**If you are in any doubt** as to an  aspect of this circ lar or as to the action to be taken,  o  sho ld cons lt  o r licensed sec rities dealer, bank manager, solicitor, professional acco ntant or other professional ad iser.

**If you have sold or transferred** all  o r shares in Vinda International Holdings Limited,  o  sho ld at once hand this circ lar to the p rchaser or transferee or to the bank, licensed sec rities dealer or other agent thro gh  hom the sale or transfer  as affected for transmission to the p rchaser or transferee.

Hong Kong E changes and Clearing Limited and The Stock E change of Hong Kong Limited take no responsibilit  for the contents of this circ lar, make no representation as to its acc rac  or completeness and e pressl  disclaim an  liabilit   hatsoe er for an  loss ho soe er arising from or in reliance  pon the  hole or an  part of the contents of this circ lar.

# VINDA INTERNATIONAL HOLDINGS LIMITED
# 維達國際控股有限公司

*( c  a ed  e Ca  a I a d  ed ab )*

**(Stock Code: 3331)**

## DISCLOSEABLE AND CONNECTED TRANSACTIONS
## AND
## NOTICE OF EXTRAORDINARY GENERAL MEETING

**Financial Adviser to the Company**

H

*Pa e*

## DEFINITIONS

*I c c a , e ec e e e e e , ef e a ae e f ea :*

| | |
|---|---|
| "Anno ncement" | the anno ncement of the Compan dated 18 J l 2014 in relation to, among other things, the Sale and P rchase Agreement and the transactions contemplated there nder |
| "Board" | the board of directors of the Compan |
| "B siness Da " | a da (other than a Sat rda or S nda or p blic holida or a da on hich a tropical c clone arning no. 8 or abo e or a black rainstorm arning signal is hoisted or remains hoisted in Hong Kong at an time bet een 9:00 a.m. and 5:00 p.m.) on hich banks are open for b siness in Hong Kong |
| "Compan " | Vinda International Holdings Limited, a compan incorporated nder the la s of the Ca man Islands ith limited liabilit and the shares of hich are listed on the Stock E change (stock code: 3331) |
| "Completion" | completion of the sale and p rchase of the entire iss ed share capital of SCA Tiss e and SCA Healthcare and the PRC Assets p rs ant to the Sale and P rchase Agreement |
| "Completion Date" | the date on hich the transactions contemplated nder the Sale and P rchase Agreement are completed, hich shall be the fifth (5th) B siness Da after the date on hich the conditions of the Sale and P rchase Agreement are satisfied or s ch other date as SCA Gro p and the Compan ma agree in riting |
| "Connected Person" | shall ha e the meaning gi en to it in the Listing R les |
| "Controlling Shareholder(s)" | shall ha e the meaning gi en to it in the Listing R les |
| "Director(s)" | the director(s) of the Compan |
| "EB F jian" | 全日美實業(福建)有限公司 (in English, for identification p rpose onl , E erbea t Ind str (F jian) Co., Ltd.), a limited compan established nder the la s of the PRC and is an indirect holl -o ned s bsidiar of SCA Gro p |

| | |
|---|---|
| "EB F jian Completion Date" | the date of iss ance of a re ised b siness licence of EB F jian b the rele ant administration or a thorit for ind str and commerce to EB F jian |
| "EB Shanghai" | 全日美實業(上海)有限公司 (in English, for identification p rpose onl , E erbea t Ind str (Shanghai) Ltd.), a limited compan established nder the la s of the PRC and an indirect holl -o ned s bsidiar of SCA Gro p |
| "EGM" | e traordinar general meeting of the Compan to be held at Fanling Room, Lo er Le el 1, Ko loon Shangri-La, 64 Mod Road, Tsimshats i East, Ko loon, Hong Kong on 12 September 2014 at 10:00 a.m. to appro e, among other things, the Sale and P rchase Agreement and the transactions contemplated there nder |
| "Gro p" | the Compan and its s bsidiaries |
| "HK Licence Agreement" | the licence agreement bet een SCA H giene Prod cts AB as licensor and SCA Tiss e as licencee dated 17 J l 2014 |
| "HK Trademark Assignment" | the trademark assignment bet een SCA Tai an as assignor and SCA Tiss e as assignee dated 17 J l 2014 |
| "HK$" | Hong Kong dollars, the la f l c rrenc of Hong Kong |
| "Hong Kong" | Hong Kong Special Administrati e Region of the PRC |
| "Independent Board Committee" | the independent board committee of the Compan comprising all independent non-e ec ti e Directors, namel , Mr. KAM Robert, Mr. HUI Chin Tong, Godfre and Mr. TSUI King Fai |
| "Independent Financial Ad iser" | Q am Capital Limited, a licensed corporation licensed nder the SFO to carr o t T pe 6 (ad ising on corporate finance) reg lated acti ities, and the independent financial ad iser to the Independent Board Committee and the Independent Shareholders on the Sale and P rchase Agreement and the transactions contemplated there nder |
| "Independent Shareholders" | the Shareholders e cept for SCA Gro p |
| "Independent Third Parties" | third parties independent of the Compan and the Connected Persons of the Compan and is not a Connected Person of the Compan |

| | |
|---|---|
| "Latest Practicable Date" | 20 A g st 2014, being the latest practicable date prior to the printing of this circ lar for ascertaining certain information contained herein |
| "Licence Agreements" | the HK Licence Agreement and the PRC Licence Agreement |
| "Listing R les" | the R les Go erning the Listing of Sec rities on the Stock E change |
| "Maca " | the Maca Special Administrati e Region of the PRC |
| "Netherlands" | Kingdom of the Netherlands |
| "PRC" | People's Rep blic of China (e cl ding Hong Kong, Maca and Tai an for the p rposes of the Sale and P rchase Agreement and this circ lar) |
| "PRC Assets" | consist of the benefit (s bject to the b rden) of the PRC Contracts and the PRC In entor |
| "PRC Contracts" | the contracts entered into b SCA China and EB Shanghai in relation to b siness of sale and distrib tion of cons mer tiss es and personal care and h giene prod cts in the PRC hich are nperformed ( holl or partl ) at the Completion Date incl ding, itho t limitation, s ppl and distrib tion agreements and c stomer contracts, b t e cl ding emplo ment contracts ith its emplo ees and agreements relating to borro ing |
| "PRC In entor " | the stock of ra materials, partl finished and finished goods in relation to the b siness of the man fact re, sale and distrib tion of cons mer tiss es and personal care and h giene prod cts carried on b SCA and its s bsidiaries in the PRC as at the Completion Date |
| "PRC Licence Agreement" | the licence agreement bet een SCA H giene Prod cts AB as licensor and Vinda China as licencee dated 17 J l 2014 |
| "PRC Trademark Assignment" | the trademark assignment bet een SCA Tai an as assignor and Vinda China as assignee dated 17 J l 2014 |
| "RMB" | Renminbi, the la f l c rrenc of the PRC |
| "Sale and P rchase Agreement" | the sale and p rchase agreement made bet een SCA Gro p as endor and the Compan as p rchaser dated 17 J l 2014 in respect of the sale and p rchase of the Sale Shares and the PRC Assets |

| | |
|---|---|
| “Sale Shares” | the entire iss ed share capital of SCA Tiss e and SCA Healthcare respecti el and the entire eq it interest of EB F jian |
| “SCA” | S enska Cell losa Aktiebolaget, SCA (p bl), a compan incorporated nder the la s of the Kingdom of S eden ith limited liabilit , the iss ed shares of hich are listed on NASDAQ OMX Stockholm, and the holding compan of SCA Gro p, and a Connected Person of the Compan |
| “SCA China” | 愛生雅(中國)投資有限公司 (in English, for identification p rpose onl , SCA China Holding Co.), a limited compan established nder the la s of the PRC and is a holl -o ned s bsidiar of SCA Gro p |
| “SCA Gro p” | SCA Gro p Holding BV, a compan incorporated nder the la s of the Netherlands, a holl -o ned s bsidiar of SCA and a Connected Person of the Compan |
| “SCA Healthcare” | SCA Healthcare Management Pte. Ltd., a limited compan incorporated nder the la s of Singapore and a holl -o ned s bsidiar of SCA Gro p |
| “SCA Shanghai” | 愛生雅(上海)健康管理有限公司 (in English, for identification p rpose onl , SCA (Shanghai) Healthcare Management Co., Ltd.), a limited compan established nder the la s of the PRC and a holl -o ned s bsidiar of SCA Healthcare |
| “SCA Tiss e” | SCA Tiss e Hong Kong Limited, a limited compan incorporated nder the la s of Hong Kong hose principal acti it is the trading of tiss e prod cts and ad lt diapers and a holl -o ned s bsidiar of SCA Gro p |
| “SCA Tai an” | 台灣愛生雅股份有限公司 (in English, for identification p rpose onl , SCA Tai an Ltd.), a limited compan incorporated nder the la s of Tai an and an indirect holl -o ned s bsidiar of SCA |
| “SFO” | Sec rities and F t res Ordinance, Chapter 571 of the la s of Hong Kong |
| “Shareholder(s)” | holder(s) of share(s) of the Compan |
| “Share(s)” | ordinar share(s) of the Compan |
| “Singapore” | Rep blic of Singapore |

| | |
|---|---|
| "Stock E change" | The Stock E change of Hong Kong Limited |
| "s bsidiar " | shall ha e the meaning gi en to it in the Listing R les |
| "S$" | Singapore dollars, the la f l c rrenc of Singapore |
| "Trademark Assignments" | the HK Trademark Assignment and the PRC Trademark Assignment |
| "US$" | United States dollars, the la f l c rrenc of the United States of America |
| "Vinda China" | 維達紙業(中國)有限公司 (in English, for identification p rpose onl , Vinda Paper (China) Compan Limited), a limited compan established nder the la s of the PRC and an indirect holl -o ned s bsidiar of the Compan |
| "Xiamen Site" | the site located at 福建省龍海市角美鎮吳宅工業園村 (W hai Ind strial Zone Village in Jiaomei Co nt , Longhai Cit , F jian Pro ince, the PRC) legall and beneficiall o ned b EB F jian as specified in the land se right certificate n mbered 漳台國用 (2014)0108號 |
| "%" | per cent. |

*I c c a , e e e a ed, ce a a de a ed RMB a d S$ a e bee a a ed HK$ a e c a e a e f RMB1 = HK$1.25 a d S$1 = HK$6.25 e ec e f a e . S c c e a be c ed a e e e a a a RMB S$ e e c d a e bee c d be c e ed HK$ a c a e a e e c a e a e c da e a e da e.*

*F ea e f efe e ce, e a e f e PRC Ta a e ab ed c a e e e a e bee c ded c c a b e C e e a d E a a e . T e E a e f e e PRC Ta a c a e a d e e a e E a a f e e ec e ffc a C e e a e . I e e e f a c e c , e C e e e a e a .*

# VINDA INTERNATIONAL HOLDINGS LIMITED
# 維達國際控股有限公司

*( c a ed e Ca a I a d ed ab )*

**(Stock Code: 3331)**

*E ec e D ec :*
Mr. LI Chao Wang
Ms. YU Yi Fang
Ms. ZHANG Dong Fang
Mr. DONG Yi Ping

*N -e ec e D ec :*
Mr. Jan Christer JOHANSSON
Mr. Jan Lennart PERSSON
Mr. Johann Christoph MICHALSKI
Mr. Ulf Olof Lennart SODERSTROM

*I de e de N -e ec e D ec :*
Mr. KAM Robert
Mr. HUI Chin Tong, Godfre
Mr. TSUI King Fai

*A e a e D ec :*
Ms. LI Jielin (alternate to Mr. LI, Ms. YU and Mr. DONG)
Mr. CHIU B n (alternate to Mr. MICHALSKI and Mr. SODERSTROM)
Mr. Gert Mikael SCHMIDT (alternate to Mr. JOHANSSON and Mr. PERSSON)

*Re e ed ff ce:*
Cricket Sq are, H tchins Dri e
P.O. Bo 2681
Grand Ca man KY1-1111
Ca man Islands

*P c a ace f b e H K :*
Room 506, To er 1
So th Seas Centre
75 Mod Road
Tsimshats i East
Ko loon
Hong Kong

Hong Kong, 22 A g st 2014

*T e S a e de*

Dear Sir/Madam

## DISCLOSEABLE AND CONNECTED TRANSACTIONS

### INTRODUCTION

On 18 J l 2014, the Board anno nced that the Compan and SCA Gro p entered into the Sale and P rchase Agreement. S bject to the terms and conditions there nder, the Compan agreed to p rchase and SCA Gro p agreed to sell (1) the entire iss ed share capital of SCA Tiss e, (2) the entire iss ed share capital of SCA Healthcare, (3) the entire eq it interest of EB F jian, and (4) the PRC Assets, for an aggregate initial p rchase price of HK$1,144,000,000 (s bject to adj stments) hich ill be settled in cash at Completion.

As part of the transactions contemplated nder the Sale and P rchase Agreement, the Trademark Assignments in relation to the assignment of se eral trademarks and the Licence Agreements in relation to the grant of licence to se se eral brand names, patents and technolog associated ith the rele ant brand prod cts ere e ec ted.

The p rpose of this circ lar is to pro ide o ith the information, among other things, (i) f rther details of the Sale and P rchase Agreement, the Licence Agreements and the Trademark Assignments, (ii) a letter of ad ice from the Independent Board Committee to the Independent Shareholders, (iii) a letter of ad ice from the Independent Financial Ad iser to the Independent Board Committee and the Independent Shareholders in relation to the Sale and P rchase Agreement and the transactions contemplated there nder and the d ration of the Licence Agreements, and (i ) a notice of the EGM.

## SALE AND PURCHASE AGREEMENT

On 17 J l 2014, the Compan and SCA Gro p entered into the Sale and P rchase Agreement. The principal terms are set o t belo :

### Date

17 J l 2014

### Parties

(1) the Compan as p rchaser

(2) SCA Gro p as endor

### Assets to be acquired

(1) the entire iss ed share capital of SCA Tiss e, free from all enc mbrances and together ith all rights attaching or accr ing thereto and all di idends and distrib tions declared, made or paid on s ch shares or in respect of them on or after the Completion Date;

(2) the entire iss ed share capital of SCA Healthcare, free from all enc mbrances and together ith all rights attaching or accr ing thereto and all di idends and distrib tions declared, made or paid on s ch shares or in respect of them on or after the Completion Date;

(3) the entire eq it interest of EB F jian, free from all enc mbrances and together ith all rights attaching or accr ing thereto and all di idends and distrib tions declared, made or paid on s ch eq it interest or in respect of them on or after the EB F jian Completion Date; and

(4) the PRC Assets, hich consist of the benefit (s bject to the b rden) of the PRC Contracts and the PRC In entor .

*SCA T e*

SCA Tiss e is a limited compan incorporated nder the la s of Hong Kong hose

The audited total asset value of SCA Healthcare as at 31 December 2013 was approximately S$0.09 million (equivalent to approximately HK$0.54 million). The audited net asset value of SCA Healthcare as at 31 December 2013 was approximately S$0.08 million (equivalent to approximately HK$0.47 million).

SCA Shanghai is a limited company established under the laws of the PRC whose principal business is the provision of home-based health care services and health management consultancy. Based on the information provided by SCA Group, a summary of certain financial information of SCA Shanghai for the period from 7 December 2011 to 31 December 2012 and the financial year ended 31 December 2013 is set out below:

| | **For the year ended 31 December 2013** *(audited)* | **During the period from 7 December 2011 to 31 December 2012** *(audited)* |
|---|---|---|
| Turnover | RMB0.17 million (equivalent to approximately HK$0.21 million) | RMB0.04 million (equivalent to approximately HK$0.06 million) |
| Net loss (before taxation) | RMB1.67 million (equivalent to approximately HK$2.08 million) | RMB2.01 million (equivalent to approximately HK$2.51 million) |
| Net loss (after taxation) | RMB1.67 million (equivalent to approximately HK$2.08 million) | RMB2.01 million (equivalent to approximately HK$2.51 million) |

The audited total asset value of SCA Shanghai as at 31 December 2013 was approximately RMB$2.75 million (equivalent to approximately HK$3.44 million). The audited net asset value of SCA Shanghai as at 31 December 2013 was approximately RMB0.86 million(equivalent to approximately HK$1.08 million).

*EB F a*

EB F jian is a limited compan established nder the la s of the PRC and it is holl -o ned b EB Shanghai. EB F jian is not c rrentl engaged in an operating acti it . EB F jian o ns the land se right relating to the Xiamen Site hich has a total site area of appro imatel 96,226 sq are meters. To the best of the Directors' kno ledge, information and belief, ha ing made all reasonable enq iries, EB F jian obtained s ch land se right in September 2011 at a consideration of RMB16,166,000 for the p rpose of de eloping its b siness of man fact re of paper and paper prod cts, and the constr ction ork on the Xiamen Site as s spended b the then controlling shareholder of EB F jian before EB F jian as acq ired b SCA in 2012. As ad ised b the Vendor, it has been the commercial decision of SCA not to res me the constr ction ork at Xiamen Site so far after its acq isition of EB F jian. P rs ant to an agreement concerning the Xiamen Site dated 30 September 2013 entered into bet een, among others, 福建省漳州台商投資區管理委員會 (in English for identification p rpose onl , Management Committee of Tai anese In estors In estment Zone of Zhang ho , F jian Pro ince) and EB F jian, it as agreed that福建省漳州台商投資區管理委員會 o ld ha e the right to acq ire the Xiamen Site from EB F jian at cost (i.e. RMB16,166,000) if EB F jian and its shareholder fail to de elop the Xiamen Site b 30 September 2015. As at the Latest Practicable Date, the Compan had no de elopment plan and timetable concerning the de elopment of the Xiamen Site. Based on the c rrent intention of the Compan , the Gro p ill liaise ith the rele ant PRC go ernment a thorit as soon as practicable after Completion regarding the de elopment of the Xiamen Site. As ad ised b the Compan 's legal ad isers as to PRC la s, there is no legal impediment to the transfer of the eq it interest of EB F jian. The Compan is of the ie that in the nlikel e ent the eq it interest of EB F jian cannot be transferred to Gro p, there ill be no impact on the operation of the b siness of the Gro p.

Based on the information pro ided b SCA Gro p, a s mmar of certain financial information of EB F jian for the t o financial ears ended 31 December 2012 and 2013 is set o t belo :

| | **For the year ended 31 December 2013** *(a d ed)* | **For the year ended 31 December 2012** *(a d ed)* |
|---|---|---|
| T rno er | Nil | Nil |
| Net loss (before ta ation) | RMB0.19 million (eq i alent to appro imatel HK$0.24 million) | RMB0.33 million (eq i alent to appro imatel HK$0.42 million) |
| Net loss (after ta ation) | RMB0.20 million (eq i alent to appro imatel HK$0.25 million) | RMB0.33 million (eq i alent to appro imatel HK$0.42 million) |

The a dited total asset al e of EB F jian as at 31 December 2013 as appro imatel RMB49.62 million (eq i alent to appro imatel HK$62.02 million). The a dited net asset al e of EB F jian as at 31 December 2013 as appro imatel RMB49.61 million (eq i alent to appro imatel HK$62.01 million).

*PRC A e*

The PRC Contracts are contracts entered into b SCA China and EB Shanghai in relation to the b siness of sale and distrib tion of cons mer tiss es and personal care and h giene prod cts in the PRC hich are nperformed ( holl or partl ) as at the

The PRC Inventory consists of stock of raw materials, partly finished and finished goods in relation to the business of the manufacture, sale and distribution of consumer tissues and personal care and hygiene products carried on by SCA and its subsidiaries in the PRC as at the Completion Date.

The turnover generated under the PRC Contracts for the year ended 31 December 2013 was approximately HK$405.18 million. The average book value of the PRC Inventory over the 12 months ended 30 June 2014 was approximately HK$85.41 million.

**Purchase price**

The initial purchase price for the Sale Shares and the PRC Assets which is subject to adjustments is HK$1,144,000,000, being the debt and cash free value (i.e. assuming that all debts owed by the entities to be acquired being settled and the surplus cash being removed), and will be payable in cash (or such other manner as may be agreed between SCA Group and the Company) by the Group at Completion. The Company will finance the settlement of the initial purchase price by internal resources and the funding available under a term loan facility in the sum of HK$1,200,000,000 to be made available by AB SCA Finans (publ), an indirectly wholly-owned subsidiary of SCA, particulars of which have been disclosed in the announcement of the Company dated 18 July 2014. The formal agreement in respect of the term loan facility is expected to be executed shortly after the EGM. To the best of the Directors' knowledge, information and belief, having made all reasonable enquires, there should be no major obstacle for the Company to entered into the formal agreement for the said terms loan facility or otherwise to obtain bank loan with comparable terms for the financing of the payment of the initial purchase price.

The initial purchase price for the Sale Shares and the PRC Assets will be adjusted such that the final purchase price will be determined by deducting the amount of actual net debt of SCA Tissue, SCA Healthcare, SCA Shanghai and EB Fujian as at the Completion Date, and adding the surplus or deducting the deficits (as the case may be) (i) between the amount of working capital of SCA Tissue as at the Completion Date and the agreed amount of normalised working capital of HK$5,900,000 (which was calculated based on the average amount of working capital during the twelve-month period from 1 July 2013 to 30 June 2014), and (ii) between the amount of actual value of the PRC Inventory as at the Completion Date and the agreed amount of normalised value of the PRC Inventory at HK$85,400,000. There is no maximum adjustment amount or ceiling to the initial purchase price. If there is any adjustment to the initial purchase price, the relevant party shall settle the same within 5 Business Days from the date when the final purchase price is determined or agreed among the parties. In the event that the final purchase price determined is materially different from the initial purchase price and a material adjustment is required to be made to the initial purchase price, the Company will issue an announcement disclosing particulars of the same.

The initial purchase price was determined after arm's length negotiations between the Company and SCA Group, after taking into account of, amongst others, the historical financial performance of the assets to be required (in particular, that of SCA Tissue and the turnover amount of the PRC Contracts) and the future development potential of assets to be acquired (including the benefits under the Trademark Assignments and the Licence Agreements, which will become effective upon Completion). In particular, the Company has considered the perpetual exclusive rights to use the brand name of Tempo and the assignment of the trademarks of Dr. P and Sealer brands. These are established household consumable paper products and personal care brands in Hong Kong and PRC, with a history of brand presence in the market. At the same time, the Company will also obtain exclusive rights to use the brand names of international brands TORK, TENA, Libresse and Libero. The Company believes that these brands carry significant brand recognition with the consumers, which will allow the Company to further enhance its current brand portfolio.

On the other hand, SCA Healthcare and SCA Shanghai are in the early stage of developing their businesses, whereas EB Fujian does not carry any operating activity. Therefore they had incurred loss in previous financial years and the amounts of which are considered immaterial. SCA Healthcare and its subsidiary SCA Shanghai are newly established companies which are engaged in the business of provision of home-based health care services and health management consultancy. These companies can provide complementary services to the overall operation of the Group.

**Conditions precedent**

Completion of the transactions contemplated under the Sale and Purchase Agreement is conditional upon the following conditions being fulfilled:

(1) the approval by the Independent Shareholders at the EGM of the Sale and Purchase Agreement and the transactions contemplated thereunder; and

(2) all approvals, consents, authorisations and licences (so far as are necessary) (other than the transfer of the equity interest of EB Fujian) in relation to the transactions contemplated under the Sale and Purchase Agreement having been obtained from the relevant governmental authorities.

As the parties to the Sale and Purchase Agreement do not foresee any issue in transferring the equity interest of EB Fujian which will take approximately 3 months, and in order not to delay the Completion Date, the transfer of equity interest of EB Fujian is excluded as one of the conditions precedent for Completion. As advised by the Company's legal advisers as to PRC laws, there is no legal impediment to the transfer of the equity interest of EB Fujian.

If all the conditions have not been satisfied by 5:00 p.m. on 31 December 2014, being the long stop date of the Sale and Purchase Agreement, or such other date as agreed between SCA Group and the Company in writing, the Sale and Purchase Agreement will lapse and have no further effect (save for the clauses that survive the termination of the Sale and Purchase Agreement as provided for thereunder).

**Completion**

Completion of the transactions under the Sale and Purchase Agreement shall take place on the fifth (5th) Business Day after the date on which the conditions precedent for Completion are satisfied, or such other date as SCA Group and the Company may agree in writing.

**TRADEMARK ASSIGNMENTS AND LICENCE AGREEMENTS**

On 17 July 2014, as part of the transactions contemplated under the Sale and Purchase Agreement, the following agreements were entered into:

(a) the HK Licence Agreement, pursuant to which SCA Hygiene Products AB will grant to SCA Tissue a licence to use in Hong Kong and Macau (i) Tempo, TORK, TENA, Libresse and Libero brands in relation to personal care and tissue product business, and (ii) certain patents and technology and related intellectual property in relation to Tempo, Dr. P, Sealer, TORK, TENA, Libresse and Libero brands for the manufacture of personal care and tissue products;

(b) the HK Trademark Assignment, pursuant to which SCA Taiwan will transfer and assign all its rights, title, benefits and interests in Dr. P and Sealer brands and trademarks in Hong Kong and Macau to SCA Tissue for a consideration of US$1.00;

(c) the PRC Licence Agreement, pursuant to which SCA Hygiene Products AB will grant to Vinda China a licence to use in the PRC (i) Tempo, TORK, TENA, Libresse and Libero brands in relation to personal care and tissue product business, and (ii) certain patents and technology and related intellectual property in relation to Tempo, Dr. P, Sealer, TORK, TENA, Libresse and Libero brands for the manufacture of personal care and tissue products; and

(d) the PRC Trademark Assignment, pursuant to which SCA Taiwan will transfer and assign all its rights, title, benefits and interests in Dr. P and Sealer brands and trademarks in the PRC to Vinda China for a consideration of US$1.00.

The Licence Agreements and the Trademark Assignments are conditional and will become effective upon Completion.

SCA Hygiene Products AB, an indirect wholly-owned subsidiary of SCA, is a company incorporated under the laws of Kingdom of Sweden with limited liability and is a global supplier of personal care and tissue products.

The follo ing table s mmarises the Gro p's entitlement to certain intellect al propert rights in PRC, Hong Kong and Maca pon the Trademark Assignments and the Licence Agreements becoming effecti e at Completion:

| Brand name | Major products under the brand | Ownership of trademark | Documents assigning the ownership | Licence to use the brand | Licence to use the relevant patents | Licence to use the relevant technology associated with the brand | Documents governing the licence arrangements |
|---|---|---|---|---|---|---|---|
| Tempo | cons mer tiss e prod cts (incl ding toilet paper, facial tiss e and et ipes) | No | N/A | Perpet al and e cl si e, ro alt -free | Non-e cl si e, ro alt -free for first three ears | E cl si e right, ro alt -free for first three ears | The Licence Agreements |
| Dr. P | incontinence care prod cts | Yes | The Trademark Assignments | Not applicable | Non-e cl si e, ro alt -free for first three ears | E cl si e right, ro alt -free for first three ears | The Licence Agreements |
| Sealer | bab diapers prod cts and bab care prod cts | Yes | The Trademark Assignments | Not applicable | Non-e cl si e, ro alt -free for first three ears | E cl si e right, ro alt -free for first three ears | The Licence Agreements |
| TORK | tiss e, object ipes, soap and prod ct dispensers | No | N/A | E cl si e and ro alt -free for the first three ears, rene al for t o more three- ear terms ith ro alt | Non-e cl si e, ro alt -free for first three ears | E cl si e right, ro alt -free for first three ears | The Licence Agreements |
| TENA | incontinence care prod cts | No | N/A | E cl si e and ro alt -free for the first three ears, rene al for t o more three- ear terms ith ro alt | Non-e cl si e, ro alt -free for first three ears | E cl si e right, ro alt -free for first three ears | The Licence Agreements |
| Libresse | feminine care prod cts | No | N/A | E cl si e and ro alt -free for the first three ears, rene al for t o more three- ear terms ith ro alt | Non-e cl si e, ro alt -free for first three ears | E cl si e right, ro alt -free for first three ears | The Licence Agreements |
| Libero | bab diapers prod cts and bab care prod cts | No | N/A | E cl si e and ro alt -free for the first three ears, rene al for t o more three- ear terms ith ro alt | Non-e cl si e, ro alt -free for first three ears | E cl si e right, ro alt -free for first three ears | The Licence Agreements |

B the Licence Agreements, the Gro p ill be granted the non-e cl si e sage of patents and the e cl si e sage of technolog kno -ho and prod ct designs for Tempo, Dr. P, Sealer, TORK, TENA, Libresse and Libero' branded prod cts. S ch sage ill be ro alt -free d ring the first three ears of the Licence Agreements, and s bject to a ro alt thereafter sho ld the Compan decide to contin e ith the sage. The follo ing table s mmarises the arrangements for ro alt pon the e pir of the first three- ear period from the date of the Licence Agreements:

| Brand name | Royalty for the use of the brand | Royalty for the use of patents and technology |
|---|---|---|
| Tempo | ro alt -free | s ch amo nt to be f rther agreed among the parties b no later than the date falling 30 months from the date of the Licence Agreements |
| Dr. P | not applicable | s ch amo nt to be f rther agreed among the parties b no later than the date falling 30 months from the date of the Licence Agreements |
| Sealer | not applicable | s ch amo nt to be f rther agreed among the parties b no later than the date falling 30 months from the date of the Licence Agreements |
| TORK | a q arterl amo nt eq al to 1.5% of the q arterl net sales *(N e)* of all prod cts marketed and sold nder TORK brand | |
| TENA | a q arterl amo nt eq al to 3% of the q arterl net sales *(N e)* of all prod cts marketed and sold nder TENA brand | |
| Libresse | a q arterl amo nt eq al to 3% of the q arterl net sales *(N e)* of all prod cts marketed and sold nder Libresse brand | |
| Libero | a q arterl amo nt eq al to 3% of the q arterl net sales *(N e)* of all prod cts marketed and sold nder Libero brand | |

*N e:* "Q arterl net sales" means net sales of the rele ant prod cts d ring the rele ant calendar q arter, pro ided that for the period commencing from the date of the Licence Agreements to the end of the calendar q arter immediatel follo ing the date of the Licence Agreements, the "q arterl net sales" shall be the net sales d ring that period.

## REASONS FOR AND BENEFITS OF THE SALE AND PURCHASE AGREEMENT, TRADEMARK ASSIGNMENTS AND LICENCE AGREEMENTS

The Gro p is principall engaged in the man fact ring of ho sehold cons mable paper prod cts in the PRC, Hong Kong and Maca and its principal prod cts incl de toilet paper, paper handkerchiefs, facial tiss e paper and paper napkins.

It is the Gro p's intention to di ersif its b siness and to e pand its prod cts range and brands offered, ith a long-term ision to become the most preferred personal h giene prod cts compan in Asia. Thro gh completing the transactions contemplated nder the Sale and P rchase Agreement, the Gro p ill be able to (i) consolidate its strong position ithin the cons mable paper prod cts market b obtaining the e cl si e perpet al right to se the 'Tempo' brand in Hong Kong, Maca and PRC, (ii) f rther e pand into ke personal care prod ct categories s ch as bab care, elderl care and feminine care prod cts, (iii) le erage on the strong brand eq it of SCA's ke global brands s ch as 'TORK', 'TENA', 'Libero', and 'Libresse', and also the ell-kno n regional brands s ch as 'Dr. P' and 'Sealer' to f rther penetrate into the personal care prod cts market, (i ) e pand the sales of ario s h giene prod ct brands thro gh tilising the Gro p's sales net ork, and ( ) f rther strengthen its strategic relationship ith SCA.

Altho gh the Completion ill be taken place not ithstanding the ncertainties of transferring e er PRC Contract the Directors consider that this risk is not material as the Gro p is still able to perform all obligations nder the PRC Contracts as the s b-contractor of either SCA China or EB Shanghai (as the case ma be) pon the Completion e en if the PRC Contracts cannot be transferred or no ated, and the costs of effecting the no ation shall be borne b either SCA China or EB Shanghai (as the case ma be).

None of the Directors has a material interest in the connected transactions contemplated nder the Sale and P rchase Agreement, the Trademark Assignments and the Licence Agreements and hence no Director is req ired to abstain from oting on s ch board resol tions in accordance ith the Listing R les. Based on the abo e, the Directors, incl ding the independent non-e ec ti e Directors b t e cl ding Mr. Jan Christer JOHANSSON, Mr. Jan Lennart PERSSON, Mr. Ulf Olof Lennart SODERSTROM and Mr. Johann Christoph MICHALSKI, fo r non-e ec ti e Directors, ho had elected to abstain from oting, consider the respecti e terms of the Sale and P rchase Agreement, the Trademark Assignments and the Licence Agreements are fair and reasonable and in the interests of the Compan and the Shareholders as a hole.

**GENERAL**

The Gro p is principall engaged in the man fact ring and sale of ho sehold cons mable paper prod cts in the PRC, Hong Kong and Maca , and its principal prod cts incl de toilet paper, paper handkerchiefs, facial tiss e paper and paper napkins.

SCA is a global cons mer goods and paper compan hich de elops, prod ces and markets personal care prod cts, tiss e paper, packaging sol tions, p blication papers and solid- ood prod cts in more than 70 co ntries.

Completion of the transactions contemplated nder the Sale and P rchase Agreement is conditional pon the satisfaction of the conditions set o t in the section headed "Conditions precedent" in this circ lar, incl ding the appro al of the Sale and P rchase Agreement and the transactions contemplated there nder b the Independent Shareholders at the EGM. Accordingl , the transactions contemplated nder the Sale and P rchase Agreement ma or ma not proceed. Shareholders and potential in estors sho ld therefore e ercise ca tion hen dealing in the sec rities of the Compan .

## IMPLICATION UNDER THE LISTING RULES

### Sale and Purchase Agreement

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the transactions contemplated under the Sale and Purchase Agreement are higher than 5% but below 25%, they constitute discloseable transactions of the Company and are subject to reporting and announcement requirements under Chapter 14 of the Listing Rules.

SCA Group is the Controlling Shareholder of the Company. As a result, SCA Group is a Connected Person of the Company. As one or more of the applicable percentage ratios in respect of the transactions contemplated under the Sale and Purchase Agreement exceeds 5%, the transactions contemplated under the Sale and Purchase Agreement will therefore constitute connected transactions which are subject to the reporting, announcement and independent shareholders' approval requirements under Rules 14A of the Listing Rules.

### PRC Trademark Assignment

SCA Taiwan is a wholly-owned subsidiary of SCA, which is the holding company of SCA Group, the Controlling Shareholder of the Company. In the circumstances, SCA Taiwan is a Connected Person of the Company and any transaction between SCA Taiwan and the Group will constitute a connected transaction of the Company.

As the consideration of the PRC Trademark Assignment is US$1.00, the connected transactions contemplated under the PRC Trademark Assignment are fully exempt from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

### Licence Agreements

Pursuant to Rule 14A.60 of the Listing Rules, if a listed issuer's group has entered into an agreement for a fixed period with fixed terms for a continuing transaction, and the transaction subsequently becomes a continuing connected transaction, the listed issuer must, as soon as practicable after becoming aware of this fact, comply with the annual review and disclosure requirements including publishing an announcement and annual reporting if the listed issuer's group continues to conduct the transaction under the agreement; and when the agreement is renewed or its terms are varied, comply with all connected transaction requirements.

Upon Completion, SCA Tissue will become an indirect wholly-owned subsidiary of the Company, and any transaction between SCA Tissue and SCA Hygiene Products AB, an indirect wholly-owned subsidiary of SCA and hence a Connected Person of the Company, will constitute a connected transaction of the Company.

As the transactions contemplated under the Licence Agreements are continuing in nature, they will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Pursuant to the terms of the Licence Agreements, all the transactions will be conducted on a royalty-free basis for the first three years commencing from the Completion Date. As such, the continuing connected transactions contemplated under the Licence Agreements are fully exempt from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

In the event that the Group decides to renew the licence to use the TORK, TENA, Libresse and Libero brands and/or the licence to use the relevant patents and technology and the related intellectual property in relation to Tempo, Dr. P, Sealer, TORK, TENA, Libresse and Libero brands for a further term of three years upon the expiry of the first three-year period from the date of the Licence Agreements, the Group will comply with all the requirements under Chapter 14A of the Listing Rules, including the setting of the annual caps in relation to the royalties payable, as well as the reporting, announcement and shareholders' approval requirements if so required under Chapter 14A of the Listing Rules. The licence arrangements under the renewed term will be on substantially the same terms and be governed by the provisions of the Licence Agreements.

Pursuant to Rule 14A.52 of the Listing Rules, should the term of an agreement for a continuing connected transaction exceeds three years, the Company must appoint an independent financial adviser to explain why the agreement requires a longer period and to confirm that it is normal business practice for agreements of this type to be of such duration. The Company, accordingly, has appointed Quam Capital Limited as its independent financial adviser to advise the Board on the duration of the Licence Agreements. Details of its advice, together with the principal factors and reasons it has taken into consideration in giving its advice pursuant to Rule 14A.52 of the Listing Rules, are contained in its letter set out on pages 22 to 46 of this circular.

**EGM**

The notice convening the EGM to be held at Fanling Room, Lower Level 1, Kowloon Shangri-La, 64 Mody Road, Tsimshatsui East, Kowloon, Hong Kong on Friday, 12 September 2014 at 10:00 a.m. is set out on pages 59 to 60 of this circular. An ordinary resolution will be proposed at the EGM to approve, among other things, the Sale and Purchase Agreement and the transactions contemplated thereunder. The votes on the resolution proposed to be approved at the EGM will be taken by poll and an announcement will be made by the Company after the EGM on the results of the EGM.

A member entitled to attend and vote at the EGM is entitled to appoint one or more proxies to attend and, on a poll, vote on his/her behalf. A form of proxy for the use at the EGM is enclosed with this circular. A proxy need not be a member of the Company. To be valid, a form of proxy and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power of attorney or authority, must be deposited with the Hong Kong branch share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the EGM or any adjourned EGM.

SCA Gro p, the Controlling Shareholder of the Compan , ha ing a material interest in the transactions contemplated nder the Sale and P rchase Agreement, and therefore is req ired to abstain from oting nder the R le 14A.36 of the Listing R les.

The Independent Board Committee comprising three independent non-e ec ti e Directors has been formed to ad ise the Independent Shareholders as to the fairness and reasonableness of the terms of the Sale and P rchase Agreement. The Independent Financial Ad iser, being Q am Capital Limited, has been appointed to ad ise the Independent Board Committee and the Independent Shareholders in this connection.

**RECOMMENDATIONS**

Taking into consideration of the reasons set o t in the paragraph headed "Reasons for and benefits of the Sale and P rchase Agreement, Trademark Assignments and Licence Agreements" abo e, the Directors (incl ding the independent non-e ec ti e Directors b t e cl ding the non-e ec ti e Directors) consider that the terms of the Sale and P rchase Agreement and the transactions contemplated there nder are in the ordinar and s al co rse of b siness of the Compan , fair and reasonable and on normal commercial terms, and the acq isition of the Sale Shares and the PRC Assets is in the interests of the Compan and the Shareholders as a hole. Accordingl , the Directors (incl ding the independent non-e ec ti e Directors b t e cl ding the non-e ec ti e Directors) recommend the Independent Shareholders to ote in fa o r of the ordinar resol tion as set o t in the notice of the EGM to appro e the Sale and P rchase Agreement and the transactions contemplated there nder.

Yo r attention is dra n to the letter from the Independent Board Committee set o t on page 21 of this circ lar, the letter of ad ice from the Independent Financial Ad iser to the Independent Board Committee and the Independent Shareholders set o t on pages 22 to 46 of this circ lar and the information set o t in the appendices of this circ lar.

Yo rs faithf ll ,
B order of the board
**Vinda International Holdings Limited**
**LI Chao Wang**
*C a a*

# VINDA INTERNATIONAL HOLDINGS LIMITED
# 維達國際控股有限公司

*( c a ed e Ca a I a d ed ab )*

**(Stock Code: 3331)**

22 A g st 2014

*T e I de e de S a e de*

Dear Sir or Madam,

## DISCLOSEABLE AND CONNECTED TRANSACTIONS

We refer to the circ lar dated 22 A g st 2014 iss ed b the Compan (the "**Circular**") of hich this letter forms part. Capitalised terms sed in this letter shall ha e the same meanings as those defined in the Circ lar nless specified other ise.

O r committee has been formed to ad ise the Independent Shareholders in relation to the terms of the Sale and P rchase Agreement and the transactions contemplated there nder. Q am Capital Limited has been appointed b the Compan as the Independent Financial Ad iser to ad ise s in this regard. Details of its ad ice, together ith the principal factors and reasons it has taken into consideration in gi ing its ad ice, are contained in its letter set o t on pages 22 to 46 of the Circ lar. Yo r attention is also dra n to the letter from the Board and the additional information set o t in the appendi to the Circ lar.

After taking into acco nt the factors and reasons considered b the Independent Financial Ad iser and its concl sion and ad ice, e conc r ith its ie s and consider that the terms of the Sale and P rchase Agreement and the transactions contemplated there nder are in the ordinar and s al co rse of b siness of the Compan , fair and reasonable so far as the Compan and the Shareholders are concerned, on normal commercial terms and in the interests of the Compan and the Shareholders as a hole. Accordingl , e recommend that the Independent Shareholders sho ld ote in fa or of the resol tion to be proposed at the EGM to appro e the Sale and P rchase Agreement and the transactions contemplated there nder.

Yo rs faithf ll
For and on behalf of the
**Independent Board Committee**

**Mr. KAM Robert**
**Mr. HUI Chin Tong, Godfrey**
**Mr. TSUI King Fai**

*I de e de -e ec e D ec*

*T e f e f e f a e e f ad ce f Q a Ca a L ed, e I de e de F a c a Ad e e I de e de B a d C ee a d e I de e de S a e de , c a bee e a ed f e e f c a c c a, e ad ce e I de e de B a d C ee a d e I de e de S a e de e ec f e Sa e a d P c a e A ee e a d e a ac c e a ed e e de .*

Quam CAPITAL 華富嘉洛企業融資

22 A g st 2014

*T e I de e de B a d C ee*
*a d e I de e de S a e de*

Vinda International Holdings Limited
Room 506, To er 1
So th Seas Centre
75 Mod Road
Tsimshats i East
Ko loon
Hong Kong

Dear Sir or Madam,

# DISCLOSEABLE AND CONNECTED TRANSACTIONS

## INTRODUCTION

We refer to o r appointment as the Independent Financial Ad iser to the Independent Board Committee and the Independent Shareholders in respect of the Sale and P rchase Agreement and the transactions contemplated there nder, details of hich are set o t in the "Letter from the Board" contained in the circ lar (the "**Letter from the Board**") iss ed b the Compan to the Shareholders dated 22 A g st 2014 ("**Circular**"), of hich this letter forms part. Capitalised terms sed in this letter shall ha e the same meanings as defined in the Circ lar nless the conte t other ise req ires.

Mr. Kam Robert, Mr. H i Chin Tong, Godfre and Mr. Ts i King Fai, the independent non-e ec ti e Directors, ha e been appointed as the members of the Independent Board Committee to consider and to ad ise the Independent Shareholders as to (i) hether the terms of the Sale and P rchase Agreement are fair and reasonable so far as the Independent Shareholders are concerned and hether the are in the interests of the Compan and the Shareholders as a hole; and (ii) hether to ote in fa o r of the ordinar resol tion to be proposed at the EGM to appro e the Sale and P rchase Agreement and the transactions contemplated there nder. As the Independent Financial Ad iser, o r role is to gi e an independent opinion to the Independent Board Committee and the Independent Shareholders in s ch regard.

Furthermore, we are appointed to advise the Company the reasons for the length of the Licence Agreements which exceed three years and whether this is normal business practice for such duration as required under the Listing Rules.

As at the Latest Practicable Date, Quam Capital Limited did not have any relationship with or interest in the Company or SCA that could reasonably be regarded as relevant to the independence of Quam Capital Limited. In the last two years, there was no engagement between the Group and Quam Capital Limited. Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no arrangements exist whereby we had received any fees or benefits from the Company or SCA. Accordingly, we are qualified to give independent advice in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder.

**BASIS OF OUR OPINION**

In formulating our recommendation, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the information supplied by the Company; (iii) the opinions expressed by and the representations of the Directors and management of the Group; and (iv) our review of relevant public information. We have assumed that all the information provided and representations and opinions expressed to us or contained or referred to in the Circular were true, accurate and complete in all respects at the date thereof and may be relied upon. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors, the management of the Group and the advisers of the Company. We have also sought and received confirmation from the Directors that no material facts have been withheld or omitted from the information provided and referred to in the Circular and that all information or representations regarding the Group, the Sale and Purchase Agreement and the transactions contemplated thereunder provided to us by the Company and/or the Directors and the management of the Group are true, accurate, complete and not misleading in all material respects at the time they were made and continued to be so until the date of the Circular.

We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Company, its subsidiaries and associates as well as the companies and assets to be acquired pursuant to the Sale and Purchase Agreement.

## PRINCIPAL FACTORS AND REASONS CONSIDERED

In arri ing at o r recommendation, e ha e taken into acco nt the follo ing principal factors and reasons:

### A. The Sale and Purchase Agreement

#### 1. *Background of and reasons for the Sale and Purchase Agreement*

*1.1 I f a e G*

The Gro p is principall engaged in the man fact re and sale of ho sehold cons mable paper prod cts in the PRC, Hong Kong and Maca . Its principal prod cts incl de toilet paper, paper handkerchiefs, facial tiss e paper and paper napkins.

According to the ann al report of the Compan for the ear ended 31 December 2013 (the "**2013 Annual Report**"), the Gro p's t rno er amo nted to appro imatel HK$6,024.0 million and HK$6,798.0 million for the t o ears ended 31 December 2012 and 2013 respecti el . The PRC is the principal market of the Gro p. For the ear ended 31 December 2013, appro imatel 91.9%, 7.8% and 0.3% of the Gro p's t rno er as generated from the PRC, Hong Kong and o erseas respecti el . For each of the ears ended 31 December 2012 and 2013, the Gro p recorded profit attrib table to Shareholders of appro imatel HK$536.6 million and HK$542.9 million respecti el .

As disclosed in the 2013 Ann al Report, the management of the Compan considers that ho sehold paper ind str of the PRC has shifted do n from rapid to stead gro th, hile cons mers' emphasis on brands and prod ct q alit has triggered off the ind str 's transformation. The management of the Compan belie es that market competition ill remain fierce and costs ill be rising. Ha ing de eloped a strong ho sehold paper b siness, the Gro p is no di ersif ing into other prod cts to enhance profitabilit .

*1.2 I f a SCA*

SCA Gro p, the endor of the Sale and P rchase Agreement, is a holl -o ned s bsidiar of SCA. As stated in the Letter from the Board, SCA is a global cons mer goods and paper compan hich de elops, prod ces and markets personal care prod cts, tiss e paper, packaging sol tions, p blication papers and solid- ood prod cts. SCA Gro p has been a Shareholder since 2007 and became the largest Shareholder in late 2013. As at the Latest Practicable Date, SCA Gro p held appro imatel 51.4% of the iss ed share capital of the Compan .

*1.3 I f a SCA T e, SCA Hea ca e, SCA S a a , EB F a a d e PRC A e*

On 17 J l 2014, the Compan and SCA Gro p entered into the Sale and P rchase Agreement, p rs ant to hich the Compan agreed to p rchase and SCA Gro p agreed to sell (i) the entire iss ed share capital of SCA Tiss e; (ii) the entire iss ed share capital of SCA Healthcare; (iii) the entire eq it interest of EB F jian; and (i ) the PRC Assets, for an aggregate initial p rchase price of HK$1,144,000,000 (s bject to adj stments) (the "**Proposed Acquisition**").

SCA Tiss e

SCA Tiss e is a limited compan incorporated nder the la s of Hong Kong and is a holl -o ned s bsidiar of SCA Gro p. Its principal acti it is the trading of tiss e prod cts and ad lt diapers.

The follo ing table sets o t certain selected financial information of SCA Tiss e as e tracted from the rele ant a dited financial statements of SCA Tiss e:

| | For the year ended 31 December | |
|---|---|---|
| | **2013** | **2012** |
| | *HK$'* | *HK$'* |
| T rno er | 310.3 | 279.8 |
| Profit before ta ation | 27.3 | 19.8 |
| Profit after ta ation | 23.1 | 16.4 |

T rno er of SCA Tiss e increased slightl b appro imatel 10.9% from appro imatel HK$279.8 million to appro imatel HK$310.3 million for the ear ended 31 December 2013. As ad ised b the management of the Compan , s ch increase as dri en b the la nch of ne prod cts d ring the ear ended 31 December 2013. As at 31 December 2013, the a dited net asset al e of SCA Tiss e as appro imatel HK$72.1 million. The assets of SCA Tiss e mainl comprised of machineries, in entories, trade and other recei ables and cash and cash eq i alents, hereas its liabilities ere mainl trade and other pa ables and amo nt d e to fello s bsidiaries.

SCA Healthcare and SCA Shanghai

SCA Healthcare is a limited compan incorporated nder the la s of Singapore and is a holl -o ned s bsidiar of SCA Gro p. SCA Healthcare is an in estment holding compan hich o ns the entire eq it interest of SCA Shanghai, a limited compan incorporated nder the la s of the PRC hose principal b siness is the pro ision of home-based health care ser ices and health management cons ltanc . The b siness of SCA Shanghai is complementar to the personal care prod cts b siness of SCA and its other s bsidiaries.

The follo ing table sets o t certain selected financial information of SCA Healthcare as e tracted from the rele ant a dited financial statements of SCA Healthcare:

| | For the year ended 31 December 2013 | | Period from 20 September 2011 to 31 December 2012 | |
|---|---|---|---|---|
| | *S$'* | *HK$' e a e* | *S$'* | *HK$' e a e* |
| T rno er | Nil | Nil | Nil | Nil |
| Loss before ta ation | (0.3) | (2.1) | (0.6) | (3.7) |
| Loss after ta ation | (0.3) | (2.1) | (0.6) | (3.7) |

As at 31 December 2013, the a dited net asset al e of SCA Healthcare as appro imatel S$0.08 million (eq i alent to appro imatel HK$0.5 million).

The follo ing table sets o t certain selected financial information of SCA Shanghai as e tracted from the rele ant a dited financial statements of SCA Shanghai:

| | For the year ended 31 December 2013 | | Period from 7 December 2011 to 31 December 2012 | |
|---|---|---|---|---|
| | *RMB'* | *HK$' e a e* | *RMB'* | *HK$' e a e* |
| T rno er | 0.2 | 0.2 | 0.04 | 0.1 |
| Loss before ta ation | (1.7) | (2.1) | (2.0) | (2.5) |
| Loss after ta ation | (1.7) | (2.1) | (2.0) | (2.5) |

As at 31 December 2013, the a dited net asset al e of SCA Shanghai as appro imatel RMB0.9 million (eq i alent to appro imatel HK$1.1 million).

EB F jian

EB F jian is a limited compan incorporated nder the la s of the PRC and is an indirect holl -o ned s bsidiar of SCA Gro p. EB F jian has no income-generating operation and c rrentl possesses the land se right relating to the Xiamen Site hich has a total site area of appro imatel 96,226 sq are meters. EB F jian obtained s ch land se right in September 2011 at a consideration of RMB16,166,000 for the p rpose of de eloping its b siness of man fact re of paper and paper prod cts.

The follo ing table sets o t certain selected financial information of EB F jian as e tracted from the rele ant a dited financial statements of EB F jian:

| | For the year ended 31 December | | | |
|---|---|---|---|---|
| | 2013 | | 2012 | |
| | *RMB'* | *HK$' e a e* | *RMB'* | *HK$' e a e* |
| T rno er | Nil | Nil | Nil | Nil |
| Loss before ta ation | (0.2) | (0.2) | (0.3) | (0.4) |
| Loss after ta ation | (0.2) | (0.3) | (0.3) | (0.4) |

The a dited net asset al e of EB F jian as at 31 December 2013 as appro imatel RMB49.6 million (eq i alent to appro imatel HK$62.0 million). As at 31 December 2013, the carr ing al e of the land se right in respect of Xiamen Site amo nted to appro imatel RMB11.8 million (eq i alent to appro imatel HK$14.8 million). Other assets of EB F jian as at 31 December 2013 mainl incl ded constr ction in progress and cash and cash eq i alents.

As disclosed in the Letter from the Board, as at the Latest Practicable Date, the Compan had no de elopment plan and timetable concerning the de elopment of the Xiamen Site. Based on the c rrent intention of the Compan , the Gro p ill liaise ith the rele ant PRC go ernment a thorit as soon as practicable after Completion regarding the de elopment of the Xiamen Site. The acq isition of EB F jian ill allo the Gro p to preser e an ind strial land for the e pansion of its prod ction capacit of personal care prod cts as and hen necessar p to September 2015. In the e ent that the Gro p decides not to de elop the Xiamen Site b September 2015, the Gro p can ret rn the Xiamen Site to 福建省漳州台商投資區管理委員會 (in English for identification p rpose onl , Management Committee of Tai anese In estors In estment Zone of Zhang ho , F jian Pro ince) at the original consideration as pre io sl agreed bet een 福建省漳州台商投資區管理委員會 and EB F jian.

As reported in the al ation report (the "**Valuation Report**") prepared b American Appraisal China Limited (the "**Valuer**") as set o t in Appendi I to the Circ lar, the market al e of the real propert interests on the Xiamen Site ( hich incl ded the land se right of the Xiamen Site and the constr ction orks thereon) (the "**Property**") as appro imatel RMB29.0 million as at 30 J ne 2014. We ha e cond cted an inter ie ith the Val er to enq ire its e perience in al ing similar real propert interests in the PRC and its independence, and re ie ed the terms of engagement of the Val er, in partic lar to its scope of ork. We noted that its scope of ork is appropriate to form the opinion required to be given and there are no limitations on the scope of work which might adversely impact on the degree of assurance given by the Valuer in the Valuation Report.

We have also reviewed the Valuation Report and discussed with the Valuer regarding the methodology, basis and assumptions adopted in arriving at the value of the Property as at 30 June 2014. We noted that both market approach and cost approach were adopted by the Valuer in arriving at the value of the Property. For the land use right of the Xiamen Site, the Valuer has adopted market approach which is used to estimate value through the analysis of recent sales of comparable property. In the valuation of real estate, similar properties that have recently sold or are offered for sale in the current market are analysed and compared with the property being appraised, and adjustments are made for differences in such factors as date of sale, location, size, shape, and topography of the land, type, age, and condition of the improvements, and prospective use. For the construction works on the Xiamen Site, the Valuer has adopted cost approach by adopting the construction cost incurred in the process of construction. Given the nature of use and other particulars of the Property, the Valuer considers that the market approach and cost approach are the most appropriate valuation methods in arriving at its value. Moreover, as advised by the Valuer, such approaches are in compliance with the standards and guidelines set out in the HKIS Valuation Standards (2012 Edition) published by the Hong Kong Institute of Surveyors and Chapter 5 of the Listing Rules. We also understand from the Valuer that it has carried out an on-site inspection and made relevant enquiries for the purpose of the valuation and no irregularities were noted during the course of the valuation. Given the valuation methodology adopted by the Valuer is usual and in compliance with the standards published by the Hong Kong Institute of Surveyors, we consider that the methodology and basis adopted by the Valuer for determining the value of the Property are appropriate.

As disclosed in the Letter from the Board, one of the conditions precedent for Completion was all approvals, consents, authorisations and licences (so far as are necessary) (other than the transfer of the equity interest of EB Fujian) in relation to the transactions contemplated under the Sale and Purchase Agreement having been obtained from the relevant governmental authorities. As advised by the Company's legal advisers as to PRC laws, there is no legal impediment to the transfer of the equity interest of EB Fujian which will take approximately three months, and in order not to delay the Completion Date, the transfer of equity interest of EB Fujian is excluded as one of the conditions precedent for Completion.

The PRC Contracts

The PRC Contracts are contracts entered into by SCA China and EB Shanghai in relation to the business of sale and distribution of consumer tissues and personal care and hygiene products in the PRC which are unperformed (wholly or partly) at the Completion Date including, without limitation, supply and distribution agreements and customer contracts but excluding employment contracts with its employees and agreements relating to borrowing. As advised by the management of the Company, there are over 300 PRC Contracts covering over 300 cities and over 3,000 customers and/or distributors for tissues and personal care hygiene products in the PRC who, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, are Independent Third Parties. The turnover generated under the PRC Contracts for the year ended 31 December 2013 was approximately HK$405.2 million.

As stated in the Letter from the Board, it is expected that after Completion, the Group will replace SCA China or EB Shanghai (as the case may be) and supply its household consumable paper products to the distributors and customers according to the current terms of the PRC Contracts. Pursuant to the provisions of the Sale and Purchase Agreement, following the Completion Date, the Group will perform all obligations of either SCA China or EB Shanghai (as the case may be) under the PRC Contracts. The Company has been advised by its legal advisers as to PRC laws that consents from the counterparties to the PRC Contracts will be required for effecting novation of the PRC Contracts, and save to the consents, there is no other legal impediment to the transfer of the PRC Contracts or the performance of the PRC Contracts by the Group in the capacity of a sub-contractor. In the event that a PRC Contract cannot be transferred to the Group, the Group will, acting in the capacity of the sub-contractor of either SCA China or EB Shanghai (if legal under the laws of the PRC), perform all the obligations of either SCA China or EB Shanghai (as the case may be) under the PRC Contracts and be entitled to the benefits, interests and revenue under the PRC Contracts. SCA China and/or EB Shanghai (as the case may be) will make all reasonable efforts to obtain the consent to the assignment, or achieve the novation, of the PRC Contracts, and will bear the costs and risks of the Group for doing each reasonable act for enabling the performance of the PRC Contracts by the Group after the Completion Date.

According to the Letter from the Board, although the Completion will be taken place notwithstanding the uncertainties of transferring every PRC Contract, the Directors consider that this risk is not material as the Group is still able to perform all obligations under the PRC Contracts as the sub-contractor of either SCA China or EB Shanghai (as the case ma  be)  pon Completion e en if the PRC Contracts cannot be transferred or no ated, and the costs of effecting the no ation shall be borne b  either SCA China or EB Shanghai (as the case ma  be).

The PRC In entor

The PRC In entor  consists of stock of ra  materials, partl  finished and finished goods in relation to the b siness of the man fact re, sale and distrib tion of cons mer tiss es and personal care and h giene prod cts carried on b  SCA and its s bsidiaries in the PRC as at the Completion Date. The a erage book  al e of the PRC In entor  o er the 12 months ended 30 J ne 2014  as appro imatel  HK$85.4 million.

*1.4 Rea  f  a d be ef  f  e Sa e a d P  c a e A  ee e*

As stated in the Letter from the Board, it is the Gro p's intention to di ersif  its b siness and to e pand its prod cts range and brands offered,  ith a long-term  ision to become the most-preferred personal h giene prod cts compan  in Asia. As stated in the 2013 Ann al Report, the Gro p is di ersif ing into other prod cts to enhance profitabilit . With its  ell-established distrib tion net ork, and capabilities of marketing and promotion, s ppl  chain management, a rich talent pool and financial strength, the Gro p is  ell positioned to di ersif  its b siness. SCA,  hich is E rope's largest and the  orld's second largest personal care enterprise, increased its eq it  stake in the Gro p in 2013 and became the largest Shareholder. With its rich e perience in branding management and research and de elopment capabilit , SCA  ill gi e ne  impet s to the Gro p's di ersification into fo r major personal care b sinesses.

Upon Completion, the Gro p  ill o n SCA Tiss e, SCA Healthcare, SCA Shanghai, EB F jian and the PRC Assets. Besides, as part of the transactions, the Gro p  ill also be entitled to certain intellect al propert  rights in the PRC, Hong Kong and Maca  incl ding the licence to  se the brand, rele ant patents and rele ant technolog  for 'Tempo', 'Dr. P', 'Sealer', 'TORK', 'TENA', 'Libresse' and 'Libero'  pon the Trademark Assignments and the Licence Agreements becoming effecti e  pon Completion. Details of the abo e are set o t in the section headed "Reasons for d ration of the Licence Agreements e ceeds three  ears" belo .

The management of the Compan  considers that after Completion, the Gro p  ill be able to (i) consolidate its strong position  ithin the cons mable paper prod cts market b  obtaining the e cl si e perpet al right to  se the 'Tempo' brand in Hong Kong, Maca  and the PRC; (ii) f rther e pand into ke  personal care prod ct categories s ch as bab  care, elderl  care and feminine care prod cts; (iii) le erage on the strong brand eq it  of SCA's ke  global brands s ch as 'TORK', 'TENA', 'Libero' and 'Libresse', and also the  ell-kno n regional brands s ch as 'Dr. P' and

'Sealer' to f rther penetrate into the personal care prod cts market; (i ) e pand the sales of ario s h giene prod ct brands thro gh tilising the Gro p's sales net ork; and ( ) f rther strengthen its strategic relationship ith SCA.

We ha e disc ssed ith the management of the Compan in respect of the reasons for and benefits of the Sale and P rchase Agreement and the transactions contemplated there nder and ha e considered the follo ing factors in arri ing o r opinion:

<u>E pand the Gro p's prod cts range and brands offered</u>

SCA is a leading global h giene and forest prod cts compan . SCA's prod cts are sold in more than 70 co ntries and it maintains a leading position in most of the co ntries. O er 70% of SCA's net sales as contrib ted b E rope market. According to the ann al report of SCA for the ear ended 31 December 2013, SCA is the orld leader in incontinence prod cts thro gh its global brand 'TENA'. In the bab diapers segment, SCA is the orld's fo rth largest pla er and holds the n mber t o position in E rope. SCA markets bab diapers nder the brand 'Libero' in E rope and its strongest market is in Nordic region. In the feminine care segment, SCA is the orld's fo rth largest pla er and the third largest in E rope. SCA is a market leader in Latin America, A stralia and Ne Zealand. 'Libresse' is a regional brand hich holds a n mber t o position in the Nordic region. SCA is a global leading cons mer tiss e and A a -from-Home (AfH) tiss e compan . In the cons mer tiss e segment, SCA holds the global n mber t o position and the clear market leader in E rope ith strong regional and local brands s ch as 'Tempo', 'Ze a', 'Plent ' and 'Lot s'. 'Tempo' is the market leader in handkerchiefs in Hong Kong ith a market share of abo t 70%. 'TORK' is the global largest s pplier in the AfH tiss e segment.

After Completion, the Gro p ill ha e the e cl si e licence to market and sell prod cts nder the brands 'TENA' (incontinence prod cts), 'Tork' (AfH tiss e), 'Tempo' (cons mer tiss e), 'Libero' (bab diapers) and 'Libresse' (feminine care) in the PRC, Hong Kong and Maca . The Gro p ill also ha e 'Dr. P' (incontinence prod cts) and 'Sealer' (bab diapers) brands in the PRC, Hong Kong and Maca . As stated in the 2013 Ann al Report, the Gro p is set on becoming the most preferred brand of ho sehold care, bab care, feminine care and elderl care prod cts. The Proposed Acq isition is in line ith the Gro p's b siness strategies, hich allo s the Gro p to get access to a broader prod ct range. We consider that, b le eraging on the strong brands, the Gro p ill be able to f rther penetrate into the personal care prod cts market in the PRC, Hong Kong and Maca efficientl .

Significant potential for f t re gro th in the PRC

According to the statistics released b the National B rea of Statistics of China, the pop lation of the PRC increased grad all b a compo nd ann al gro th rate of appro imatel 0.5% per ann m from appro imatel 1,299,880,000 in 2004 to appro imatel 1,360,720,000 in 2013. In 2013, female acco nted for appro imatel 48.8% of the pop lation in the PRC. The birth rate of the PRC as appro imatel 1.2% and appro imatel 1.6 million babies ere born in 2013. In 2013, pop lation aged 65 and abo e acco nted for appro imatel 9.7% of the pop lation in the PRC.

In order to maintain a health demographic str ct re and stable orking force of the PRC in the f t re, the PRC go ernment released a ne birth polic in Febr ar 2014 ith an aim to enhance the birth rate of the co ntr . The ne birth polic stated that in the e ent that either one of the parents is a single child, the famil is allo ed to gi e birth p to t o children. The increase in birth rate ill increase the demand for bab prod cts incl ding bab diapers.

The real gross domestic prod ct (the "**GDP**") for 2013 increased b aro nd 7.7% as compared to the pre io s ear. The PRC go ernment e pects the ann al gro th rate of the GDP for the ear ending 31 December 2014 to be appro imatel 7.5%. With the economic gro th, the li ing standard of PRC cons mers is e pected to contin e to impro e. This ill lead to the increase in demand for q alit personal care prod cts.

With the PRC's pop lation gro th, rising li ing standards and gro ing h giene a areness, the demand for personal care prod cts is e pected to increase.

S nergies in distrib tion, sales, research and de elopment as ell as prod ction

The Gro p has established strong sales net ork in the PRC and Hong Kong markets. As disclosed in the 2013 Ann al Report, the re en e contrib ted b traditional distrib tors, modern h permarket and s permarkets, corporate clients and E-commerce as appro imatel 46.8%, 37.6%, 13.0% and 2.6% respecti el for the ear ended 31 December 2013. As of 31 December 2013, the Gro p had a total of 210 sales offices and 1,387 distrib tors. The Gro p maintained its market leadership in G angdong, H bei, Beijing and Hong Kong ith its ell-established sales net ork. To e pand its presence in Shandong pro ince and its s rro nding areas, the Gro p had a ne plant b ilt in Lai , a cit in the pro ince. The factor started operating in the second half of the ear. It is e pected that the proportion of E-commerce ill grad all e pand and the Gro p ill contin e to de elop E-commerce in the future. After Completion, the new product portfolio obtained by the Group will have the potential to reach a broader base of consumers and customers through the extensive and robust distribution network of the Group in the PRC. In addition, as advised by the management of the Company, the PRC Contracts cover over 300 cities in the PRC with over 3,000 customers and distributors. The Group may also enhance its distribution capability by approaching those customers and distributors of the PRC Contracts which do not have business relationship with the Group.

Upon Completion, the Group will own trademark of 'Dr. P' and 'Sealer' in the PRC, Hong Kong and Macau. The Group will also have the licences to use relevant patents and technology associated with the brands obtained after Completion. This will enhance the Group's research and development capabilities.

As disclosed in the 2013 Annual Report, the Group sold 481,929 tons of paper in 2013 and the Group's annual designed production capacity was 760,000 tons by end of 2013. In the fourth quarter of 2014, the Group plans to expand 70,000 tons and 60,000 tons of capacity in Guangdong and Zhejiang Province respectively, which will further raise the Group's total designed annual production capacity to 890,000 tons by the end of 2014. It is noted that the Proposed Acquisition will not involve the transfer of manufacturing facilities for the PRC Contracts from SCA Group and its subsidiaries to the Group. Upon Completion, the expansion of products range and brands will allow the Group to utilise its idle production capacity.

Based on the aforesaid, we consider that the Proposed Acquisition together with the Licence Agreements and Trademark Assignments will create synergies for the Group by capitalising the renowned brands of SCA Group and its developed distribution network in the PRC, Hong Kong and Macau, and thus we concur with the view of the Directors that the Proposed Acquisition is in line with the Group's expansion strategies and is the interest of the Company and the Shareholders as a whole.

## 2. *Principal terms of the Sale and Purchase Agreement*

### *2.1 T e c de a*

The initial p rchase price for the Sale Shares and the PRC Assets (s bject to adj stments) is HK$1,144,000,000 (the "**Consideration**"), being the debt and cash free al e (i.e. ass ming that all debts o ed b the entities to be acq ired being settled and the s rpl s cash being remo ed), and ill be pa able in cash (or s ch other manner as ma be agreed bet een SCA Gro p and the Compan ) b the Gro p at Completion. The Compan ill finance the settlement of the Consideration b internal reso rces and the f nding a ailable nder a term loan facilit to be made a ailable b AB SCA Finans (p bl), an indirect holl -o ned s bsidiar of SCA, in the s m of HK$1,200,000,000 as disclosed in the Anno ncement (the "**Term Loan Facility**").

As stated in the Letter from the Board, the initial p rchase price as determined after arm's length negotiations bet een the Compan and SCA Gro p, after taking into acco nt of, amongst others, the historical financial performance of the assets to be req ired (in partic lar, that of SCA Tiss e and the t rno er amo nt of the PRC Contracts) and the f t re de elopment potential of assets to be acq ired (incl ding the benefits nder the Trademark Assignments and the Licence Agreements, hich ill become effecti e pon Completion), In partic lar, the Compan has considered the perpet al e cl si e rights to se the brand name of 'Tempo' and the assignment of the trademarks of 'Dr. P' and 'Sealer' brands. These are established ho sehold cons mable paper prod cts and personal care brands in Hong Kong and PRC, ith a histor of brand presence in the market. At the same time, the Compan ill also obtain e cl si e rights to se the brand names of international brands 'TORK', 'TENA', 'Libresse' and 'Libero'. The Compan belie es that these brands carr significant brand recognition ith the cons mers, hich ill allo the Compan to f rther enhance its c rrent brand portfolio. On the other hand, SCA Healthcare and SCA Shanghai are in the earl stage of de eloping their b sinesses, hereas EB F jian does not carr an operating acti it . Therefore the had inc rred loss in pre io s financial ears and the amo nts of hich are considered immaterial. SCA Healthcare and its s bsidiar SCA Shanghai are ne l established companies hich are engaged in the b siness of pro ision of home-based health care ser ices and health management cons ltanc . These companies can pro ide complementar ser ices to the o erall operation of the Gro p.

<u>E al ation of the Consideration</u>

P rs ant to the Sale and P rchase Agreement, the Proposed Acq isition in ol es the acq isition of (i) the entire iss ed share capital of SCA Tiss e; (ii) the entire iss ed share capital of SCA Healthcare; (iii) the entire eq it interest of EB F jian; and (i ) the PRC

Assets by the Company. As part of the transactions contemplated under the Sale and Purchase Agreement, the Group will entitle to certain intellectual property rights in the PRC, Hong Kong and Macau upon the Trademark Assignments and the Licence Agreements becoming effective at Completion. Upon Completion, the Group will be engaged in the sale of the products under the brand name of 'Tempo', 'Dr. P', 'Sealer', 'TORK', 'TENA', 'Libero', and 'Libresse' in the PRC, Hong Kong and Macau (the "**Business**") and also owns the entire equity interests of SCA Healthcare and EB Fujian.

In evaluating the fairness and reasonableness of the Consideration, we have, on a best effort basis, identified a full and exhaustive list of comparable companies which are listed on the Stock Exchange and are principally engaged in the manufacturing, distribution and sale of personal hygiene and/or healthcare products based on the information publicly available on the website of the Stock Exchange (the "**Comparable Companies**"). We have considered several commonly used and generally accepted trading multiples of the Comparable Companies identified, including price to earnings multiples ("**P/E ratio**"), price to net asset value multiples ("**P/NAV ratio**") and enterprise value ("**EV**") to sales multiples.

As advised by the management of the Company, the Business is carried out by SCA Tissue and other relevant subsidiaries of SCA Group. It should be noted that the acquisition of the Business will involve acquisition of the business of 'Tempo', the PRC Contracts, the PRC Inventory and the entitlement of the relevant licences which are all relating to the personal care products business carried out by SCA Group and its subsidiaries. We note that the Proposed Acquisition will not involve, among other things, the transfer of manufacturing facilities, staff contracts, loan contracts, account receivables and accounts payables of the other relevant subsidiaries of SCA Group which carried out the Business to the Group (except for those of SCA Tissue where applicable). We, therefore, consider that P/E ratio and P/NAV ratio are not appropriate for valuation of the business and assets to be acquired under the Proposed Acquisition.

In our opinion, the value of the Business should reflect the value of (i) the PRC Contracts which generated revenue of approximately HK$405.2 million for the year ended 31 December 2013; (ii) the PRC Inventory with average book value of approximately HK$85.4 million; (iii) the entire issued share capital of SCA Tissue, which recorded net profit of approximately HK$23.1 million for the year ended 31 December 2013; (iv) the entitlement of the licences associated with brands of the Business; (v) the appraised value of the Property of approximately RMB29.0 million as at 30 June 2014; and (vi) the entire iss ed share capital of SCA Healthcare and SCA Shanghai. Both companies inc rred net loss of appro imatel of HK$2.1 million for the ear ended 31 December 2013.

D e to the str ct re of the Proposed Acq isition, e consider that it is appropriate to se EV to sales m ltiple to al e the B siness. For simplicit and pr dence sake, e al e the B siness in terms of re en e generated from the PRC Contracts and t rno er of SCA Tiss e and SCA Shanghai and ignore the follo ing in o r e al ation of the fairness and reasonableness of the Consideration: (i) the PRC In entor ith a erage book al e of appro imatel HK$85.4 million; (ii) the appraised al e of the Propert of appro imatel RMB29.0 million; and (iii) the fair al e of intellect al propert rights to be tilised b the Gro p as the Gro p ill tilise the intellect al propert rights in its ordinar co rse of b siness instead of sale of the rights to third parties. The incl sion of the positi e combined al e of these assets in e al ation of the fairness of the Consideration o ld lead to a lo er EV to be sed in the EV to sales m ltiple calc lation in comparison to those of Comparable Companies. Therefore, e consider that the e cl sion of the al e of these assets ill not affect o r assessment of the fairness and reasonableness of the Consideration.

Not ithstanding that the scale of operations, operating en ironment, b siness model, ta ation, acco nting policies and risk profile of the Comparable Companies ma be different from those of the B siness, gi en that the principal b siness of the Comparable Companies is similar to that of the B siness, e consider that the Comparable Companies are fair and representati e samples for comparison, and that the anal sis ith the Comparable Companies pro ides a general reference as to the market al ation of the B siness. We set o t in the follo ing table the respecti e EV to sales m ltiples of the Comparable Companies as at the Latest Practicable Date.

| **Company name** | **Principal business** | **EV** *(N e 1)* **to sales multiple** *(T e )* |
|---|---|---|
| Hengan International Gro p Co. Ltd. (stock code: 1044) | Man fact ring, distrib tion and sale of personal h giene prod cts, skin care and food and snacks prod cts in the PRC | 4.9 |
| China Child Care Corporation Ltd. (stock code: 1259) | Design and pro ision of children's personal care prod cts, incl ding skin care prod cts, bod and hair care prod cts, oral care prod cts and diaper prod cts in the PRC | 0.5 |

| Company name | Principal business | EV(Note 1) to sales multiple (Times) |
|---|---|---|
| Newtree Group Holdings Ltd. (stock code: 1323) | Trading and manufacture of clinical and household hygienic disposables and trading of related raw materials, agency service and trading of methyl tertiary butyl ether products and, trading of coal products, wholesales and retail of household consumables | 3.7 |
| The Company | Manufacturing of household consumable paper products | 2.2 |
| **Maximum** | | **4.9** |
| **Minimum** | | **0.5** |
| **Average** | | **2.8** |
| **Median** | | **3.0** |
| The Business (as implied by the Consideration) | | 1.6(Note 2) |

*Source:* Website of the Stock Exchange

*Notes:*

1. EV of a Comparable Company refers to its market value as at the Latest Practicable Date adjusting by net debt (defined as total borrowings minus cash and cash equivalents) and non-controlling interests according to the latest published financial statements of the Comparable Company available on the Latest Practicable Date.

2. EV of the B siness is calc lated based on the Consideration. Sales of the B siness are t rno er of SCA Tiss e and SCA Shanghai, and the t rno er generated from the PRC Contracts in aggregate for the ear ended 31 December 2013. The follo ing table ill strates the calc lation of the EV to sales m ltiple of the B siness:

| | *HK$'* |
|---|---|
| EV of the B siness (as implied b the Consideration) (A) | 1,144.0 |
| T rno er for the ear ended 31 December 2013 of: | |
| SCA Tiss e | 310.3 |
| SCA Healthcare | |
| SCA Shanghai | 0.2 |
| EB F jian | |
| the PRC Contracts | 405.2 |
| Total rele ant t rno er of the B siness (B) | 715.7 |
| EV to sales m ltiple of the B siness *(T e )* (C) = (A)/(B) | 1.6 |

Based on the abo e table, e note that the EV to sales m ltiples of the Comparable Companies ranged from appro imatel 0.5 times to 4.9 times, ith an a erage of appro imatel 2.8 times and a median of appro imatel 3.0 times. The EV to sales m ltiple of the B siness as implied b the Consideration of appro imatel 1.6 times falls ithin the range of those of the Comparable Companies and is belo the a erage and median of those of the Comparable Companies. Accordingl , e consider that the Consideration is fair and reasonable in this regard.

Adj stment mechanism

The initial p rchase price for the Sale Shares and the PRC Assets ill be adj sted s ch that the final p rchase price ill be determined b ded cting the amo nt of act al net debt of SCA Tiss e, SCA Healthcare, SCA Shanghai and EB F jian as at the Completion Date, and taking into acco nt the s rpl s or the deficits (as the case ma be) (i) bet een the amo nt of orking capital of SCA Tiss e as at the Completion Date and the agreed amo nt of normalised orking capital of HK$5,900,000 ( hich as calc lated based on the a erage amo nt of orking capital d ring the t el e-month period from 1 J l 2013 to 30 J ne 2014), and (ii) bet een the amo nt of act al al e of the PRC In entor as at the Completion Date and the agreed amo nt of normalised al e of the PRC In entor at HK$85,400,000. There is no ma im m adj stment amo nt or ceiling to the initial p rchase price. If there is an adj stment to the initial p rchase price, the rele ant part shall settle the same ithin fi e B siness Da s from the date hen the final p rchase price is determined or agreed among the parties.

In respect of the amo nt of net debt of SCA Tiss e, SCA Healthcare, SCA Shanghai and EB F jian, e ha e re ie ed the latest a dited financial statements of SCA Tiss e, SCA Healthcare, SCA Shanghai and EB F jian and noted that each of these companies recorded net cash position as at 31 December 2013.

We ha e also disc ssed ith the management of the Compan regarding the basis of determination of the amo nt of normalised orking capital of HK$5,900,000 of SCA Tiss e and the amo nt of normalised al e of the PRC In entor at HK$85,400,000. We ha e re ie ed the calc lations of the normalised orking capital of SCA Tiss e and the normalised al e of the PRC In entor .

Gi en that the final p rchase price ill be determined b ded cting the amo nt of act al net debt of SCA Tiss e, SCA Healthcare, SCA Shanghai and EB F jian as at the Completion Date s ch that the Consideration is the debt and cash free al e, e consider that the adj stment mechanism of the Consideration is fair and reasonable to adj st for an s rpl s or deficit of the al e of the companies and assets nder the Proposed Acq isition on a dollar-to-dollar basis.

*2.2 C c*

Based on the foregoing, in partic lar, the basis of determination of the Consideration and the anal sis on the Comparable Companies, e are of the opinion that the principal terms of the Sale and P rchase Agreement (incl ding the Consideration) are on normal commercial terms and also fair and reasonable.

**3. *Potential financial effects of the Proposed Acquisition on the Group***

*3.1 Re e e*

Upon Completion, the Gro p ill ha e (i) 100% eq it interests in SCA Tiss e, SCA Healthcare and EB F jian and their financial res lts ill be consolidated into the acco nts of the Gro p; and (ii) the PRC Assets. As set o t in the s b-section headed "Information on SCA Tiss e, SCA Healthcare, SCA Shanghai, EB F jian and the PRC Assets" abo e, total t rno er of SCA Tiss e, SCA Healthcare, SCA Shanghai and EB F jian as appro imatel HK$310.5 million for the ear ended 31 December 2013 and the t rno er generated nder the PRC Contracts for the ear ended 31 December 2013 as appro imatel HK$405.2 million. The aggregate profit after ta ation of SCA Tiss e, SCA Healthcare, SCA Shanghai and EB F jian as appro imatel HK$18.6 million for the ear ended 31 December 2013. The Compan e pects that the re en e base of the Gro p ill be enhanced after Completion. The act al impact on earnings of the Compan ill depend on the f t re performance of the B siness incl ding f t re re en e to be generated and associated costs to be inc rred b the Gro p.

*3.2 Gea a*

As stated in the Letter from the Board, the Consideration shall be settled b the Gro p in cash at Completion. The Compan ill finance the settlement of the Consideration b internal reso rces and the f nding a ailable nder the Term Loan Facilit in the s m of HK$1,200,000,000. As disclosed in the Anno ncement, the interest rates of the Term Loan Facilit offered are eq al to or more fa o rable than those offered to the Gro p b Independent Third Parties.

According to the interim res lts of the Compan for the si months ended 30 J ne 2014, the Gro p had cash and cash eq i alents of appro imatel HK$577.9 million and gearing ratio (calc lated on the basis of the amo nt of total borro ings as a percentage of the total shareholders' eq it ) of appro imatel 65.7% as at 30 J ne 2014. Taking into acco nt that the Consideration ill be settled b the Gro p in cash hich ill be financed b the Gro p's internal reso rces and the Term Loan Facilit , it is e pected that the gearing ratio of the Gro p o ld increase in this regard.

As stated in the Letter from the Board, the formal agreement in respect of the Term Loan Facilit is e pected to be e ec ted shortl after the EGM. The follo ing table sets forth the principal terms of the Term Loan Facilit p rs ant to the term sheet entered into bet een the Compan and AB SCA Finans (p bl):

| | |
|---|---|
| Borro er: | The Compan |
| Lender: | AB SCA Finans (p bl) |
| G arantors(N e): | Vinda Ho sehold Paper (China) Limited<br>Forton Enterprises Limited<br>Vinda In estment Gro p Limited<br>Vinda Ho sehold Paper (Hong Kong) Limited<br>Vinda In estment (China) Limited<br>Vinda Paper Ind strial (H.K.) Compan Limited<br>Vinda Personal Care (Hong Kong) Limited |
| Amo nt: | HK$1,200,000,000, to be dra n in HK$ or RMB s bject to the RMB being readil a ailable to the lender at reasonable cost and it being confirmed that no restrictions appl pre enting the borro er from repa ing the loan on mat rit date |
| A ailabilit period: | One month from signing of facilit agreement |

| | |
|---|---|
| Mat rit : | Term loans can be dra n ith mat rit of three ears |
| Interest rate: | Eq al to or more fa o rable than those offered to the Gro p b Independent Third Parties |
| Minim m amo nt of each term loan: | HK$300,000,000 or appropriate eq i alent minim m amo nts for option c rrencies |

*N e:* The g arantors are holl -o ned s bsidiaries of the Compan . As confirmed b the Compan , the g arantors are not req ired to pledge an of their assets for the Term Loan Facilit .

As confirmed b the Directors, the terms of the Term Loan Facilit are eq al to or more fa o rable than those offered to the Gro p b Independent Third Parties.

*3.3 W ca a*

Ha ing considered that (i) the Consideration ill be settled b the Gro p in cash hich ill be financed b the Gro p's internal reso rces and the Term Loan Facilit ; (ii) the Gro p had cash and cash eq i alents amo nted to appro imatel HK$577.9 million as at 30 J ne 2014; (iii) the Gro p generated net cash inflo s from operating acti ities for each of the ears ended 31 December 2012 and 2013 and the si months ended 30 J ne 2014 as appro imatel HK$740.1 million, HK$819.6 million and HK$211.0 million respecti el ; and (i ) the management of the Compan e pects that the Gro p is not req ired to de ote s bstantial additional e pendit res for the de elopment of the B siness after Completion, the Compan e pects that the Proposed Acq isition o ld not res lt in material ad erse impact on the orking capital position of the Gro p and that the increase in the gearing ratio of the Gro p is acceptable.

In ie of the foregoing, e are of the opinion that the Proposed Acq isition is not e pected to ha e an material ad erse financial effect on the Gro p pon Completion.

**B. Reasons for duration of the Licence Agreements exceeds three years**

As part of the transactions contemplated nder the Sale and P rchase Agreement, the Trademark Assignments in relation to the assignment of se eral trademarks and the Licence Agreements in relation to the grant of licences to se se eral brand names, patents and technolog associated ith the rele ant brand prod cts ere e ec ted. The follo ing table s mmarises the Gro p's entitlement to certain intellect al propert rights in the PRC, Hong Kong and Maca pon the Trademark Assignments and the Licence Agreements becoming effecti e at Completion:

| Brand name | Major products under the brand | Licence to use the brand | Licence to use the relevant patents | Licence to use the relevant technology associated with the brand |
|---|---|---|---|---|
| Tempo | Cons mer tiss e prod cts (incl ding toilet paper, facial tiss e and et ipes) | Perpet al and e cl si e, ro alt -free | Non-e cl si e, ro alt -free for first three ears | E cl si e right, ro alt -free for first three ears |
| Dr. P | Incontinence care prod cts | N/A | Non-e cl si e, ro alt -free for first three ears | E cl si e right, ro alt -free for first three ears |
| Sealer | Bab diapers prod cts and bab care prod cts | N/A | Non-e cl si e, ro alt -free for first three ears | E cl si e right, ro alt -free for first three ears |
| TORK | Tiss e, object ipes, soap and prod ct dispensers | E cl si e and ro alt -free for the first three ears, rene al for t o more three- ear terms ith ro alt | Non-e cl si e, ro alt -free for first three ears | E cl si e right, ro alt -free for first three ears |
| TENA | Incontinence care prod cts | E cl si e and ro alt -free for the first three ears, rene al for t o more three- ear terms ith ro alt | Non-e cl si e, ro alt -free for first three ears | E cl si e right, ro alt -free for first three ears |
| Libresse | Feminine care prod cts | E cl si e and ro alt -free for the first three ears, rene al for t o more three- ear terms ith ro alt | Non-e cl si e, ro alt -free for first three ears | E cl si e right, ro alt -free for first three ears |
| Libero | Bab diapers prod cts and bab care prod cts | E cl si e and ro alt -free for the first three ears, rene al for t o more three- ear terms ith ro alt | Non-e cl si e, ro alt -free for first three ears | E cl si e right, ro alt -free for first three ears |

The intellectual property rights under the Licence Agreements are essential for the operations of the Business. It is in the interests of the Group to have the duration of the Licence Agreements exceeds three years as continuous sales and marketing efforts are required to maintain or enhance public awareness of the branded products and to extend the distribution network of the products. A longer period of the Licence Agreements can facilitate the Group to formulate a long term business plan so as to maximise the return generated from the Business. It is not justified for the Group to have the duration of three years or less and face the uncertainties on whether the Licence Agreements will be extended. As such, we consider that there are legitimate commercial reasons for the duration of the Licence Agreements exceeds three years.

In considering whether it is normal business practice for contracts of similar nature to the Licence Agreements to have a term of such duration, we have identified a number of comparable transactions involving the granting of licences for the use of intellectual property rights, such as trademarks, patents, brands and/or technology know-how with duration of over three years (the "**Comparable Licensing Transactions**") based on our best knowledge. The Comparable Licensing Transactions are identified based on the following criteria: (i) one of the parties to the relevant transaction is a company listed on the Stock Exchange; (ii) the transactions were announced by way of announcement made pursuant to the Listing Rules during the 24-month period prior to the date of the Sale and Purchase Agreement; and (iii) the transactions relate to the granting of licences for the use of intellectual property rights, including trademarks, patents, brands and/or technology know-how.

The following table sets out certain selected details of the Comparable Licensing Transactions:

| Company name | Date of announcement | Nature of licence | Date of grant | Duration | Reason(s) for a duration exceeding three years |
|---|---|---|---|---|---|
| Theme International Holdings Limited (stock code: 0990) | 26 June 2014 | A licence to use a trademark and related intellectual properties in Taiwan region | 28 October 2009 (as amended and supplemented by a supplemental agreement dated 26 June 2014) | An initial term of five years and a further five-year term | N/A[Note] |
| TPV Technology Limited (stock code: 0903) ("**TPV**") | 25 March 2014 | An exclusive trademark licence under which licensee may design, manufacture, source, sell, distribute and market licensor's branded products under specified scope in certain territory | 1 April 2012 (as amended and supplemented by a supplemental agreement dated 25 March 2014) | An initial term of five years, automatically renewable for a subsequent five-year period. After the second five-year term, the trademark licence agreement may be extended by mutual agreement for successive five-year periods | (i) Any shorter term would increase the risks associated with, and lower the returns on, the investment in TPV group's brand building of the licensor's contributed business; (ii) TPV group was expected to invest substantial management efforts to broaden the licensor contributed business's product range and market share, the benefits of which would extend beyond three years; and (iii) TPV intended to strengthen the licensor contributed business and the presence of the licensor's trademarks and the licensor secondary trademark in the markets where the products under the specified scope are sold. |
| China Resources Enterprise, Limited (stock code: 0291) | 2 October 2013 | A non-exclusive royalty-free perpetual licence to use the licensor's intellectual property | 28 May 2014 (being the completion date) | Perpetual | The relevant licence agreement is designed to run for the life of the joint venture which is the licensee, and the provision of the licensor's intellectual property and know-how is an integral part of the joint venture |
| Chongqing Machinery & Electric Co., Ltd. (stock code: 2722) | 28 August 2013 | A non-exclusive right for the use of the licensor' patents and technological information, such that the licensee can manufacture, outsource, utilise, sell and serve licensed products in the PRC | 28 August 2013 | An initial term of ten years, renewable for a further term of five years subject to negotiation, with any subsequent extension subject to the same mechanism | N/A[Note] |
| Sparkle Roll Group Limited (stock code: 0970) | 29 January 2013 | An exclusive right to use trademarks on diamond and diamond accessories within the PRC and Macau | 29 January 2013 | An initial term of ten years with an option to renew for an additional period of ten years upon expiration | N/A[Note] |

*Source:* Website of the Stock Exchange

*Note:* These transactions did not constitute connected transactions of the respective listed companies concerned and no reason for the duration of licence term exceeding three years was disclosed.

The above list of the Comparable Licensing Transactions identified may not be an exhaustive list as we are unable to definitively capture all Comparable Licensing Transactions based on the abovementioned criteria. Notwithstanding the aforesaid, given that (i) there exist at least five Comparable Licensing Transactions during the 24-month period prior to the date of the Sale and Purchase Agreement. We consider that the precedent cases can illustrate that it is normal business practice for contracts of similar nature to the Licence Agreements to have a term of such duration; (ii) the duration of the Licence Agreements falls within range of the licence terms of the Comparable Licensing Transactions from an initial term of approximately five years to perpetual; and (iii) it is normally in the interest of the licensee to obtain a longer period of licence to facilitate the formulation of a long term business plan so as to maximise return, we consider that it is normal business practice for the duration of the Licence Agreements exceeds three years.

## RECOMMENDATION

In arriving at our recommendation in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder, we have considered the principal factors and reasons as discussed above, in particular, the following (which shall be read in conjunction with and interpreted in the full context of this letter):

- the Proposed Acquisition provides the Group an opportunity to expand its product range and brands offered;
- the Proposed Acquisition will create synergy in distribution and sales of products of the Group and SCA Group and its subsidiaries;
- the entitlement to certain licences to use the relevant patents and technology associated with the brands will enhance the Group's research and development capabilities;
- the EV to sales multiple of the Business as implied by the Consideration falls within the range of those of the Comparable Companies; and
- the Proposed Acquisition is not expected to have any material adverse financial effect on the Group upon Completion,

e are of the opinion that the terms of the Sale and P rchase Agreement are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and the Sale and P rchase Agreement and the transactions contemplated there nder are in the ordinar and s al co rse of b siness and in the interests of the Compan and the Shareholders as a hole. Accordingl , e ad ise the Independent Shareholders, as ell as the Independent Board Committee to recommend the Independent Shareholders, to ote in fa o r of the ordinar resol tion to be proposed at the EGM to appro e the Sale and P rchase Agreement and the transactions contemplated there nder.

Yo rs faithf ll ,
For and on behalf of
**Quam Capital Limited**
**Noelle Hung**
*Ma a D ec*

*M . N e e H a ce ed e a d a e b e ff ce f Q a Ca a L ed e e ed e SFC ca e 6 (ad c a e f a ce) e a ed ac e de e SFO ce 2007 a d a a c a ed e f de e de f a c a ad e ce f a a ac c a e ed H K .*

a Limi

tral, Ho

安慶

Market Val e is nderstood as the al e of an asset and liabilit estimated itho t regard to costs of sale or p rchase (or transaction) and itho t offset for an associated ta es or potential ta es.

This estimate specificall e cl des an estimated price inflated or deflated b special considerations or concessions granted b an one associated ith the sale, or an element of special al e.

**VALUATION METHODOLOGY**

In the co rse of o r al ation, e ha e adopted both market approach and cost approach.

For the land parcel of the Propert , e ha e adopted market approach hich is sed to estimate al e thro gh the anal sis of recent sales of comparable propert . In the al ation of real estate, similar properties that ha e recentl sold or are offered for sale in the c rrent market are anal ed and compared ith the propert being appraised, and adj stments are made for differences in s ch factors as date of sale, location, si e, shape, and topograph of the land, t pe, age, and condition of the impro ements, and prospecti e se.

For the constr ction orks of the Propert , e ha e adopted cost approach b adopting the constr ction cost inc rred in the process of constr ction.

**TITLE INVESTIGATION**

We ha e been pro ided ith copies of doc ments in relation to the title of the propert interests. Ho e er, d e to the c rrent registration s stem of the PRC, no in estigation has been made for the legal title or an liabilities attached to the propert . We ha e also not scr tini ed the original doc ments to erif o nership or to erif an amendments hich ma not appear on the copies handed to s.

We ha e relied to a considerable e tent on the information pro ided b the Gro p and the PRC legal opinion pro ided b the PRC legal ad iser, Allbright La Offices (Shen hen) on the PRC La regarding the propert interests located in the PRC.

All legal doc ments disclosed in this letter and al ation certificate are for reference onl and no responsibilit is ass med for an legal matters concerning the legal title to the propert interests set o t in this letter and al ation certificate.

**ASSUMPTIONS**

O r al ations ha e been made on the ass mption that the o ner sell the propert interests on the market in its e isting state itho t the benefit of deferred terms contracts, leaseback, joint ent res, management agreements or an similar arrangement hich o ld ser e to affect the al es of the propert interests.

No allo ance has been in o r al ations for an charges, mortgages or amo nts o ing on the properties al ed nor for an e penses or ta ation hich ma be inc rred in effecting a sale. Unless other ise stated, all the propert interests are free from enc mbrances, restrictions and o tgoings of an onero s nat re hich co ld affect their al es.

We ha e ass med that the o ners of the propert interests ha e free and ninterr pted rights to se, lease or mortgage the propert interests for the hole of the ne pired term of its respecti e land se rights. We ha e also ass med that the propert interests are freel disposable and transferable.

We ha e al ed the propert interests on the ass mption that it is de eloped in accordance ith the de elopment proposals or b ilding plans gi en to s. We ha e ass med that all consents, appro als and licences from rele ant go ernment a thorities for the b ildings and str ct res erected or to be erected thereon ha e been granted. Also, e ha e ass med that nless other ise stated, all b ildings and str ct res erected on the land parcels are held b the o ners or permitted to be occ pied b the o ners.

It is ass med that all applicable oning, land se reg lations and other restrictions ha e been complied ith nless a non-conformit has been stated, defined and considered in the al ation certificate. F rther, it is ass med that the tili ation of the land and impro ements is ithin the bo ndaries of the propert interests described and that no encroachment or trespass e ists nless noted in the al ation certificate.

Other special ass mptions of the Propert , if an , ha e been stated in the footnotes of the al ation certificate.

**LIMITING CONDITIONS**

We ha e relied to a considerable e tent on the information pro ided b the Gro p and ha e accepted ad ice gi en to s b the Gro p on s ch matters as stat tor notices, easements, ten re, occ panc , constr ction cost, site areas and floor areas and all other rele ant matters. Dimensions and areas incl ded in the al ation certificate are based on information contained in the doc ments pro ided to s and are onl appro imations.

Ha ing e amined all rele ant doc mentation, e ha e had no reason to do bt the tr th and acc rac of the information pro ided to s. We ha e ass med that no material factors ha e been omitted from the information to reach an informed ie , and ha e no reason to s spect that an material information has been ithheld.

We ha e not carried o t detailed site meas rements to erif the land or b ilding areas in respect of the propert b t ha e ass med that the areas pro ided to s are correct. All dimensions and areas are appro imations onl .

O r Valerie Li has inspected the propert incl ded in the attached al ation certificate on A g st 13, 2014. No str ct ral s r e has been made and e are therefore nable to report as to hether the propert is or is not free of rot, infestation or an other str ct ral defects. No tests ere carried o t on an of the ser ices.

No site in estigations ha e been carried o t to determine the s itabilit of the gro nd conditions or the ser ices for the de elopment site. O r al ation is made on the basis that these aspects are satisfactor and that no e traordinar e penses or dela s ill be inc rred d ring the constr ction period.

**REMARKS**

In al ing the propert interests, e ha e complied ith all the req irements contained in Paragraph 34(2), (3) of Sched le 3 of the Companies (Winding p and Miscellaneo s Pro isions) Ordinance (Cap. 32), Chapter 5 and Practice Note 12 to the R les Go erning the Listing of Sec rities iss ed b The Stock E change of Hong Kong Limited and The HKIS Val ation Standards (2012 Edition) p blished b the Hong Kong Instit te of S r e ors.

We hereb certif that e ha e neither present nor a prospecti e interest in the real properties or the al e reported. This al ation report is iss ed s bject to o r Ass mptions and Limiting Conditions.

Unless other ise stated, all monetar amo nt stated in this report is in Renminbi (RMB).

We enclose here ith o r al ation certificate.

Yo rs faithf ll ,
For and on behalf of
**AMERICAN APPRAISAL CHINA LIMITED**

**Calvin K.C. Chan**
**CFA, MRICS, MHKIS, MCIREA, RPS (GP)**
**Vice President**

*N e:* Mr. Cal in K. C. Chan, ho is a Chartered S r e or and Registered Professional S r e or, has o er 18 ears' e perience in al ation of properties in Hong Kong and the PRC. Mr. Chan has been admitted to the Hong Kong Instit te of S r e ors' appro ed List of Propert Val ers to ndertake al ation for incorporation or reference in Listing Partic lars and Circ lars and al ation in connection ith takeo ers and mergers.

Ms. Valerie Li, ho is a Registered China Real Estate Appraiser (CREA), has o er 6 ears post-q alification in al ati

## VALUATION CERTIFICATE

**Property — Held for Owner Occupied**

| Property | Description and tenure | Particulars of occupancy | Market Value In existing state as at June 30, 2014 |
|---|---|---|---|
| A Land Parcel located at Linmei Da Dao W hai Ind strial Zone,<br>Jiaomei Ind strial Comprehensi e De elopment Zone, Longhai Cit ,<br>F jian Pro ince, the PRC (Lot No. 2011G39)<br><br>中國福建省龍海市<br>角美工業綜合開發區<br>吳宅工業園村<br>林美大道之土地<br>(土地編號：2011G39) | The Propert comprises a parcel of land ith total site area of appro imatel 96,226 sq are metres.<br><br>The land se rights of the Propert ha e been granted for ind strial se ith a term to be e pired on No ember 28, 2061. | The fo ndation orks of the Propert as completed and pending for f rther constr ction | 28,970,000 |

*N e:*

(1) P rs ant the State-o ned Land Use Certificate (國有土地使用證), Zhang Tai G o Yong (2014) Di No. 0108 (漳台國用(2014)第0108號), iss ed b People's Go ernment of Zhang ho Cit (漳州市人民政府) dated Jan ar 19, 2014, the land se rights of the Propert ith site area of appro imatel 96,226 sq are metres is held b E erbea t Ind str (F jian) Co., Ltd. (全日美實業(福建)有限公司) ("EB F jian") for the term e piring on No ember 28, 2061 for ind strial se (man fact ring of paper prod cts).

(2) P rs ant to the State-o ned Constr ction Land Grant Contract (國有建□用地使用權出讓合同), entered bet een Land Reso rces B rea of Longhai Cit (龍海市國土資源局) ("Part A") and EB F jian ("Part B") dated September 28, 2011, Part A agreed to grant the land se rights of the Propert ith a total site area of abo t 96,226 sq are metres to Part B for a term of 50 ears for man fact ring of paper prod cts se for a land premi m of appro imatel RMB16,166,000.

(3) P rs ant to the Constr ction Land Use Planning Permit (建□用地規劃□可證), Di Zi Di No. 20112025 (地字第20112025號), iss ed b the Management Committee of Tai anese Enterprises In estment Zone of Zhang ho Cit (漳州台商投資區管理委員會) dated September 8, 2011, the constr ction planning of the land parcel for a total gross floor area 102,300 sq are meters for ind strial facilities p rpose has been appro ed.

(4) P rs ant to the Report of Phase I Constr ction Works Commencement Application (辦理第一期建□項目先行開工申□報告), dated Jan ar 16, 2012, the constr ction orks of a total gross floor area 28,003.82 sq are meters for factor , areho se, office and dormitor p rposes ere appro ed to commence b Zhang ho Tai anese Enterprises In estment Economic De elopment B rea (漳州台商投資區經濟發展局).

(5) P rs ant to the Constr ction Planning Permit (建□工程規劃□可證), Jin Zi Di No. 3506002012G3004 (建字第3506002012G3004號), iss ed b the Urban-R ral Planning B rea of Zhang ho Cit (漳州市城鄉規劃局) dated Febr ar 15, 2012, the planned area of abo t 23,376.80 sq are metres for factor and areho se p rposes has been appro ed.

(6) P rs ant to the Constr ction Planning Permit (建□工程規劃□可證), Jin Zi Di No. 3506002012G3003 (建字第3506002012G3003號), iss ed b the Urban-R ral Planning B rea of Zhang ho Cit (漳州市城鄉規劃局) dated Febr ar 15, 2012, the planned area of abo t 4,627.02 sq are metres for office and dormitor p rposes has been appro ed.

(7) As ad ised b the Compan , the total constr ction cost inc rred in the deferred constr ction orks erected on the Propert as abo t RMB9,970,000 as at the date of al ation, hich has been taken into acco nt in the co rse of o r al ation.

(8) P rs ant to the agreement dated September 30, 2013 entered into bet een, Management Committee of Tai anese Enterprises In estment Zone of Zhang ho , F jian Pro ince (福建省漳州台商投資區管理委員會) and EB F jian, the s bject constr ction orks as appro ed to be deferred. 福建省漳州台商投資區管理委員會shall ha e the right to acq ire back the Propert at cost if EB F jian fail to de elop the Propert b September 30, 2015.

(9) We ha e been pro ided ith a legal opinion on the title to the propert iss ed b Allbright La Offices (Shen hen), hich contains, inter alias, that:

(a) EB F jian is the sole o ner of the Propert . The land premi m has been f ll settled. As s ch, EB F jian has the rights to transfer or mortgage the Propert s bject to the conditions stated in the State-o ned Constr ction Land Grant Contract and State-o ned Land Use Rights Certificate.

(b) EB F jian as appro ed to commence the constr ction orks of the abo e mentioned project. P rs ant to the agreement dated September 30, 2013, the Management Committee of Tai anese Enterprises In estment Zone of Zhang ho Cit has appro ed the deferral of the constr ction orks.

(10) Jiaomei Ind strial Comprehensi e De elopment Zone borders Zhang ho Cit and Xiamen Cit . It co ers an area of appro imatel 163 sq are kilometers and has pop lation of appro imatel 120,000. It consists of 32 illage committees. The De elopment Zone comprises 6 main ind strial ones incl ding W hai Ind strial Zone. The Propert 's neighbo rhood is de eloped predominatel ith ind strial properties. It conforms to the s rro nding land ses. And limited acant land remains a ailable for additional de elopment in the s bject's immediate neighbo rhood.

## 1. RESPONSIBILITY STATEMENT

This circ lar, for hich the Directors collecti el and indi id all accept f ll responsibilit , incl des partic lars gi en in compliance ith the Listing R les for the p rpose of gi ing information ith regard to the Compan . The Directors, ha ing made all reasonable enq iries, confirm that to the best of their kno ledge and belief the information contained in this circ lar is acc rate and complete in all material respects and not misleading or decepti e, and there are no other matters the omission of hich o ld make an statement herein or this circ lar misleading.

## 2. DIRECTORS AND CHIEF EXECUTIVES INTERESTS OR SHORT POSITION IN THE SHARES OR SHORT POSITION IN SHARES AND UNDERLYING SHARES

As at the Latest Practicable Date, the interests and short positions of the Directors and chief e ec ti es of the Compan in the shares, nderl ing shares and debent res of the Compan or an of its associated corporations ( ithin the meaning of Part XV of the SFO) as recorded in the register req ired to be kept nder section 352 of the SFO or as other ise notified to the Compan and the Stock E change p rs ant to the Model Code contained in Appendi 10 of the Listing R les ere as follo s.

| Name | Company/name of associated corporations | Nature of interest | Number of shares | Number of underlying Shares[4] | Aggregate interest | Approximate percentage of interest |
|---|---|---|---|---|---|---|
| Li Chao Wang | The Compan | Interest of controlled compan | 216,341,581 Shares[1] | | | |
| | | Personal | 936,000 Shares | | | |
| | | | 217,277,581 Shares | 1,998,000 | 219,275,581 | 21.96% |
| | F An International Compan Limited | Interest of controlled compan | 282 shares of US$1.00 each | | | 74.21% |
| | Sentential Holdings Limited | Interest of controlled compan | 1 share of US$1.00 each | | | 100.00% |
| Y Yi Fang | The Compan | Interest of controlled compan | 216,341,581 Shares[2] | | | |
| | | Personal | 9,088,000 Shares | | | |
| | | | 225,429,581 Shares | 240,000 | 225,669,581 | 22.60% |
| | F An International Compan Limited | Interest of controlled compan | 60 shares of US$1.00 each | | | 15.79% |
| | Join Pride International Limited | Interest of controlled compan | 10 shares of US$1.00 each | | | 100.00% |

| Name | Company/name of associated corporations | Nature of interest | Number of shares | Number of underlying Shares(4) | Aggregate interest | Approximate percentage of interest |
|---|---|---|---|---|---|---|
| Dong Yi Ping | The Compan | Interest of controlled compan<br>Personal | 216,341,581 Shares(3)<br>9,038,000 Shares | | | |
| | | | 225,379,581 Shares | 240,000 | 225,619,581 | 22.60% |
| | F An International Compan Limited | Interest of controlled compan | 38 shares of US$1.00 each | | | 10.00% |
| | Daminos Management Limited | Interest of controlled compan | 10 shares of US$1.00 each | | | 100.00% |
| Zhang Dong Fang | The Compan | Personal | | 1,998,000 | 1,998,000 | 0.20% |
| Johann Christoph Michalski | The Compan | Personal | | 220,000 | 220,000 | 0.02% |
| Ulf Olof Lennart Soderstrom | The Compan | Personal | | 220,000 | 220,000 | 0.02% |
| Cao Zhen Lei | The Compan | Personal | | 140,000 | 140,000 | 0.01% |
| Kam Robert | The Compan | Personal | | 220,000 | 220,000 | 0.02% |
| H i Chin Tong, Godfre | The Compan | Personal | 100,000 | 220,000 | 320,000 | 0.03% |
| Ts i King Fai | The Compan | Personal | | 140,000 | 140,000 | 0.01% |

*N e :*

1. The Shares are registered in the name of F An International Compan Limited hich is held as to 74.21% b Sentential Holdings Limited, 15.79% b Join Pride International Limited and 10.00% b Daminos Management Limited. The entire iss ed share capital of Sentential Holdings Limited is held b LI Chao Wang.

2. The Shares are registered in the name of F An International Compan Limited hich is held as to 74.21% b Sentential Holdings Limited, 15.79% b Join Pride International Limited and 10.00% b Daminos Management Limited. The entire iss ed share capital of Join Pride International Limited is held b YU Yi Fang.

3. The Shares are registered in the name of F An International Compan Limited hich is held as to 74.21% b Sentential Holdings Limited, 15.79% b Join Pride International Limited and 10.00% b Daminos Management Limited. The entire iss ed share capital of Daminos Management Limited is held b DONG Yi Ping.

4. These Shares represent the Shares to be iss ed and allotted b the Compan pon e ercise of the options granted nder share option scheme adopted b the Compan .

## 3. INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, according to the register kept b the Compan p rs ant to section 336 of SFO and so far as is kno n to the Directors or chief e ec ti e of the Compan , the follo ing persons (other than the Directors and the chief e ec ti e of the Compan ) had or ere deemed or taken to ha e interests or short positions in the Shares or nderl ing shares (incl ding an interests in options in respect of s ch capital), hich o ld fall to be disclosed to the Compan and the Stock E change nder the pro isions of Di isions 2 and 3 of Part XV of the SFO:

| Name of Shareholder | Capacity/ Nature of interest | Interest in Shares | Interest in underlying Shares | Approximate % of existing issued share capital in the Company |
|---|---|---|---|---|
| SCA Gro p | Beneficial o ner | 513,200,425 | | 51.40% |
| SCA | Interest of controlled compan | 513,200,425 *(1)* | | 51.40% |
| F An International Compan Limited | Beneficial o ner | 216,341,581 | | 21.67% |
| Sentential Holdings Limited | Interest of controlled compan | 216,341,581 *(2)* | | 21.67% |
| Li Chao Wang | Interest of controlled compan | 216,341,581 *(2)* | | |
| | Personal | 936,000 | 1,998,000 *(4)* | 21.96% |
| Nordin est AB | Beneficial o ner | 97,000,000 | | 9.72% |
| Floras K lle AB | Interest of controlled compan | 97,000,000 *(3)* | | 9.72% |
| AB Ind stri arden (p bl) | Interest of controlled compan | 97,000,000 *(3)* | | 9.72% |

*N e:*

1. These Shares are registered in the name of SCA Gro p hich is indirectl holl -o ned b SCA. Under the SFO, SCA is deemed to be interested in the Shares held b SCA Gro p.

2. These Shares are registered in the name of F An International Compan Limited hich is held as to 74.21% b Sentential Holdings Limited, 15.79% b Join Pride International Limited and 10.00% b Daminos Management Limited. The entire iss ed share capital of Sentential Holdings Limited is held b LI Chao Wang. Under the SFO, Sentential Holdings Limited and LI Chao Wang are all deemed to be interested in the Shares held b F An International Compan Limited.

3. These Shares are registered in the name of Nordin est AB hich is indirectl holl -o ned b AB Ind stri arden (p bl). Under the SFO, Floras K lle AB and AB Ind stri arden (p bl) are deemed to be interested in the Shares held b Nordin est AB.

4. These represent the Shares to be iss ed and allotted b the Compan pon e ercise of the options granted nder share option scheme adopted b the Compan .

Sa e as disclosed abo e, as at the Latest Practicable Date, the Directors and the chief e ec ti e of the Compan ere not a are of an other person (other than the Directors and the chief e ec ti e of the Compan ) ho had, or as deemed to ha e, interests or short positions in the Shares or nderl ing Shares hich o ld fall to be disclosed to the Compan and the Stock E change nder the pro isions of Di isions 2 and 3 of Part XV of the SFO.

## 4. DIRECTORS' INTEREST IN ASSETS AND/OR ARRANGEMENT

Sa e as the lease agreement entered into bet een a holl -o ned s bsidiar of the Compan and Jiangmen Tai an Paper Compan Limited, details of hich ha e been set o t in paragraph (D) in the "Contin ing Connected Transactions" section on page 45 of the Ann al Report of the Compan for the ear ended 31 December 2013, no contracts of significance in relation to the Gro p's b siness to hich the Compan or an of its s bsidiaries as a part and in hich a Director or a controlling shareholder of the Compan had a material interest, hether directl or indirectl , s bsisted at the end of the ear or at an time d ring the ear.

As at the Latest Practicable Date, there as no contract or arrangement s bsisting in hich an Director as materiall interested and hich as significant in relation to the b siness of the Gro p. As at the Latest Practicable Date, none of the Directors had an direct or indirect interest in an assets hich ha e been, since 31 December 2013 (being the date to hich the latest p blished a dited financial statements of the Gro p ere made p), (i) acq ired or disposed of b ; or (ii) leased to; or (iii) proposed to be acq ired or disposed of b ; or (i ) proposed to be leased to, an member of the Gro p.

As at the Latest Practicable Date, none of the Directors or proposed Directors, directl or indirectl , had an interest in an assets hich had since 31 December 2013 (being the date to hich the latest p blished a dited financial statements of the Gro p ere made p) been acq ired or disposed of b or leased to an member of the Gro p, or ere proposed to be acq ired or disposed of b or leased to an member of the Gro p.

## 5. SERVICE CONTRACTS

As at the Latest Practicable Date, each e ec ti e Director had entered into a ser ice contract ith the Compan for an initial term of three ears and contin ing thereafter on an ann al basis ntil terminated b not less than three months' notice in riting ser ed b either part .

## 6. COMPETING INTERESTS

As at the Latest Practicable Date, so far as the Directors are a are of, none of the Directors, proposed directors or an of their respecti e associates had an interest in b siness hich competes ith or ma compete ith the b siness of the Gro p or had an other conflict of interests hich an person has or ma ha e ith the Gro p.

## 7. EXPERTS AND CONSENTS

The follo ing are the names and q alifications of the e perts ho ha e gi en their opinions and ad ice hich are incl ded in this circ lar:

| **Name** | **Qualification** |
|---|---|
| Q am Capital Limited | A licensed corporation licensed nder the SFO to carr o t T pe 6 (ad ising on corporate finance) reg lated acti ities |
| American Appraisal China Limited | Professional s r e or |

As at the Latest Practicable Date, none of the abo e e perts had an shareholding, directl or indirectl , in an member of the Gro p or an right ( hether legall enforceable or not) to s bscribe for or to nominate persons to s bscribe for sec rities in an member of the Gro p.

As at the Latest Practicable Date, none of the abo e e perts had an interest, direct or indirect, in the promotion of, or in an assets hich since 31 December 2013, the date to hich the latest p blished a dited financial statements of the Gro p ere made p, ha e been acq ired or disposed of b or leased to, an member of the Gro p, or are proposed to be acq ired or disposed of b or leased to an member of the Gro p.

Each of the abo e e perts has gi en and has not ithdra n its ritten consent to the iss e of this circ lar, ith the incl sion of the references to its name and/or its opinion or report in the form and conte t in hich the are incl ded.

## 9. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors ere not a are of an material ad erse change in the financial or trading position of the Gro p since 31 December 2013, being the date to hich the latest a dited financial statements of the Gro p ere made p, p to and incl ding the Latest Practicable Date.

## 10. MISCELLANEOUS

In the e ent of inconsistenc , the English te ts of this circ lar shall pre ail their respecti e Chinese te ts.

## 11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the follo ing doc ments are a ailable for inspection d ring normal b siness ho rs on an eekda (e cept Sat rda s and p blic holida s) at the head office and principal place of b siness of the Compan in Hong Kong at Room 506, To er 1, So th Seas Centre, 75 Mod Road, Tsimshats i East, Ko loon, Hong Kong, from the date of this circ lar, p to and incl ding the date of the EGM:

(a) the memorand m and articles of association of the Compan ;

(b) the letter from the Board, the te t of hich is set o t on pages 6 to 20 of this circ lar;

(c) letter from the Independent Board Committee, the te t of hich is set o t on page 21 of this circ lar;

(d) letter from the Independent Financial Ad iser, the te t of hich is set o t on pages 22 to 46 of this circ lar;

(e) the ritten consents referred to in paragraph headed “E perts and Consents” of this appendi ;

(f) the ann al report of the Compan for the t o ear ended 31 December 2012 and 31 December 2013 respecti el ;

(g) the ser ice contracts entered into bet een the Compan and all the e ec ti e Directors;

(h) the Sale and P rchase Agreement;

(i) the Licence Agreements;

(j) the Trademark Assignments;

(k) the propert al ation report in relation to the Xiamen Site from American Appraisal China Limited, the te t of hich is set o t in Appendi I to this circ lar; and

(l) this circ lar.

# VINDA INTERNATIONAL HOLDINGS LIMITED
# 維達國際控股有限公司

*( c a ed e Ca a I a d ed ab )*

**(Stock Code: 3331)**

**NOTICE IS HEREBY GIVEN THAT** an e traordinar general meeting (the "**Meeting**") of Vinda International Holdings Limited (the "**Company**") ill be held at Fanling Room, Lo er Le el 1, Ko loon Shangri-La, 64 Mod Road, Tsimshats i East, Ko loon, Hong Kong on Frida , 12 September 2014 at 10:00 a.m. for the p rpose of considering and, if tho ght fit, passing, ith or itho t modifications, the follo ing resol tion as an ordinar resol tion of the Compan :

**ORDINARY RESOLUTION**

"**THAT**:

(a) the sale and p rchase agreement dated 17 J l 2014 (the "**Sale and Purchase Agreement**") entered into bet een the Compan and SCA Gro p Holding BV (a cop of hich has been prod ced to the Meeting and marked "A" and initialled b the chairman of the Meeting for the p rpose of identification) in respect of the acq isition of (1) the entire iss ed share capital in SCA Tiss e Hong Kong Limited, (2) the entire iss ed share capital of SCA Healthcare Management Pte. Ltd., (3) the entire eq it interest of 全日美實業(福建)有限公司 (in English for identification p rpose onl , E erbea t Ind str (F jian) Co., Ltd.), and (4) the PRC Assets (as defined in the Compan 's circ lar dated 22 A g st 2014) for an initial p rchase price of HK$1,144,000,000 and the transactions contemplated there nder be and are hereb appro ed, confirmed and ratified; and

(b) the directors of the Compan be and are hereb a thorised to do all s ch acts and things and e ec te all s ch doc ments hich the considers necessar , desirable or e pedient for the p rpose of, or in connection ith, the implementation of and gi ing effect to the Sale and P rchase Agreement and the transactions contemplated there nder."

Yo rs faithf ll ,
B order of the board
**Vinda International Holdings Limited**
**LI Chao Wang**
*C a a*

*Re ed ff ce:*
Cricket Sq are, H tchins Dri e
P.O. Bo 2681
Grand Ca man KY1-1111
Ca man Islands

*P c a ace f b e H K :*
Room 506, To er 1, So th Seas Centre
75 Mod Road, Tsimshats i East
Ko loon, Hong Kong

**Notes:**

1. A member entitled to attend and ote at the Meeting is entitled to appoint one or more pro ies to attend and, on a poll, ote on his/her behalf. A pro need not be a member of the Compan .

2. To be alid, a form of pro and the po er of attorne or other a thorit (if an ) nder hich it is signed or a notariall certified cop of s ch po er of attorne or a thorit , m st be deposited ith the Hong Kong branch share registrar of the Compan , Comp tershare Hong Kong In estor Ser ices Limited, at Shops 1712 1716, 17th Floor, Hope ell Centre, 183 Q een's Road East, Wanchai, Hong Kong not less than 48 ho rs before the time appointed for holding the Meeting or an adjo rned Meeting.

3. In the case of joint holders of shares in the Compan , the ote of the senior ho tenders a ote, hether in person or b pro , shall be accepted to the e cl sion of the ote(s) of the other joint holder(s), seniorit being determined b the order in hich names stand in the register of members.

4. Completion and ret rn of the form of pro ill not precl de members from attending and oting at the Meeting.