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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)**

### **ANNOUNCEMENT**

#### **CONTINUING TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS**

The Group had from time to time purchased paper products from certain subsidiaries of KPP. KPP and its subsidiaries (being associates of KPP) became connected persons of the Group on 15 March 2012 when KPP acquired 22.30% interest in Mission Sky, a subsidiary of the Company. Such purchase transactions with the KPP Group that had been ongoing before, and continuing subsequent to, KPP and its subsidiaries becoming connected persons of the Group had become continuing connected transactions of the Group from 15 March 2012 onwards. As the applicable percentage ratios in respect of such transactions are greater than 1%, the Company is required to comply with the applicable reporting, annual review and disclosure requirements pursuant to Rule 14A.41 of the Listing Rules.

On 25 July 2013, a subsidiary from each of the Group and the KPP Group entered into the New Master Agreement, to provide a formal and unified framework of operations for the supply and purchase transactions between the two groups, pursuant to which the Group and the KPP Group may sell and purchase the Paper Products to and from each other. The proposed transactions with the KPP Group under the New Master Agreement will constitute continuing connected transactions of the Company. As the applicable percentage ratios for the Relevant Caps in respect of such transactions under the New Master Agreement are greater than 5% and each of the Relevant Caps is greater than HK\$10,000,000, such transactions are subject to the reporting, announcement, independent shareholders approval and annual review requirements under Chapter 14A of the Listing Rules.

An Independent Board Committee will be established to advise the Independent Shareholders in relation to the terms of the New Master Agreement, the proposed transactions and the Relevant Caps thereunder. An independent financial adviser will be appointed to advise the Independent Board Committee and Independent Shareholders in this regard.

A circular containing details of (i) the New Master Agreement, the proposed transactions and the Relevant Caps thereunder; (ii) the respective letters from the Independent Board Committee and the independent financial adviser; and (iii) a notice convening the SGM is expected to be despatched to the Shareholders on or before 16 August 2013.

## **CONTINUING TRANSACTIONS SUBSEQUENTLY BECOMING CONTINUING CONNECTED TRANSACTIONS**

The Group had from time to time purchased paper products from certain subsidiaries of KPP. KPP and its subsidiaries (being associates of KPP) became connected persons of the Group on 15 March 2012 when KPP acquired 22.30% interest in Mission Sky, a subsidiary of the Company. Such purchase transactions with the KPP Group that had been ongoing before, and continuing subsequent to, KPP and its subsidiaries becoming connected persons of the Group had become continuing connected transactions of the Group from 15 March 2012 onwards, a summary of which is set out below:

### **1. Transactions between Samson Paper Shenzhen and Keishin**

Parties:	<ol style="list-style-type: none"><li>1. Samson Paper Shenzhen, a subsidiary of the Company</li><li>2. Keishin, a subsidiary of KPP and a connected person of the Company</li></ol>
Summary of transactions:	Keishin, as supply agent of Oji-NT, has been supplying from time to time Oji-NT paper products to Samson Paper Shenzhen pursuant to a basic sales contract entered into by the parties on 24 December 2010 with no set termination date. The pricing and other terms of such transactions were based on each individual purchase order and the business needs of the Group and/or the Group's customers with reference to prevailing market terms.
Payment arrangement:	The purchase amount was generally required to be settled in cash or by banker's acceptance drafts within a period of not more than 90 days.

### **2. Transactions between Samson Paper HK and DaiEi HK**

Parties:	<ol style="list-style-type: none"><li>1. Samson Paper HK, a subsidiary of the Company</li><li>2. DaiEi HK, a subsidiary of KPP and a connected person of the Company</li></ol>
Summary of transactions:	DaiEi HK, as supply agent of various paper mills, has been supplying from time to time various brands of paper products to Samson Paper HK under similar arrangements for many years with no set termination date. The pricing and other terms of such transactions were based on each individual purchase order and the business needs of the Group and/or the Group's customers with reference to prevailing market terms.
Payment arrangement:	The purchase amount was generally required to be settled in cash within a period of not more than 120 days.

## **Reasons and benefits for the transactions**

The purchase transactions with the KPP Group were entered into in the ordinary and usual course of businesses of the Group and in particular, the transactions between the Group and DaiEi HK have been conducted by the Group under similar arrangements for many years.

## **Listing Rules implications**

As the applicable percentage ratios in respect of such transactions are greater than 1%, the Company is required to comply with the applicable reporting, annual review and disclosure requirements pursuant to Rule 14A.41 of the Listing Rules immediately upon the Company becoming aware that the transactions had become continuing connected transactions. The Directors (including the independent non-executive Directors) are of the view that the terms of the above transactions are fair and reasonable and in the interests of the Shareholders as a whole. No Director has a material interest in the transactions.

## **THE NEW MASTER AGREEMENT**

### **Date:**

25 July 2013

### **Parties:**

- (1) Samson Paper HK, a subsidiary of the Company; and
- (2) DaiEi HK, a subsidiary of KPP and a connected person of the Company.

### **Summary of principal terms:**

#### ***(A) Condition precedent***

The New Master Agreement is subject to and conditional upon the approval by the Independent Shareholders at the SGM.

#### ***(B) Period of the New Master Agreement***

The New Master Agreement is for a term commencing from the Commencement Date up to and including 31 March 2016 unless terminated earlier in accordance with the New Master Agreement.

#### ***(C) Details of the transactions***

##### *Sale and purchase of Paper Products between the Group and the KPP Group*

Members of the Group and the KPP Group may sell and purchase the Paper Products to and from each other by entering into individual sales or purchase orders during the term.

### *Designated parties for the transactions*

Samson Paper HK may designate any member(s) of the Group and/or (with the prior approval of DaiEi HK) any associate(s) of the Company and DaiEi HK may designate any member(s) of the KPP Group and/or (with the prior approval of Samson Paper HK) any associate(s) of KPP, as the purchaser(s) and/or the vendor(s) to enter into transactions under the New Master Agreement. Samson Paper HK and DaiEi HK shall respectively procure its designated parties to perform the transactions according to the requirements of the New Master Agreement.

### ***(D) Price determination***

The price of the Paper Products to be sold by the KPP Group to the Group or by the Group to the KPP Group pursuant to the New Master Agreement shall be determined by reference to the prevailing market prices of relevant Paper Products, provided always that any sales quotation or purchase order shall be either on normal commercial terms or on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties.

### ***(E) Observance of the Relevant Caps***

Where any transaction the amount of which (when aggregated with any other transaction(s) between the Group and the KPP Group under the Listing Rules) may exceed the Relevant Caps announced by the Company from time to time, such transaction shall be subject to and conditional upon the further approval by the Company and compliance with the applicable requirements of the Listing Rules.

### **Relevant Caps**

During the period of the New Master Agreement, it is projected that the amounts payable by and to the Group respectively shall not exceed the Relevant Caps in respect of each of the relevant financial periods, the details of which are as follows:

	<b>Commencement Date to 31 March 2014</b>	<b>1 April 2014 to 31 March 2015</b>	<b>1 April 2015 to 31 March 2016</b>
<b>Relevant financial periods:</b>			
Relevant Caps in respect of purchases from the KPP Group by the Group:	HK\$980,000,000	HK\$1,543,000,000	HK\$1,742,000,000
Relevant Caps in respect of sales to the KPP Group by the Group:	HK\$275,000,000	HK\$433,000,000	HK\$698,000,000

The consideration payable by the Group will be settled through the internal resources of the Group and in accordance with the terms of the relevant purchase orders.

## **Basis of the Relevant Caps**

The Relevant Caps are determined with reference to factors including but not limited to the following:

*Relevant Caps in respect of purchases from the KPP Group by the Group:*

1. the market outlook in the paper products industries during the expected period of the New Master Agreement;
2. supplier mix, historical and projected purchase volume of the Group;
3. the potential fluctuations in respect of the estimated prices of the various types of paper products; and
4. the production capacity of the Group's production facility.

*Relevant Caps in respect of sales to the KPP Group by the Group:*

1. the market outlook in the paper products industries during the expected period of the New Master Agreement;
2. the potential fluctuations in respect of the estimated prices of the various types of paper products;
3. historical and projected sales of the Group; and
4. the production capacity of the Group's production facility.

The Relevant Caps are determined in compliance with the requirements of the Listing Rules and should not be taken as any commitment or indication on the part of the parties to the transactions as to the future volume, pricing or frequency of transactions. In the event the actual transaction amounts may likely exceed the Relevant Caps, the Company will re-comply with the applicable requirements under the Listing Rules.

In determining the price of the Paper Products, the Group may also conduct appropriate checks on the current selling or purchase prices (as the case may be) of the similar paper products from time to time offered by independent third party customers or suppliers.

## **Reasons for and benefits of entering into the New Master Agreement**

The New Master Agreement is expected to provide a formal and unified framework of operations for the supply and purchase transactions between the Group and the KPP Group pursuant to which the Group and the KPP Group may sell and purchase the Paper Products to and from each other. The proposed transactions under the New Master Agreement will be carried out in the usual and ordinary course of business of the Group. To enhance the Group's sales network, the Group plans to sell certain paper products produced by the Group's PRC production facility to certain subsidiaries of KPP. As the Group and the KPP Group may carry different brands and grades of paper products from time to time, it is hoped that the supply arrangements between the two groups would allow for a more flexible and cost-effective sourcing of paper products for the Group. The execution of each sales or purchase transaction between members of the Group and the KPP Group will be in accordance with the terms of the relevant sales or purchase orders.

The Directors (excluding the independent non-executive Directors, whose views will be provided by the Independent Board Committee in the circular after taking into account the views of the independent financial adviser) consider that the terms of the New Master Agreement are fair and reasonable and in the interests of the Shareholders as a whole.

### **Listing Rules implications**

The proposed transactions with the KPP Group under the New Master Agreement will constitute continuing connected transactions of the Company. As the applicable percentage ratios for the Relevant Caps in respect of such transactions are greater than 5% and each of the Relevant Caps is greater than HK\$10,000,000, such transactions under the New Master Agreement are subject to the reporting, announcement, independent shareholders approval and annual review requirements under Chapter 14A of the Listing Rules.

An Independent Board Committee will be established to advise the Independent Shareholders in relation to the terms of the New Master Agreement, the proposed transactions and the Relevant Caps thereunder. An independent financial adviser will be appointed to advise the Independent Board Committee and Independent Shareholders in this regard.

A circular containing details of (i) the New Master Agreement, the transactions and the Relevant Caps thereunder; (ii) the respective letters from the Independent Board Committee and the independent financial adviser; and (iii) a notice convening the SGM is expected to be despatched to the Shareholders on or before 16 August 2013.

### **GENERAL**

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

KPP is an international paper trading company incorporated in Japan and principally engaged in trading and marketing of paper products.

Keishin and DaiEi HK are principally engaged in trading of various paper products and act as paper agents of paper mills in the sale of paper products.

### **DEFINITIONS**

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

<b>“associates”</b>	has the same meaning ascribed in the Listing Rules
<b>“Board”</b>	the board of directors of the Company
<b>“Commencement Date”</b>	the day after the condition precedent of the New Master Agreement is fulfilled
<b>“Company”</b>	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
<b>“connected person”</b>	has the same meaning ascribed in the Listing Rules

<b>“continuing connected transactions”</b>	has the same meaning ascribed in the Listing Rules
<b>“DaiEi HK”</b>	DaiEi Papers (H.K.) Limited, a company incorporated in Hong Kong
<b>“Directors”</b>	the directors of the Company
<b>“Group”</b>	the Company and its subsidiaries
<b>“HK\$”</b>	Hong Kong dollars, the lawful currency of Hong Kong
<b>“Hong Kong”</b>	the Hong Kong Special Administrative Region of the PRC
<b>“Independent Board Committee”</b>	the committee established by the Board, comprising the independent non-executive Directors
<b>“Independent Shareholders”</b>	Shareholders with no material interests in the proposed transactions under the New Master Agreement
<b>“Keishin”</b>	Keishin Papers Trade (Shanghai) Company Limited, a company incorporated in the PRC
<b>“KPP”</b>	Kokusai Pulp and Paper Company Limited, a company incorporated in Japan
<b>“KPP Group”</b>	KPP and its subsidiaries
<b>“Listing Rules”</b>	the Rules Governing the Listing of Securities on the Stock Exchange
<b>“Mission Sky”</b>	Mission Sky Group Limited, a company incorporated in the British Virgin Islands and a 77.70% owned subsidiary of the Company
<b>“New Master Agreement”</b>	a new master agreement entered into between Samson Paper HK and DaiEi HK on 25 July 2013 in relation to the sale and purchase of the Paper Products between the Group and the KPP Group
<b>“Oji-NT”</b>	Oji-Nantong paper mill in Jiangsu, the PRC
<b>“Paper Products”</b>	various brands of book printing paper, packaging board, waste paper and other paper products
<b>“percentage ratios”</b>	means the percentage ratios as set out under Rule 14.07 of the Listing Rules
<b>“PRC”</b>	the People’s Republic of China
<b>“Relevant Caps”</b>	the proposed ceiling for the annual amounts payable or receivable by the Group (as the case may be) in the relevant periods for the proposed transaction(s) under the New Master Agreement
<b>“RMB”</b>	Renminbi, the lawful currency of the PRC

“Samson Paper HK”	Samson Paper Company Limited (森信洋紙有限公司), a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company
“Samson Paper Shenzhen”	Samson Paper (Shenzhen) Company Limited (森信紙業(深圳)有限公司), a company incorporated in the PRC and a wholly-owned subsidiary of the Company
“SGM”	a special general meeting of the Company to be convened to consider and, if thought fit, approve the New Master Agreement, the proposed transactions and the Relevant Caps thereunder
“Shareholders”	holders of ordinary shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	has the same meaning ascribed in the Listing Rules
“%”	per cent.

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

Hong Kong, 26 July 2013

*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, namely Mr. LAU Wang Yip, Eric and three independent non-executive Directors, namely Mr. PANG Wing Kin, Patrick, Mr. TONG Yat Chong and Mr. NG Hung Sui, Kenneth.*

\* *For identification purpose*