
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt about this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Samson Paper Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker, or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

This explanatory statement contains all the information required pursuant to Rule 10.06(1)(b) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited to be given to shareholders of the Company.



SAMSON PAPER HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

GENERAL MANDATES TO ISSUE NEW SHARES AND TO REPURCHASE SHARES

30 July 2002

DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

“Annual General Meeting”	the annual general meeting of the Company to be held at 11:00 a.m. on Monday, 2 September 2002 at Vinson Room, Pacific Place Conference Centre, Level 5, One Pacific Place, 88 Queensway, Hong Kong, or any adjournment thereof
“associate”	shall have the meaning ascribed to it in the Listing Rules
“Company”	Samson Paper Holdings Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Stock Exchange
“Directors”	directors of the Company
“Latest Practicable Date”	26 July 2002, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Registrars”	the branch registrars of the Company in Hong Kong, Central Registration Hong Kong Limited, whose office is currently at Suite 1712-1716, 17 Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong
“Shares”	shares of \$0.10 each in the capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Code on Takeovers and Mergers
“\$” and “cents”	Hong Kong dollars and cents respectively

LETTER FROM THE CHAIRMAN



SAMSON PAPER HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Executive Directors:

Sham Kit Ying (alias Sham Kit) (*Chairman*)

Lee Seng Jin (*Deputy Chairman*)

Chow Wing Yuen

Sham Yee Lan, Peggy

Lee Yue Kong, Albert

Registered Office:

Cedar House

41 Cedar Avenue

Hamilton HM 12

Bermuda

*Principal place of business
in Hong Kong:*

3rd Floor

Seapower Industrial Centre

177 Hoi Bun Road

Kwun Tong

Kowloon

Hong Kong

Non-executive Director:

Ma Hui Hsing

Independent Non-executive Directors:

Pang Wing Kin, Patrick

Lau Wang Yip, Eric

30 July 2002

To the Shareholders

Dear Sir or Madam,

GENERAL MANDATES TO ISSUE NEW SHARES AND TO REPURCHASE SHARES

INTRODUCTION

It was announced on 22 July 2002, in conjunction with the announcement of the Group's results for the year ended 31 March 2002, that resolutions will be proposed to grant to the Directors general mandates to issue Shares and repurchase Shares since the previous general mandates granted on 4 September 2001 to the Directors will expire at the forthcoming Annual General Meeting.

The purpose of this circular is to provide you with further details regarding the general mandates in order to enable shareholders of the Company to make an informed decision on whether to vote for or against the relevant resolutions to approve the general mandates at the Annual General Meeting.

LETTER FROM THE CHAIRMAN

GENERAL MANDATE TO ISSUE NEW SHARES

At the Annual General Meeting, an ordinary resolution will be proposed in respect of the granting to the Directors of a general and unconditional mandate to allot, issue and deal with Shares at any time during the Relevant Period (as defined in Ordinary Resolution No. 1 of paragraph 5 of the notice of the Annual General Meeting), save that, otherwise than by way of rights issue, an issue of Shares pursuant to scrip dividend schemes, or pursuant to the exercise of options under any share option scheme of the Company, the aggregate nominal amount of share capital allotted or agreed to be allotted shall not exceed 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue at the date on which the resolution is passed, and by a separate resolution in the terms set out as Ordinary Resolution No. 3 of paragraph 5 of the notice of the Annual General Meeting, such general mandate shall be extended by the addition to the aggregate nominal amount of Shares which may be allotted any Shares representing the aggregate nominal amount of the Shares repurchased by the Company after the granting of the general mandate to repurchase up to 10 per cent. of the share capital of the Company in issue at the date of approving the general mandate to repurchase its own Shares.

GENERAL MANDATE TO REPURCHASE SHARES

At the Annual General Meeting, an ordinary resolution will be proposed in respect of the granting to the Directors of a general mandate to exercise all powers of the Company to repurchase its own Shares (the “Repurchase Mandate”) at any time during the Relevant Period (as defined in Ordinary Resolution No. 2 of paragraph 5 of the notice of the Annual General Meeting) provided that the total nominal amount of Shares to be repurchased pursuant to the Repurchase Mandate shall not exceed 10 per cent. of the total nominal amount of the share capital of the Company in issue at the date on which the resolution is passed.

An explanatory statement as required under the Listing Rules to provide the requisite information for your consideration of the Repurchase Mandate is set out in the appendix to this circular.

ANNUAL GENERAL MEETING

The notice of the Annual General Meeting to be held at Vinson Room, Pacific Place Conference Centre, Level 5, One Pacific Place, 88 Queensway, Hong Kong at 11:00 a.m. on Monday, 2 September 2002 was given on 22 July, 2002 and is contained in the 2002 annual report of the Company to be despatched to shareholders of the Company together with this circular. At this meeting, ordinary resolutions to approve the general mandates to be granted to the Directors to issue Shares and to repurchase its own Shares will be proposed.

LETTER FROM THE CHAIRMAN

Enclosed with the 2002 annual report of the Company is a form of proxy for use at the Annual General Meeting. Whether or not you intend to be present at the Annual General Meeting, you are requested to complete the form of proxy and to send it to the principal place of business of the Company in Hong Kong at 3/F., Seapower Industrial Centre, 177 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong in accordance with the instructions printed on the form of proxy as soon as possible and in any event not later than 48 hours before the time fixed for the Annual General Meeting. The completion of the form of proxy will not prevent you from attending and voting in person should you wish to do so.

RECOMMENDATION

The Directors consider that the granting to them of the general mandate to issue Shares and the Repurchase Mandate are in the best interests of the Company and its shareholders as a whole. Accordingly, the Directors recommend that all shareholders of the Company should vote in favour of all the resolutions to be proposed at the forthcoming Annual General Meeting to approve these mandates. The Directors will vote all their shareholdings in favour of these resolutions.

Yours faithfully,
Sham Kit Ying
Chairman

This appendix contains the particulars which are required by the Listing Rules to be included in an explanatory statement to enable shareholders of the Company to make an informed view on whether to vote for or against the resolution to be proposed at the Annual General Meeting in relation to the Repurchase Mandate.

The Listing Rules permit companies whose primary listing is on the Stock Exchange to repurchase their securities on the Stock Exchange or on another stock exchange on which the securities of the companies may be listed and recognised for this purpose by the Securities and Futures Commission and the Stock Exchange subject to certain restrictions, the more important of which are summarised below:

- (i) Under the Listing Rules, the total number of shares which a company is authorised to repurchase on the Stock Exchange is shares representing up to a maximum of 10 per cent. of the issued share capital of the company. The shares proposed to be repurchased by the company must be fully paid up. As at the Latest Practicable Date, the number of Shares in the issued share capital of the Company was 429,258,039. Subject to the passing of the relevant ordinary resolutions, exercise in full of the Repurchase Mandate, on the basis that no further Shares would be issued or repurchased prior to the date of the Annual General Meeting, would result in up to 42,925,803 Shares being repurchased by the Company during the period prior to the next annual general meeting of the Company (or the expiration of the period within which the next annual general meeting of the Company is required by law or the bye-laws of the Company to be held) following the passing of the resolution referred to above.
- (ii) The Directors believe that it is in the best interests of the Company and its shareholders for the Directors to have a general authority from shareholders of the Company to enable the Directors to repurchase Shares on the Stock Exchange. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net value of the Company and its assets and/or its earnings per Share and will only be made when the Directors believe that such repurchases will benefit the Company and its shareholders.
- (iii) In repurchasing its own Shares, the Company may only apply funds legally available for such purpose in accordance with its memorandum of association and bye-laws, the applicable laws of Bermuda and the Listing Rules. It is proposed that repurchases pursuant to the Repurchase Mandate in these circumstances would be financed entirely from the Company's available cash flow or working capital facilities. Any repurchases will be made out of funds of the Company permitted to be utilised in this connection, including profits otherwise available for distribution.
- (iv) The Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company as compared with the position disclosed in the latest published audited consolidated financial statements or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Company. The Directors believe that in the event that the Repurchase Mandate were to be exercised in full, there would be no material adverse effect on the working capital or gearing levels of the Company as compared with the position disclosed in the audited consolidated financial statements of the Company for the year ended 31 March 2002.
- (v) None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates, has any present intention to sell any Shares to the Company under the Repurchase Mandate in the event that the Repurchase Mandate is approved by shareholders of the Company.

- (vi) The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of Bermuda.
- (vii) If as a result of a share repurchase, a shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a shareholder or group of shareholders acting in concert, depending on the level of increase of the shareholder's interest, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code.

As at the Latest Practicable Date, the following persons were interested in 10 per cent. or more of the issued share capital of the Company as recorded in the register of the Company kept under Section 16(1) of the Securities (Disclosure of Interests) Ordinance of Hong Kong:

Name	Percentage of Shareholding
Caewern Holdings Limited	62.51%
HSBC International Trustee Limited (<i>Note</i>)	66.27%

Note: HSBC International Trustee Limited is interested in the Shares of the Company by virtue of the fact that (a) the entire issued share capital of Caewern Holdings Limited is owned by Quinselle Holdings Limited, acting in its capacity as trustee of a private unit trust. HSBC International Trustee Limited, acting in its capacity as trustee of a family trust holds the majority units in the private unit trust; and (b) the entire issued share capital of Morpeth Investments Limited, which held approximately 3.76 per cent. of the issued share capital of the Company as at the Latest Practicable Date, is owned by Cashstar Investments Limited, acting in its capacity as trustee of another private unit trust. HSBC International Trustee Limited, acting in its capacity as trustee of another family trust holds the majority units in the private unit trust.

The Directors are not aware of any consequences which may arise under the Takeovers Code as a result of any repurchases made under the Repurchase Mandate. In the event that the Directors exercise in full the power to repurchase Shares which is proposed to be granted pursuant to the resolution referred to above, the interests of Caewern Holdings Limited and HSBC International Trustee Limited in the Shares of the Company would be increased to approximately 69.46 per cent. and 73.64 per cent. respectively of the issued Shares of the Company and such increase would not give rise to an obligation to make a mandatory offer under Rule 26 of the Takeovers Code.

- (viii) No purchase of Shares (whether on the Stock Exchange or otherwise) has been made by the Company in the six months prior to the Latest Practicable Date.
- (ix) The Listing Rules prohibit a company from knowingly purchasing shares of the company on the Stock Exchange from a "connected person", that is, a director, chief executive or substantial shareholder of such company or any of its subsidiaries or an associate of any of them. A connected person shall not knowingly sell his shares to the company.

No connected person (as defined in the Listing Rules) has notified the Company that he has a present intention to sell any Shares to the Company, or has undertaken not to do so, in the event that the Repurchase Mandate is approved by the shareholders of the Company.

- (x) The following table shows the highest and lowest prices at which the Shares have been traded on the Stock Exchange in each of the previous twelve months:

Month	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
2001		
July	0.520	0.520
August	—*	—*
September	0.450	0.390
October	0.410	0.360
November	0.365	0.365
December	0.450	0.385
2002		
January	0.440	0.360
February	0.450	0.380
March	0.425	0.385
April	0.425	0.400
May	0.520	0.405
June	0.520	0.470

* *There were no transactions during the month.*