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Vinda International Holdings Limited

維達國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 3331)

NEW CONTINUING CONNECTED TRANSACTIONS

The Company announces that the Group has entered into new continuing connected transactions with a Connected Person of the Company.

On 10 April 2014, the Tenant, a wholly-owned subsidiary of the Company, entered into the Supplemental Lease Agreement with the Landlord, a Connected Person of the Company, whereby the Landlord had agreed to lease to the Tenant certain new buildings and ancillary facilities erected on two pieces of land situated at Xinjiang Village, Sanjiang County, in Xinhui District, Guangdong, the PRC for a term commencing on the date of the Supplemental Lease Agreement and ending on the date on which the Phase I Agreement expires. The initial fixed annual rental under the Supplemental Lease Agreement for the period ending on 31 December 2016 is RMB16,200,000. The annual rental will be subject to review by the Board every three years.

The Landlord is wholly-owned by Fu An, a company owned as to 74.21% by Mr. Li Chao Wang, 15.79% by Ms. Yu Yi Fang and 10.00% by Mr. Dong Yi Ping, three executive Directors. In the circumstances, the Landlord is regarded as a Connected Person of the Company and any transaction between the Landlord and the Group will constitute a connected transaction of the Company. As the transactions contemplated under the Supplemental Lease Agreement are of a continuing nature, they will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. In addition, under the Listing Rules, the Company is required to aggregate the transactions contemplated under the Supplemental Lease Agreement and the transactions contemplated under the Phase I Agreement and the Phase II Agreement (which were also entered into between the Tenant and the Landlord) and treat them as if they were one transaction.

Since each of the applicable percentage ratios (other than the profits ratio) calculated with reference to each of the Aggregated Annual Caps is less than 5%, the continuing connected transactions contemplated under the Supplemental Lease Agreement, the Phase I Agreement and the Phase II Agreement, on an aggregated basis, are only subject to the reporting, announcement and annual review requirements and exempt from the independent Shareholders' approval requirement under Rule 14A.34 of the Listing Rules.

BACKGROUND

On 22 November 2011, the Tenant, a wholly-owned subsidiary of the Company, entered into the Phase I Agreement with the Landlord, a Connected Person of the Company. The lease arrangement contemplated under the Phase I Agreement constituted continuing connected transactions of the Company. For more details of the Phase I Agreement and its annual caps for the three years ending 31 December 2012, 2013 and 2014, please refer to the announcement of the Company dated 22 November 2011.

On 27 March 2012, the Tenant and the Landlord entered into the Phase II Agreement in respect of a piece of land which is adjacent to the subject matter of the Phase I Agreement. The lease arrangement contemplated under the Phase II Agreement also constituted continuing connected transactions of the Company. For more details of the Phase II Agreement and its annual caps for the three years ending 31 December 2012, 2013 and 2014, please refer to the announcement of the Company dated 27 March 2012.

On 10 April 2014, the Supplemental Lease Agreement was entered into between the Tenant and the Landlord in respect of the new buildings and ancillary facilities constructed, at the request of the Group and at the cost of the Landlord, on the two pieces of land leased to the Tenant under the Phase I Agreement and the Phase II Agreement. The lease arrangement contemplated under the Supplemental Lease Agreement also constituted continuing connected transactions of the Company.

Under the Listing Rules, the Company is required to aggregate the transactions contemplated under the Supplemental Lease Agreement and the transactions contemplated under the Phase I Agreement and the Phase II Agreement and treat them as if they were one transaction. The Aggregated Annual Caps applicable to the Supplemental Lease Agreement, the Phase I Agreement and the Phase II Agreement, on an aggregated basis, are set out in the paragraph headed "Aggregated Annual Caps and determination" below.

THE SUPPLEMENTAL LEASE AGREEMENT

The principal terms of the Supplemental Lease Agreement are as follows:

Date

10 April 2014

Parties

1. The Tenant, as tenant. The Tenant is a company established under the laws of the PRC and an indirectly wholly-owned subsidiary of the Company.
2. The Landlord, as landlord. The Landlord is wholly-owned by Fu An, a company owned as to 74.21% by Mr. Li Chao Wang, 15.79% by Ms. Yu Yi Fang and 10.00% by Mr. Dong Yi Ping, three executive Directors. In the circumstances, the Landlord is a Connected Person of the Company.

Location and infrastructure

The new buildings and ancillary facilities leased by the Landlord to the Group pursuant to the terms and conditions of the Supplemental Lease Agreement (including a factory, a godown and a building for research and development) are erected on the two pieces of land situated at Xinjiang Village, Sanjiang County, Xinhui District, Guangdong, the PRC leased by the Landlord to the Group under the Phase I Agreement and the Phase II Agreement. The Landlord has agreed that it would deliver possession of the new buildings and the ancillary facilities to the Tenant within three business days from the date of the Supplemental Lease Agreement.

Term and rental

The Landlord has agreed to lease to the Tenant the new buildings and the ancillary facilities as specified in the Supplemental Lease Agreement for a term commencing on the date of the Supplemental Lease Agreement and ending on the date on which the Phase I Agreement expires. The initial fixed annual rental under the Supplemental Lease Agreement for the period ending on 31 December 2016 is RMB16,200,000 and was determined based on (a) the indicative annual rental on the Leased Properties as of 31 December 2013 as shown in an advisory report issued by an independent property valuer, (b) the existing annual rental under the Phase I Agreement and the Phase II Agreement respectively, and (c) the Tenant's right to utilise the Landlord's pollution discharge quota in its business. The Board has reviewed the existing annual rental under the Phase I Agreement and the Phase II Agreement respectively with reference to the said advisory report and the Supplemental Lease Agreement and is of the view that the respective annual rental under the Phase I Agreement and the Phase II Agreement for the period ending on 31 December 2016 shall remain unchanged. In the circumstances, the aggregate annual rental for the period commencing from the date of the Supplemental Lease Agreement and ending on 31 December 2016 under the Supplemental Lease Agreement, the Phase I Agreement and the Phase II Agreement is RMB62,000,000. The aggregate annual rental will be subject to further review by the Board every three years with reference to the prevailing market rental as advised by an independent professional property valuer to be jointly appointed by the Tenant and the Landlord.

Pursuant to the terms of the Supplemental Lease Agreement, in the event that the revised annual rental is required to be approved by the Shareholders pursuant to the Listing Rules and the Company fails to obtain such approval, the Supplemental Lease Agreement will be terminated.

Initial payment

The rental will be paid by the Tenant on a quarterly basis, with each payment to be paid in advance before the fifteenth day in the first month of each quarter of the year.

Other terms

Option to purchase

The Landlord has granted to the Tenant an option to purchase pursuant to which the Tenant shall have the right during the term of the Supplemental Lease Agreement to purchase the Leased Properties at a purchase price equivalent to an amount representing the sum of (a) the fair market value of the Leased Properties as at the date on which the option is exercised as advised by an independent valuer to be jointly appointed by the Landlord and the Tenant; and (b) the consideration for the Tenant's rights to use the Landlord's pollution discharge quota.

Option to renew

The Tenant was granted an option to renew the lease upon its expiry on terms no less favorable to the Tenant than those offered by the Landlord to any Independent Third Party.

Aggregated Annual Caps and determination

The Aggregated Annual Caps applicable to the Supplemental Lease Agreement, the Phase I Agreement and the Phase II Agreement, on an aggregated basis, are as follows:

	Annual caps for the year ending 31 December		
	2014	2015	2016
Rental under the Phase I Agreement	RMB29,000,000	RMB29,000,000	RMB29,000,000
Rental under the Phase II Agreement	RMB16,800,000	RMB16,800,000	RMB16,800,000
Rental under the Supplemental Agreement	<u>RMB16,200,000</u>	<u>RMB16,200,000</u>	<u>RMB16,200,000</u>
Aggregated Annual Caps	<u>RMB62,000,000</u>	<u>RMB62,000,000</u>	<u>RMB62,000,000</u>

The annual caps in respect of the rental under the Supplemental Lease Agreement were determined after taking into account (a) the indicative annual rental of the Leased Properties as valued by the independent valuer engaged by the Company, (b) the annual rental under the Phase I Agreement and the Phase II Agreement respectively, and (c) the Tenant's rights to use the Landlord's pollution discharge quota in the Tenant's business operation.

REASONS FOR ENTERING INTO THE SUPPLEMENTAL LEASE AGREEMENT FOR A TERM LONGER THAN THREE YEARS

The Directors are of the view that the business nature of the Group requires the Tenant to enter into long-term lease for the following reasons:

- (a) The market in Southern China for tissue paper products enjoyed tremendous growth in recent years. As there is a great demand for tissue paper products in Southern China, the Group should expand its production capacity to capture the opportunities available. To this end, the Group entered into the Phase I Agreement, the Phase II Agreement and the Supplemental Lease Agreement with the Landlord which the Directors believe will be the most time-and-cost efficient arrangement for the Group's expansion of its production capacity.
- (b) The option granted by the Landlord to purchase the Leased Properties allows the Group to have maximum flexibility and efficiency in deploying its resources for capital expenditure.
- (c) In order to make full use of the new buildings and ancillary facilities which were constructed in accordance with the Group's specifications and requirements and to reduce relocation risk, the term of the Supplemental Lease Agreement should tidy in with that of the Phase I Agreement and the Phase II Agreement.

OPINION OF NEW SPRING CAPITAL AND COMPLIANCE WITH RULE 14A.35(1) OF THE LISTING RULES

Rule 14A.35(1) of the Listing Rules provides, in relation to non-exempt continuing connected transactions, that, inter alia, under special circumstances which are limited to cases where the nature of the transaction requires an agreement to be of a duration which is longer than three years, the independent financial adviser of the Company will need to explain why a longer period for the agreement is required and to confirm that it is normal business practice for agreements of such type to be of such duration. The Company, accordingly, has appointed New Spring Capital to advise the Directors on the duration of the Supplemental Lease Agreement.

In order to formulate the opinions and recommendations, New Spring Capital has reviewed, including but not limited to, the relevant information regarding the Supplemental Lease Agreement provided by the Company, and conducted interviews with the management of the Company and the independent valuer. New Spring Capital agrees with the Directors' view that the business nature and development plan of the Group require the Tenant to enter into long term lease for the following reasons:

- (a) given the shortage of production capacity of the Group in Southern China, the long term Supplemental Lease Agreement will effectively and efficiently increase the production capacity of the Group in the region within a short timeframe, which enables the Group to largely and timely capture the market expansion opportunities in the region, enlarge its market share and hence ultimately win out in the market consolidation under the fierce market competition;

- (b) given the industry character on the manufacturing requirements of tissue paper products and the limited supply of suitable factories, it is usually difficult for the Group and even other companies in the industry to possess suitable factory without intensive capital and time commitment. The long term Supplemental Lease Agreement with suitable factory, facilities, the pollution discharge quota, relevant authorities' approval and convenient site location is a rare opportunity for the Group to be able to speed up the expansion plan with relatively lower initial capital commitment and allows the Group to secure such suitable factory for long term development;
- (c) the Group regards the development plan under the Phase I Agreement, the Phase II Agreement and the Supplemental Lease Agreement as an integrated and progressive expansion plan in Southern China with three phases. The ancillary infrastructures and facilities under the three phases could cooperatively support the daily production of each other. The long term of the Supplemental Lease Agreement being in line with the Phase I Agreement and the Phase II Agreement can lower the relocation risk and ensure the Group to secure production capacity in long run;
- (d) the land, factory and the ancillary infrastructures and facilities are considered in good working conditions under the physical site investigation of the independent valuer. The long term Supplemental Lease Agreement enables the Group to enjoy the good working conditions of the factory and the ancillary infrastructure and facilities and the full benefit of depreciation; and
- (e) the option granted by the Landlord to the Tenant under the Supplemental Lease Agreement to purchase the Leased Properties allows the Group to execute long term expansion plan in Southern China and commit long term investment and capital on the production plant.

Having reviewed the publicly available information regarding the duration of the long term lease agreements for land and/or properties entered into by different Hong Kong listed companies with their related companies or third parties commencing from 2008 up to 31 March 2014, New Spring Capital noted that 24 out of total 40 comparable companies have the longest lease duration of not less than 15 years, while 8 of them are in manufacturing nature as the Company and had entered into long term lease agreements of land and/or properties for the purpose of constructing or manufacturing or production in the PRC with the duration of not less than 15 years.

In view of the factors aforementioned and similar reasons of entering into long term lease agreements shared by the comparable companies and the Group, New Spring Capital concurs with the Directors' view that the duration of the Supplemental Lease Agreement, being more than three years, is beneficial to the Group and is in the interests of the Company and the Shareholders as a whole, and it is a normal business practice for lease agreement of this kind of a duration more than three years.

GENERAL INFORMATION

The Group is principally engaged in the manufacturing of tissue paper products in the PRC and its principal products include toilet paper, paper handkerchiefs, facial tissue paper and paper napkins.

The Landlord is a company incorporated under the laws of the PRC and wholly-owned by Fu An, a company owned as to 74.21% by Mr. Li Chao Wang, 15.79% by Ms. Yu Yi Fang and 10.00% by Mr. Dong Yi Ping, three executive Directors. The Landlord was permitted to be engaged in production of packaging paper but has ceased operation for some time.

The continuing connected transactions contemplated under the Supplemental Lease Agreement are expected to occur on a regular and continuing basis in the ordinary and usual course of business of the Group.

The Directors (including the independent non-executive Directors but excluding Mr. Li Chao Wang, Ms. Yu Yi Fang and Mr. Dong Yi Ping, three executive Directors) are of the view that (a) the Supplemental Lease Agreement and the transactions contemplated thereunder were entered into in the ordinary and usual course of the business of the Group; (b) the rental under the Supplemental Lease Agreement was arrived at based on normal commercial terms after arm's length negotiations between the parties and with reference to the indicative annual rental indicated by the independent valuer engaged by the Company, the location of the land and the factory and the approval certification of pollution emission issued by the relevant PRC environmental protection bureau; and (c) the terms of the Supplemental Lease Agreement and the Aggregated Annual Caps are fair and reasonable and are in the interests of the Company and its Shareholders as a whole. Due to their respective interests in Fu An, the holding company of the Landlord, Mr. Li Chao Wang, Ms. Yu Yi Fang and Mr. Dong Yi Ping are regarded to be interested in the Supplemental Lease Agreement, and thereby had abstained from voting at the meeting of the board of Directors convened and held to approve the Supplemental Lease Agreement and the transactions contemplated thereunder.

IMPLICATIONS OF THE LISTING RULES

Under the Listing Rules, the Landlord is regarded as a Connected Person of the Company and any transaction between the Landlord and the Group will constitute a connected transaction of the Company. As the transactions contemplated under the Supplemental Lease Agreement are of a continuing nature, they will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. In addition, under the Listing Rules, the Company is required to aggregate the transactions contemplated under the Supplemental Lease Agreement and the transactions contemplated under the Phase I Agreement and Phase II Agreement (which were also entered into between the Tenant and the Landlord) and treat them as if they were one transaction.

Since each of the applicable percentage ratios (other than the profits ratio) calculated with reference to each of the Aggregated Annual Caps is less than 5%, the continuing connected transactions contemplated under the Supplemental Lease Agreement, the Phase I Agreement and the Phase II Agreement, on an aggregated basis, are only subject to the reporting, announcement and annual review requirements and exempt from the independent Shareholders' approval requirement under Rule 14A.34 of the Listing Rules.

DEFINITIONS

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

“Aggregated Annual Caps”	the expected maximum aggregate annual amounts of the transactions under the Supplemental Lease Agreement, the Phase I Agreement and the Phase II Agreement for the years ending 31 December 2014, 31 December 2015 and 31 December 2016 as set out in the paragraph headed “Aggregated Annual Caps and determination” in this announcement
“Board”	the board of directors of the Company
“Company”	Vinda International Holdings Limited, a company incorporated under the laws of the Cayman Islands with limited liability and the shares of which are listed on the Stock Exchange (stock code: 3331)
“Connected Person”	shall have the meaning given to it in the Listing Rules
“Directors”	directors of the Company
“Fu An”	Fu An Trading (Hong Kong) Limited, a company incorporated under the laws of Hong Kong on 3 December 2010 and is owned as to 74.21% by Mr. Li Chao Wang, 15.79% by Ms. Yu Yi Fang and 10.00% by Mr. Dong Yi Ping, being the three executive directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third party(ies) independent of the Company and the Connected Persons of the Company and is not a Connected Person of the Company
“Landlord”	江門泰源紙業有限公司 (for identification purpose only, in English, Jiangmen Taiyuan Paper Company Limited), a company established under the laws of the PRC and wholly-owned by Fu An
“Leased Properties”	the subject matter of the Phase I Agreement, the Phase II Agreement and the Supplemental Lease Agreement, namely, two pieces of land together with all the factories, buildings and the ancillary infrastructure and facilities erected thereon
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Spring Capital”	New Spring Capital Limited, a licensed corporation permitted to carry out type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), the independent financial adviser to the Board
“PRC”	People’s Republic of China

“Phase I Agreement”	a lease agreement dated 22 November 2011 (as supplemented by supplemental agreements dated 18 June 2012 and 18 February 2013 respectively) made between the Landlord and the Tenant for the lease of a piece of vacant land together with a factory and ancillary infrastructures and facilities to be constructed thereon for a term of 15 years commencing from 22 November 2011, further details of which are set out in the Company’s announcement dated 22 November 2011
“Phase II Agreement”	a lease agreement dated 27 March 2012 (as supplemented by supplemental agreements dated 18 June 2012 and 18 February 2013 respectively) made between the Landlord and the Tenant for the lease of a piece of land together with the buildings and ancillary infrastructures and facilities erected thereon for a term commencing from 27 March 2012 and ending on the date on which the Phase I Agreement expires, further details of which are set out in the Company’s announcement dated 27 March 2012
“Shareholders”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	shall have the meaning given to it in the Listing Rules
“Supplemental Lease Agreement”	a supplemental lease agreement dated 10 April 2014 made between the Landlord and the Tenant in respect of the new buildings and ancillary facilities erected on the two pieces of land leased by the Landlord to the Tenant under the Phase I Agreement and Phase II Agreement for a term commencing on the date of the Supplemental Lease Agreement and ending on the date on which the Phase I Agreement expires
“Tenant”	the tenant of the Supplemental Lease Agreement, a company established under the laws of the PRC and an indirectly wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

By order of the board
Vinda International Holdings Limited
ZHANG Dong Fang
Executive Director and Chief Executive Officer

Hong Kong, 10 April 2014

As at the date of this announcement, the Board of the Company comprises:

Executive Directors:

Mr. LI Chao Wang

Ms. YU Yi Fang

Ms. ZHANG Dong Fang

Mr. DONG Yi Ping

Non-executive Directors:

Mr. Jan Christer JOHANSSON

Mr. Jan Lennart PERSSON

Mr. Johann Christoph MICHALSKI

Mr. Ulf Olof Lennart SODERSTROM

Independent Non-executive Directors:

Dr. CAO Zhen Lei

Mr. KAM Robert

Mr. HUI Chin Tong, Godfrey

Mr. TSUI King Fai

Alternate Directors:

Ms. LI Jieli (alternate to Mr. LI, Ms. YU and Mr. DONG)

Mr. CHIU Bun (alternate to Mr. MICHALSKI and Mr. SODERSTROM)

Mr. Gert Mikael SCHMIDT (alternate to Mr. JOHANSSON and Mr. PERSSON)