption Guidance will have been fulfilled to the satisfaction of the Stock Exchange on 26 January 2022 upon the Listco Scheme becoming effective on the same date, an application has been made by the Company to the Stock Exchange for the resumption of trading in Shares on the Stock Exchange with effect from 9:00 a.m. from 26 January 2022.

Shareholders and potential investors of the Company should exercise caution when dealing in the Shares 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 January 2022

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

* *for identification purposes only*

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25 January 2022

The Board of Directors
Samson Paper Holdings Limited
Unit D, 13/F, World Tech Centre
95 How Ming Street
Kwun Tong, Kowloon
Hong Kong

Dear Sirs,

Samson Paper Holdings Limited (the "Company") and its subsidiaries (the "Group")

Profit Forecast for the Year Ending 31 March 2022

We refer to the forecast of the consolidated profit of the Retained Group (defined in the profit forecast memorandum) for the year ending 31 March 2022 (the "**Profit Forecast**") set forth in the profit forecast memorandum prepared by the Company and submitted to the Stock Exchange of Hong Kong Limited on 12 January 2022.

Directors' Responsibilities

The Profit Forecast has been prepared by the directors of the Company (the "**Directors**") based on the unaudited consolidated results based on the management accounts of the Retained Group for the four months ended 31 July 2021 and a forecast of the consolidated results of the Retained Group for the remaining eight months ending 31 March 2022.

The Directors are solely responsible for the Profit Forecast.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion on the accounting policies and calculations of the Profit Forecast based on our procedures.

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 500 "Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness" and with reference to Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the HKICPA. Those standards require that we plan and perform our work to obtain reasonable assurance as to whether, so far as the accounting policies and calculations are concerned, the Directors have properly compiled the Profit Forecast in accordance with the bases and assumptions adopted by the Directors and as to whether the Profit Forecast is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

Opinion

In our opinion, so far as the accounting policies and calculations are concerned, the Profit Forecast has been properly compiled in accordance with the bases and assumptions adopted by the Directors as set out in the profit forecast memorandum of the Retained Group for the year ending 31 March 2022 and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in the published annual report of the Company for the year ended 31 March 2021 dated 31 December 2021.

Yours faithfully,
RSM Hong Kong

Deloitte.

德勤

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25 January 2022

The Board of Directors
Samson Paper Holdings Limited
Unit D, 13/F, World Tech Centre
95 How Ming Street
Kwun Tong, Kowloon
Hong Kong

Dear Sirs,

Profit Forecast of the Retained Group for the year ending 31 March 2022

We refer to the profit forecast of the Retained Group for the year ending 31 March 2022 (the "**Profit Forecast**") set forth in the profit forecast memorandum prepared by the Company and submitted to the Stock Exchange of Hong Kong Limited on 12 January 2022 ("**Profit Forecast Memorandum**"). Unless otherwise specified, capitalised terms used in this letter shall have the same meanings as those defined in the announcement of the Company dated 25 January 2022 in relation to the fulfillment of resumption guidance (the "**Announcement**").

The Profit Forecast, for which the Directors are solely responsible, has been prepared based on the unaudited management accounts of the Retained Group for the four months ended 31 July 2021 and a forecast of the combined results of the Retained Group for the eight months ending 31 March 2022.

We, as the financial adviser to the Company in relation to the Restructuring, have discussed with the Directors and management of the relevant members of the Retained Group for the bases and assumptions upon which the Profit Forecast has been prepared. We have also considered the letter issued by RSM Hong Kong dated 25 January 2022 as set out in Appendix I to the Announcement containing its opinion that, so far as the accounting policies and calculations are concerned, the Profit Forecast has been properly compiled in accordance with the bases and assumptions adopted by the Directors as set out in the Profit Forecast Memorandum and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in the Company's annual report for the year ended 31 March 2021.

The Profit Forecast is based on a number of bases and assumptions. As the relevant assumptions are related to future events which may or may not occur, the actual financial results of the Retained Group may or may not achieve as expected and the variation may be material.

On the basis of the foregoing, we are satisfied that the Profit Forecast has been prepared with due care and consideration.

Yours faithfully,
For and on behalf of
Deloitte & Touche Corporate Finance Limited

Ho Wai Kin
Executive Director