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SAMSON PAPER HOLDINGS LIMITED

森信紙業集團有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 731)

MAJOR TRANSACTION IN RELATION TO THE DISPOSAL OF 22.30% EQUITY INTEREST IN MISSION SKY GROUP LIMITED

THE DISPOSAL AGREEMENT

The Board is pleased to announce on 8 February, 2012, the Vendor (a wholly-owned subsidiary of the Company) entered into the Disposal Agreement with the Purchaser whereby the Vendor agreed to sell and the Purchaser agreed to purchase the Sale Shares representing 22.30% of the issued share capital of Mission Sky for a consideration of USD38,050,975.

THE SHAREHOLDERS' AGREEMENT

Upon Completion, the Vendor, the Purchaser and Mission Sky shall enter into the Shareholders' Agreement in respect of the management and activities of Mission Sky and the rights and duties of the Parties with respect to their interests in Mission Sky after Completion.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios in respect of the Disposal exceeds 25% but all applicable percentage ratios are less than 75%, the Disposal constitutes a major transaction for the Company which is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

The SGM will be convened and held for the Independent Shareholders to consider and, if thought fit, approve the Disposal Agreement and the transactions contemplated thereunder. As at the date of this announcement, DaiEi Papers (HK) Limited, a wholly-owned subsidiary of the Purchaser holds 20,000,000 Shares representing approximately 1.75% of the issued share capital of the Company and is thus required to abstain from voting at the SGM, so far as the Directors are aware, no other Shareholders are required to abstain from voting at the SGM.

GENERAL

A circular containing, among other things, details of the Disposal Agreement and the Shareholders' Agreement, the financial information of the Group, the notice to convene the SGM and other information as required under the Listing Rules will be despatched to the Shareholders on or before 28 February, 2012.

THE DISPOSAL AGREEMENT

Date: 8 February, 2012

Parties:

- (i) Vendor: Skyway Top Holdings Limited; and
- (ii) Purchaser: Kokusai Pulp and Paper Company Limited

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

Assets to be disposed of:

The assets to be disposed of under the Disposal Agreement are the Sale Shares, being 2,230 shares representing 22.30% of the issued share capital of Mission Sky as at the date of the Disposal Agreement.

Mission Sky is an investment holding company established for the purpose of holding UPPI. As at the date of this announcement, UPPI owns 90% equity interest of UPP-SD and the Company holds the remaining 10% equity interest in UPP-SD through another wholly-owned subsidiary.

The principal activity of Mission Sky is investment holding. The principal activity of UPPI is investment holding of UPP-SD and it is also engaged in trading of various paper products. UPP-SD is principally engaged in manufacturing and trading of paper products in the PRC.

Set out below are the financial information extracted from (i) the unaudited consolidated financial statements of the Mission Sky Group for the year ended 31 March, 2010 and 31 March, 2011; and (ii) the unaudited consolidated management accounts of the Mission Sky Group for the six months from 1 April, 2011 to 30 September, 2011 prepared in accordance with the Hong Kong Financial Reporting Standards:

	For the six months from 1 April, 2011 to 30 September, 2011	For the year ended 31 March, 2011	For the year ended 31 March, 2010
	<i>HK\$' million</i>	<i>HK\$' million</i>	<i>HK\$' million</i>
Turnover	717.1	699.8	508.2
Profit before taxation	40.2	45.3	26.8
Profit after taxation	34.2	45.3	26.8
Net assets	465.5	420.6	274.3

Consideration:

The consideration for the Sale Shares shall be USD38,050,975 which is payable by the Purchaser to the Vendor in the following manner:

- (i) a sum of US\$3,805,097, being 10% of the Consideration, shall be paid within 3 Business Days from the date of signing of the Disposal Agreement (“**First Payment**”); and
- (ii) a sum of US\$34,245,878, being the balance of the Consideration, shall be paid on Completion (“**Balance**”).

If (other than due to the default of the Vendor) the Purchaser shall fail to observe or comply with any of the terms and conditions of the Disposal Agreement or the Purchaser shall fail to make payment of the Balance, then without prejudice to any other rights and remedies available to the Vendor under the Disposal Agreement or provided by law:

- (i) the Vendor shall be entitled to forfeit the First Payment (together with all interest accrued thereon) in accordance with the terms of the Disposal Agreement; and
- (ii) the Vendor shall be at liberty if it sees fit, by notice to the Purchaser, to terminate the Disposal Agreement.

The Consideration was determined after arms’ length negotiations between the Vendor and the Purchaser and represented approximately 3.2 times of the unaudited equity value of the Mission Sky Group as at 30 September 2011 attributable to the Sale Shares. The unaudited equity value of the Mission Sky Group as at 30 September 2011 amounted to approximately HK\$418,950,000, representing 90% of the unaudited consolidated net asset value of Mission Sky Group of the same date.

Conditions Precedent:

Completion of the Disposal Agreement is conditional upon the passing of resolution(s) to approve the Disposal Agreement and the Disposal by the Independent Shareholders at the SGM (the “**Condition**”).

In the event that the Condition has not been fulfilled by 31 March, 2012 (the “**Long Stop Date**”), the Parties shall discuss with a view to agreeing in writing to extend such date to a subsequent date (the “**Extended Long Stop Date**”) for the relevant party to fulfill the outstanding Condition. If by the Long Stop Date or (where the Parties have agreed to an Extended Long Stop Date), the Extended Long Stop Date, the Condition has not been fulfilled, the Disposal Agreement shall, unless the Parties otherwise agree in writing, lapse and be of no further effect and the First Payment (to the extent that it is actually received by the Vendor) shall be refunded in full (together with all interest thereon received by the Vendor) to the Purchaser.

Completion:

The Completion is scheduled to take place within ten Business Days after the fulfillment of the Condition as notified in writing by the Vendor to the Purchaser, or such other date as the Parties may agree in writing.

THE SHAREHOLDERS’ AGREEMENT

Upon Completion, the Vendor, the Purchaser and Mission Sky will enter into the Shareholders’ Agreement in respect of the ownership, management and activities of Mission Sky and the rights and duties of the Parties with respect to their interest in Mission Sky and UPPI after Completion. The principal terms of the Shareholders’ Agreement are summarized as follows:

Board composition: Unless otherwise agreed by the Parties, Mission Sky shall have a maximum of six (6) directors, of which the Vendor shall be entitled to nominate a maximum of five (5) directors and the Purchaser shall be entitled to nominate one (1) director.

Dividend policy: Unless otherwise resolved by the board of Mission Sky, the directors of Mission Sky shall procure the board of directors of UPP-SD to distribute net profits of UPP-SD in the range of twenty (20)% to thirty (30)% of the net profits after tax of UPP-SD (and all other necessary deductions and provisions as the directors of UPP-SD may determine) for the relevant financial year to UPPI by way of dividend, which shall in turn be distributed by UPPI to Mission Sky in full and by Mission Sky to its shareholders in proportion to their respective shareholdings in Mission Sky.

Funding: Mission Sky shall be responsible for raising the funds necessary to carry on the business of Mission Sky and/or its subsidiaries.

In case Mission Sky cannot raise funds on its own responsibility and if the Parties agree to finance such funds, the Parties shall, unless otherwise agreed, make loans in favor of Mission Sky in proportion to their then existing shareholdings in Mission Sky.

Transfer of shares of Mission Sky: After the execution of the Shareholders' Agreement, no new member may be accepted without the prior consent in writing of all the shareholders of Mission Sky and in accordance with the terms and conditions of the Shareholders' Agreement. Any new member proposed to be admitted shall, as a condition of such admission, agree to be bound by all the provisions contained in the Shareholders' Agreement so far as such provisions are applicable

Default: A Party is deemed to have defaulted under the Shareholders' Agreement upon the occurrence of any of the following events if:

- (i) any Party fails to perform any obligations under the Shareholders' Agreement and shall fail to remedy the breach, if capable of remedy, within 30 days after being given written notice by the other Party to do so;
- (ii) any Party is unable to or omits to pay its debts as they fall due or enters into any composition or arrangement with its creditors generally;
- (iii) any decree or order is made by any competent court in any jurisdiction adjudging any Party insolvent or any resolution is passed for the appointment of any liquidator, receiver or similar official in respect of all or a substantial part of its assets; and
- (iv) any Party is being wound-up.

Upon the occurrence of any of the aforesaid events of default, the non-defaulting Party shall have the right (but not an obligation) to acquire the shares in Mission Sky of the defaulting Party at a price which is equivalent to the fair value per share as determined and certified in writing by the auditors for the time being of Mission Sky.

GENERAL INFORMATION

The Group is principally engaged in investment holding, manufacturing, trading and marketing of paper products, the trading of consumable aeronautic parts and marine services.

The Purchaser, based in Japan and established since 1924, is trading conglomerate and principally engaged in trading and marketing of paper and board. The Purchaser has more than 20 sales offices all over the world, including the United States of America (Los Angeles), South America (Sao Paulo), Asia Pacific regions (Hong Kong, Singapore, Seoul, Melbourne, Taipei, Jakarta, Manila, Bangkok, Kuala Lumpur, Penang and Ho Chi Minh), South Africa (Johannesburg), India (Bangalore, Delhi, Mumbai) and China (Shanghai). Its products include paper and board, pulp, waste paper, packaging materials and machineries. For the financial year ended 31 March 2011, the Purchaser and its subsidiaries recorded a turnover of approximately US\$3.5 billion.

FINANCIAL EFFECTS

Immediately after Completion, Mission Sky will continue to be a subsidiary of the Company and the Purchaser will own a non-controlling interest in the Mission Sky Group sharing 22.30% of the net assets of Mission Sky Group.

It is expected that the Group will recognize an increase in reserve of approximately HK\$159,297,000, which is calculated with reference to the Consideration less the unaudited consolidated net asset value of the Mission Sky Group as at 30 September 2011 attributable to the Sale Shares and estimated related expenses to be incurred.

REASONS FOR THE DISPOSAL

With an introduction of the Purchaser as a strategic business partner, the manufacturing operation of UPP-SD will be raised to a new position with an international distribution network for its paper products apart from its existing domestic market, as well as a more competitive position for sourcing of raw materials used for its production; as a result, the earnings capability of its manufacturing operation is expected to be increased and UPP-SD is expected to have a higher growth potential in the coming years.

The Board also considers that the Disposal also benefits the Group by (i) unlocking the value of the manufacturing operation and setting a benchmark for its future valuation, it is believed that the Disposal may also enable the Group to attract more investors' attention, demand higher valuation and raise more funds in future given its earnings growth prospects are expected to enhance after the Purchaser's investment; (ii) enlarging the capital base and provision of funds for expanding the production capability and working capital needs of the Group; and (iii) enhancing the liquidity position of the Group.

Based on the above, the Board considers that the terms of the Disposal Agreement and the Shareholders' Agreement are fair and reasonable and the entering into of the Disposal Agreement and the Shareholders' Agreement is in the interests of the Company and the Shareholders as a whole.

The Company currently intends to apply the sale proceeds from the Disposal for meeting its general working capital requirement.

LISTING RULES IMPLICATION

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GENERAL

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DEFINITIONS

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

“Balance”	has the meaning ascribed to it in the section headed “Consideration” in this announcement
“Board”	the board of Directors
“Business Day(s)”	a day (other than Saturdays) on which banks are generally open for transactions of normal banking business in Hong Kong
“BVI”	the British Virgin Islands
“Company”	Samson Paper Holdings Limited, a company incorporated under the laws of Bermuda with limited liability, the ordinary shares of which are listed on the main board of the Stock Exchange
“Completion”	completion of the sale and purchase of the Sale Shares in accordance with the terms of the Disposal Agreement
“Completion Date”	the date on which Completion takes place
“Condition”	has the meaning ascribed to it in the section headed “Conditions Precedent” in this announcement
“connected person(s)”	has the same meaning ascribed to it under the Listing Rules
“Consideration”	the consideration for the Sale Shares
“Director(s)”	director(s) of the Company
“Disposal”	the disposal of the Sale Shares by the Vendor to the Purchaser pursuant to the terms and conditions of the Disposal Agreement
“Disposal Agreement”	the sale and purchase agreement dated 8 February, 2012 entered into between the Vendor and the Purchaser in relation to the sale and purchase of the Sale Shares
“Extended Long Stop Date”	has the meaning ascribed to it in the section headed “Conditions Precedent” in this announcement
“First Payment”	has the meaning ascribed to it in the section headed “Consideration” in this announcement

“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Shareholders”	Shareholders other than DaiEi Papers (HK) Limited
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	has the meaning ascribed to it in the section headed “Conditions Precedent” in this announcement
“Mission Sky”	Mission Sky Group Limited, a company incorporated in the BVI and a wholly-owned subsidiary of the Vendor as at the date of this announcement
“Mission Sky Group”	Mission Sky and its subsidiaries
“Parties”	collectively, the Vendor and the Purchaser
“PRC”	the People’s Republic of China, excluding Hong Kong, Macau and Taiwan for the purpose of this announcement
“Purchaser”	Kokusai Pulp and Paper Company Limited, a company incorporated in Japan
“Sale Shares”	2,230 shares representing 22.30% of the issued share capital of Mission Sky as at the date of the Disposal Agreement
“SGM”	the special general meeting of the Company to be convened and held for the Shareholders to consider and, if thought fit, approve the Disposal Agreement, the Shareholders’ Agreement and the transactions contemplated thereunder
“Shareholders’ Agreement”	the shareholders’ agreement to be entered into among the Vendor, the Purchaser and Mission Sky on Completion
“Share(s)”	ordinary share(s) of the Company of HK\$0.10 each
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“UPPI”	UPP Investments Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of Mission Sky
“UPP-SD”	遠通紙業(山東)有限公司 (Universal Pulp & Paper (Shandong) Co., Ltd.*), a company incorporated in the PRC with limited liability and a 90% owned subsidiary of UPPI
“USD” or “US\$”	United States dollars, the lawful currency of the United States of America

“Vendor” Skyway Top Holdings Limited, a company incorporated in the BVI and a wholly-owned subsidiary of the Company

“%” per cent.

By Order of the Board
SAMSON PAPER HOLDINGS LIMITED
Mr. Sham Kit Ying
Chairman

Hong Kong, 8 February, 2012

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

* *For identification purposes only*