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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 CONNECTED TRANSACTIONS**

On 1 April 2019, Samson Paper HK (a subsidiary of the Company) and DaiEi HK (a subsidiary of KPP) entered into the New Master Agreement for a term of three years from 1 April 2019 to 31 March 2022 (both days inclusive) for the sale and purchase of the Paper Products.

By virtue of KPP's 22.30% interest as a substantial shareholder in Mission Sky (a subsidiary of the Company), KPP and its subsidiaries (being associates of KPP) are connected persons only at the subsidiary level of the Company under the Listing Rules and the transactions contemplated under the New Master Agreement will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios for the annual caps in respect of the transactions contemplated under the New Master Agreement exceed 5%, the Board has approved the transactions and the independent non-executive Directors have confirmed the terms of the transactions are fair and reasonable and such transactions are on normal commercial terms or better and in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole, the transactions contemplated under the New Master Agreement are only subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules and exempt from the circular, independent financial advice and independent Shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules.

## **BACKGROUND**

Reference is made to the announcement of the Company dated 1 April 2016 in relation to the 2016 Master Agreement entered into between Samson Paper HK (a subsidiary of the Company) and DaiEi HK (a subsidiary of KPP) which expired on 1 April 2019.

On 1 April 2019, Samson Paper HK and DaiEi HK entered into the New Master Agreement the principal terms of which are as disclosed below.

## **THE NEW MASTER AGREEMENT**

Date: 1 April 2019

Parties: (1) Samson Paper HK, a subsidiary of the Company  
(2) DaiEi HK, a subsidiary of KPP and a connected person of the Company

Term: From 1 April 2019 to 31 March 2022 (both days inclusive)

Nature of the transactions: Pursuant to the New Master Agreement, members of the Group may purchase the Paper Products from members of the KPP Group or vice versa. Members of the Group and members of the KPP Group will enter into individual sales quotations or purchase orders in respect of each sale and purchase transaction.

Samson Paper HK may designate any member(s) of the Group and/or (with the prior approval of DaiEi Papers) 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 the transactions under the New Master Agreement. Samson Paper HK and DaiEi HK will respectively procure its designated parties to perform the transactions in accordance with the terms of the New Master Agreement.

Transaction terms: The pricing of the Paper Products will be determined with reference to the prevailing market price of the relevant Paper Products, provided always that any sales quotation or purchase order will be on normal commercial terms or on terms no less favorable to the Group than terms available to or from (as appropriate) independent third parties of the Group.

## PRICING AND SETTLEMENT

Prior to entering into a transaction under the New Master Agreement, the Group will compare the proposed pricing and settlement period thereof with the pricing and settlement period of the Group's sales or purchases of similar paper products with independent third parties in the most recent quarter to ensure that the transactions will be on normal commercial terms and are fair and reasonable with reference to the terms offered by independent third parties. The Group also maintains quarterly records of the market prices of different types of Paper Products offered by independent third parties which the Group is expected to deal with from independent sources, including information providers for the global forest and paper product industry. The Group will review such quarterly records to ensure that the pricing of the Paper Products arrived at through arm's length negotiations between the contracting parties will be on prevailing market terms.

Payments with respect to each sale or purchase transaction under the New Master Agreement will generally be settled in cash or by banker's acceptance drafts within a payment period of not more than 120 days in accordance with market practice.

## HISTORICAL TRANSACTION AMOUNTS

The historical transaction amounts in respect of the sale and purchase of Paper Products between the Group and the KPP Group were as follows:

	<b>For the financial year ended 31 March 2017</b>	<b>For the financial year ended 31 March 2018</b>	<b>For the nine months ended 31 December 2018</b>
(a) In respect of purchases by the Group from the KPP Group	HK\$2,412,000,000	HK\$2,685,400,000	HK\$1,577,351,469
(b) In respect of sales by the Group to the KPP Group	HK\$71,400,000	HK\$48,900,000	HK\$32,464,490

## ANNUAL CAPS AND BASIS OF DETERMINATION

The annual caps in respect of the transactions contemplated under the New Master Agreement are as follows:

	<b>For the financial year ending 31 March 2020</b>	<b>For the financial year ending 31 March 2021</b>	<b>For the financial year ending 31 March 2022</b>
(a) In respect of purchases by the Group from the KPP Group	HK\$3,782,000,000	HK\$3,782,000,000	HK\$3,782,000,000
(b) In respect of sales by the Group to the KPP Group	HK\$665,000,000	HK\$665,000,000	HK\$665,000,000

The annual caps are determined with reference to factors including the following:

### **In respect of purchases by the Group from the KPP Group**

1. the Group's market outlook in the paper industries for the relevant period;
2. the potential supplier mix and the base historical purchases volume and projected purchases volume of the Group as a whole;
3. the potential fluctuations in the prices of the various types of Paper Products; and
4. the production capacity of the Group and the potential for outside product procurement.

### **In respect of sales by the Group to the KPP Group**

1. the Group's market outlook in the paper industries for the relevant period;
2. the base historical sales volume and capacity of the Group's production facilities for the relevant period;
3. the potential fluctuations in the prices of the various types of Paper Products; and
4. the potential range of Paper Products to be sold by the Group.

The Company anticipates that the market outlook during the period of the New Master Agreement will have a steady increase in the demand for paper products, which may contribute to an increase in the Group's transaction volume with KPP Group and a

potential increase in prices. Depending on the terms offered by and the availability of settlement credit with KPP Group and other suppliers in general, the Group will adjust its supplier mix from time to time.

Under the New Master Agreement, where the actual transaction amounts may exceed the annual caps announced by the Company from time to time, such transaction will be subject to and conditional upon the further approval by the Company and compliance with the applicable requirements under the Listing Rules.

The annual caps in respect of the transactions contemplated under the New Master Agreement 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.

## **REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS**

The New Master Agreement provides 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 transactions contemplated under the New Master Agreement will be carried out in the usual and ordinary course of business of the Group. As the Group and the KPP Group may carry different brands or grades of Paper Products from time to time, the transactions are expected to enhance the Group's sales and procurement network and product portfolio. It is hoped that the supply arrangements between the two groups would allow for a more flexible and cost-effective sourcing of different brands or grades of the Paper Products for the Group.

The Directors (including the independent non-executive Directors) are of the view that the terms of the New Master Agreement, the potential transactions contemplated thereunder and the annual cap amounts in respect thereof are on normal commercial terms or better, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

As none of the Directors have a material interest in the New Master Agreement or the proposed transactions thereunder and no Director had abstained from voting on the relevant resolution proposed at the board meeting of the Company approving the New Master Agreement and the potential transactions contemplated thereunder.

## **LISTING RULES IMPLICATIONS**

By virtue of KPP's 22.30% interest as a substantial shareholder in Mission Sky (a subsidiary of the Company), KPP and its subsidiaries (being associates of KPP) are connected persons only at the subsidiary level of the Company under the Listing Rules.

Accordingly, the transactions contemplated under the New Master Agreement will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios for the annual caps in respect of the transactions contemplated under the New Master Agreement exceed 5%, the Board has approved the transactions and the independent non-executive Directors have confirmed the terms of the transactions are fair and reasonable and such transactions are on normal commercial terms or better and in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole, the potential transactions contemplated under the New Master Agreement are only subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules and exempt from the circular, independent financial advice and independent Shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules.

## **GENERAL**

The Group is principally engaged in investment holding, manufacturing, trading and marketing of paper products, property development and investment and leasing, trading of consumable aeronautic parts and provision of related services, provision of logistic services and marine services and retailing and wholesaling of fast-moving consumer goods business.

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

DaiEi HK is principally engaged in trading of various paper products and acts as paper agent for paper mills in the sale of paper products.

## **DEFINITIONS**

In this announcement, unless the context requires otherwise, the following terms have the meaning respectively ascribed below:

“2016 Master Agreement”	the master agreement dated 1 April 2016 entered into between Samson Paper HK and DaiEi HK, as disclosed in the announcement of the Company dated 1 April 2016
“associates”	has the same meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	Samson Paper Holdings Limited, a company incorporated under the laws of Bermuda with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
“connected person”	has the same meaning ascribed to it under the Listing Rules

“DaiEi HK”	DaiEi Papers (H.K.) Limited, a company incorporated in Hong Kong
“Directors”	the directors of the Company
“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
“KPP”	Kokusai Pulp and Paper Company Limited, a company incorporated in Japan
“KPP Group”	KPP and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mission Sky”	Mission Sky Group Limited, a company incorporated in the British Virgin Islands and a subsidiary of the Company
“New Master Agreement”	the master agreement dated 1 April 2019 entered into between Samson Paper HK and DaiEi HK
“Paper Products”	various brands of book printing paper, packaging board, waste paper and other paper products to be sold by the KPP Group to the Group, or vice versa, under the New Master Agreement
“percentage ratios”	has the same meaning ascribed to it under the Listing Rules
“PRC”	the People’s Republic of China
“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
“Shares”	ordinary shares of nominal value HK\$0.10 each in the capital of the Company
“Shareholders”	holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	has the same meaning ascribed to it under the Listing Rules

“substantial shareholder” has the same meaning ascribed to it under the Listing Rules

“%” per cent.

By order of the Board  
**SAMSON PAPER HOLDINGS LIMITED**  
**SHAM Kit Ying**  
*Chairman*

Hong Kong, 1 April 2019

*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*