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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)

RESIGNATION OF AUDITOR

The announcement is made by the board (the “**Board**”) of directors (the “**Directors**”) of Samson Paper Holdings Limited (Provisional Liquidators Appointed) (For Restructuring Purposes Only) (the “**Company**“, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.51(4) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

RESIGNATION OF AUDITOR

The Board hereby announces that PricewaterhouseCoopers (“**PwC**” and/or “**Auditor**”) has tendered its resignation (the “**Resignation Letter**”) as the auditor of the Company with effect from 26 March 2021.

PwC was engaged to conduct the audit of the consolidated financial statements of the Company for the year ended 31 March 2020 (the “**2020 Financial Statements**”). The trading of the shares in the Company has been suspended since 2 July 2020 pending, among other things, the publication of the 2020 Financial Statements and any subsequent outstanding financial results.

As announced in the Company's announcements dated 26 July 2020 and 14 August 2020, joint provisional liquidators for restructuring purposes (the "JPLs") were appointed by the Supreme Court of Bermuda on 24 July 2020 and subsequently recognised by the High Court of Hong Kong on 13 August 2020. Since then, the Group has been undergoing restructuring (with tight deadline imposed by The Stock Exchange of Hong Kong Limited) and the operations of the Group have been downsized substantially. Having considered the above factual circumstances (in particular, the timeline to implement a restructuring of the Group), the Board considers that it would not be cost effective nor efficient for the Group to engage a "Big 4" audit firm such as PwC to continue auditing the accounts of the Group.

Therefore, the Board has requested PwC to consider resigning and PwC has tendered its resignation.

In the Resignation Letter, PwC stated the outstanding audit issues in respect of the 2020 Financial Statements, details of which have been disclosed in the Company's announcement dated 17 September 2020 (the "Announcement"). Set out below is a summary of the outstanding audit issues as disclosed in the Announcement. Unless otherwise defined herein or the context otherwise requires, capitalised terms used below shall have the same meanings as those defined in the Announcement.

Transactions and balances with two suppliers

During the Year, the Group recorded purchase of paper products from supplier A of HK\$450,944,000 (net of purchase rebate of HK\$26,245,000) in Hong Kong and supplier B of HK\$966,543,000 (net of purchase rebate of HK\$22,347,000) in The People's Republic of China ("Mainland China"). The Group also sold other paper products of HK\$160,176,000 to supplier B in Mainland China. Both suppliers are connected persons at subsidiary level of the Company by virtue of their holding company's interest as a substantial shareholder in a subsidiary of the Company.

Accounts Payable and Deferred Payment

The Group entered into an alleged deferred payment agreements with the two suppliers dated 31 March 2020 pursuant to which the balances of HK\$200,389,000 and HK\$494,178,000, respectively, should be settled after 12 months from 31 March 2020 and deferred for 13 months until 30 April 2021, respectively, and bear interest at 4 or 5% per annum. Hence, management classified accounts payable of HK\$694,567,000 in aggregate as non-current liabilities as at 31 March 2020. The Auditor was advised by management that the above accounts payable, as well as the rebate receivables from supplier A and supplier B of approximately HK\$26,245,000 and HK\$5,034,000 respectively as at 31 March 2020 remained outstanding as at the date of the Auditor's Letter. The Auditor also sought explanations on certain observations with respect to the execution of the deferred payment agreements.

Purchase Prepayments

As at 31 March 2020, there were also prepayments for purchase of paper products of HK\$258,474,000 and HK\$443,557,000 made by the Group to supplier A and supplier B, respectively (the “**Purchase Prepayments**”). The Auditor noted that certain of these payments amounting to HK\$570,558,000 were initially recorded as repayment of accounts payable to supplier A and supplier B but subsequently adjusted through manual journal entries to account for as prepayments. The Auditor was advised by management that HK\$162,409,000 of these Purchase Prepayments were subsequently utilised in purchases up to May 2020. The Auditor also sought explanations on certain observations with respect to the sales contracts in relation to the Purchase Prepayments to supplier B.

Unreconciled Differences and Payment on Behalf

The Auditor also noted unreconciled differences in balances between Group companies in the aggregate amount of HK\$580,643,000 (the “**Unreconciled Differences**”) and were adjusted to account for as addition to property, plant and equipment and other receivables of HK\$25,801,000 and HK\$299,166,000, respectively, and reduction of other payables of HK\$255,676,000. The reduction of other payables was subsequently adjusted as addition to other receivables. Through the enquiry with management into the explanation of the Unreconciled Differences, management explained to the Auditor that amongst the HK\$580,643,000, there were certain payment on behalf arrangements made for and on behalf of supplier A by two subsidiaries of the Company to certain of its suppliers which are also suppliers of the Group in Mainland China, amounting to HK\$416,237,000 and that such amount is not settled as at the date of the Auditor’s Letter and as at the date of the Resignation Letter.

In light of the above, the Auditor requested from management, but up to date of the Auditor’s Letter and as at the date of the Resignation Letter, has not been provided with sufficient and appropriate explanation and supporting documents in respective of the transactions and balances with suppliers A and B.

Compliance with bank covenants requirements and going concern assessment

The Auditor also noted based upon the latest unaudited financial information, it was likely that a financial covenant ratio requirement of the Group may not be fulfilled and together with the Outstanding Audit Issues as described above, it may further negatively affect the Group’s compliance with these covenant requirements and trigger event of defaults and cross defaults under its bank borrowings. As such, the Auditor raised their concerns and requested, amongst others, comprehensive assessment of its compliance with bank covenants, a going concern assessment by the management of the Company and written waivers from the relevant banks to waive their rights arising from the non-compliance of bank covenants and/or cross default (as the case maybe).

OTHER MATTERS RAISED IN THE RESIGNATION LETTER

In respect of the independent investigation, PwC stated in the Resignation Letter it has communicated with the Board and the independent board committee (the “**IBC**”) that it has to be involved in setting the scope of the independent investigation and to be updated and informed during the course of the investigation. PwC has provided certain comments on the proposed scope of investigation but was not informed as to whether they have been addressed by the independent investigator. PwC has attended a conference with the IBC and the JPLs regarding the status of the independent investigation and was informed that the investigation was ongoing and the findings were not ready for sharing with PwC. PwC stated that up to the date of the Resignation Letter, PwC has received no further information about the status nor the findings of the investigation.

PwC further stated in the Resignation Letter that PwC was requested by the Board to consider resigning. As PwC is not able to obtain any information nor satisfactory explanations in connection with the outstanding audit issues and given the independent investigation is still ongoing, PwC is not able to determine and perform the necessary additional audit procedures which PwC believes are necessary to finalise the audit of the 2020 Financial Statements. Having considered the Group’s circumstances, PwC agrees with the Board to terminate the audit relationship.

STATEMENT FROM THE BOARD

The Company would like to emphasise that the independent investigation is ongoing and the Company will make an announcement on the findings of the independent investigation in due course. The information contained in this announcement is only based on the information currently available to the Board and the Company based on the Resignation Letter and the letter from PwC dated 16 July 2020 as disclosed in the Announcement. Shareholders of the Company are advised to exercise caution and not to place undue reliance on such information. If in doubt, shareholders of the Company are advised to seek independent advice from financial advisers, legal advisers and/or other professional advisers.

The Company is in the process of identifying a new audit firm to fill the casual vacancy arising from PwC’s resignation and will make further announcement in this regard as and when appropriate.

To the best of the Directors’ knowledge, save as disclosed above and the matters stated in the Resignation Letter, there are no other matters in connection with the change of auditor of the Company that need to be brought to the attention of the holders of securities of the Company.

CONTINUED SUSPENSION OF TRADING

Trading in the shares of the Company on the Stock Exchange has been suspended with effect from 9:00 a.m. on 2 July 2020 and will remain suspended until further notice. The Company will keep its shareholders and the public informed of the latest development by making further announcement(s) as and when appropriate.

Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.

By Order of the Board
SAMSON PAPER HOLDINGS LIMITED
(Provisional Liquidators Appointed)
(For Restructuring Purposes Only)
Mr. LEE Seng Jin
Chairman

Hong Kong, 28 March 2021

As at the date of this announcement, the Board comprises two executive Directors, namely Mr. LEE Seng Jin and Ms. SHAM Yee Lan, Peggy; and three independent non-executive Directors, namely Mr. CHOI Wai Hong, Clifford, Mr. LAU Wai Leung, Alfred and Mr. LEUNG Vincent Gar-gene.

** for identification purposes only*