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VINDA INTERNATIONAL HOLDINGS LIMITED

維達國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 3331)

NEW CONTINUING CONNECTED TRANSACTIONS

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

On 27 March 2012, the Tenant, a wholly-owned subsidiary of the Company, entered into the Lease Agreement with the Landlord, a Connected Person of the Company, whereby the Landlord had agreed to lease to the Tenant a piece of land located in Xinhui District, Guangdong, the PRC together with the building and structure erected thereon for a term commencing on the date of the Lease Agreement and ending on the date on which the Previous Agreement expires. The initial fixed annual rental for the period ending on 31 December 2014 is RMB16,800,000. The annual rental will be subject to review by the Board every three years.

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

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

BACKGROUND

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

On 27 March 2012, the Lease Agreement was entered into between the Tenant and the Landlord in respect of a piece of land which is adjacent to the subject matter of the Previous Agreement. The lease arrangement contemplated under the Lease Agreement also constituted continuing connected transactions of the Company.

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

THE LEASE AGREEMENT

The principal terms of the Lease Agreement are as follows:

Date

27 March 2012

Parties

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

Location and infrastructure

The property to be leased by the Landlord to the Group pursuant to the terms and conditions of the Lease Agreement include the piece of land situated at Sibe Yangsha, Xinjiang Village, Sanjiang County, Xinhui District, Guangdong, the PRC with an area of approximately 72,483 square meters together with a factory and ancillary infrastructure and facilities (including without limitation boilers, sewage disposal treatment and heat and electricity system) erected on the land with a gross floor area of approximately 41,026 square meters. Based on the information provided by the Landlord, the factory's maximum production capacity is approximately 50,000 tons of papers per annum and production is expected to commence in July 2013. The Landlord has further agreed that it would deliver possession of the factory and the ancillary facilities to the Tenant within three business days from the date of the Lease Agreement.

Term and rental

The Landlord has agreed to lease to the Tenant the land, the factory and the ancillary infrastructure and facilities as specified in the Lease Agreement for a term commencing on the date of the Lease Agreement and ending on the date on which the Previous Agreement expires. The initial fixed annual rental for the period ending on 31 December 2014 is RMB16,800,000. The annual rental will be subject to review by the Board every three years with reference to the prevailing market rental as advised by an independent professional property valuer to be jointly appointed by the Tenant and the Landlord.

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

Initial payment

The rental will be paid by the Tenant on a quarterly basis, with each payment to be paid in advance before the fifteenth day in the first month of each quarter of the year. In addition, the Tenant will pay to the Landlord (a) a rental deposit of RMB12,600,000, being the initial rental for a nine-month period, and (b) an advanced payment of RMB4,200,000, being the rental for three months commencing on 1 July 2012, within thirty days from the date of the Lease Agreement.

Rent free period

The Landlord has agreed to grant to the Tenant a rent free period from the date of the Lease Agreement until 30 June 2012.

Other term

The Landlord has granted to the Tenant an option pursuant to which the Tenant shall have the right during the term of the Lease Agreement to purchase the subject matter of the Lease Agreement, i.e., the land together with the factory and the ancillary infrastructure and facilities erected thereon, at the fair market value of the land and structures as at the time when the option is exercised as advised by the independent valuer to be appointed by the Landlord and the Tenant. In the event that the Tenant elects to exercise the option granted under the Lease Agreement to purchase the property under the Lease Agreement, the Tenant shall also be required to exercise the option granted by the Landlord to purchase the property under the Previous Agreement simultaneously. The Company will comply with the relevant requirements of the Listing Rules and make further announcement if the Tenant or any subsidiary of the Group exercises the options to purchase the properties under the Previous Agreement and the Lease Agreement.

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

Aggregated Annual Caps and determination

The Aggregated Annual Caps applicable to the Lease Agreement and the Previous Agreement, on an aggregated basis, are as follows:

	Annual caps for the year ending 31 December		
	2012	2013	2014
Rental under the Previous Agreement	Nil (Note)	RMB29,000,000	RMB29,000,000
Rental under the Lease Agreement	<u>RMB8,400,000</u>	<u>RMB16,800,000</u>	<u>RMB16,800,000</u>
Aggregated Annual Caps	RMB8,400,000	RMB45,800,000	RMB45,800,000

Note: Rent free period under the Previous Agreement.

The annual caps in respect of the rental under the Lease Agreement were determined after taking into account (a) the indicative annual rental of the land to be leased by the Landlord to the Tenant and the structures erected thereon together with the machinery and equipment on the land as valued by the independent valuer engaged by the Company, which indicative annual rental was in the region ranging from RMB12,800,000 to RMB14,000,000 as at 6 March 2012; (b) the location of the land and the factory; and (c) the approval certification of pollution emission of the factory and the ancillary infrastructure and the facilities issued by the relevant PRC environmental protection bureau.

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

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

- (a) The market in Southern China for tissue paper products enjoyed tremendous growth in recent years. As there is a great demand for tissue paper products in Southern China, the Group should expand its production capacity to capture the opportunities available. To this end, the Group entered into the Previous Agreement with the Landlord which the Directors believe that it will be the most time-and-cost efficient arrangement for the Group's expansion to Southern China.
- (b) The land under the Lease Agreement is adjacent to the land under the Previous Agreement which has similar period of terms as the Lease Agreement. The close proximity of the two pieces of lands under the Lease Agreement and the Previous Agreement can thereby reduce the management and administration costs of the two production plants.
- (c) The option granted by the Landlord under the Lease Agreement to purchase the land, the factory and the ancillary infrastructure and facilities together with the property under the Previous Agreement allows the Group to have maximum flexibility and efficiency in deploying its resources for capital expenditure.
- (d) In order to make full use of the factory and ancillary infrastructures and facilities which will be constructed in accordance with the Group's specifications and requirements as provided for under the Previous Agreement and to reduce relocation risk, the term of the Lease Agreement should tie in with that of the Previous Agreement.

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

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

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

- (a) given the shortage of production capacity of the Group in Guangdong, the long term Lease Agreement will effectively and efficiently increase the production capacity of the Group in Southern China within a short timeframe, which enables the Group to largely and timely capture the market expansion opportunities in the region;
- (b) given the industry character on the manufacturing requirements of tissue paper products and the limited supply of suitable production plant, it is usually difficult for the Group and even other companies in the industry to possess suitable production plant without intensive capital and time commitment. The long term Lease Agreement with suitable land, facilities, the approval certification of pollution emission and convenient site location is a rare opportunity for the Group to speed up the expansion plan with relatively lower initial capital commitment and allow the Group to secure such suitable production plant for long term development;
- (c) the Group regards the development plan under the Previous Agreement and the Lease Agreement as an integrated expansion plan in Southern China with two phases. Some supportive facilities under the Lease Agreement will be fine-tuned, so that can also support the daily production of the Previous Agreement when its paper production commences in late 2012. The long term of the Lease Agreement being in line with the Previous Agreement can lower the relocation risk and ensure the smooth operation of both production plants in the future;
- (d) the land, the factory, the ancillary infrastructure and facilities are all in good conditions under the physical investigation of the independent valuer. The long term Lease Agreement enables the Group to enjoy the good conditions of the land, the factory, the ancillary infrastructure and facilities and the full benefit of their depreciation; and
- (e) the option granted by the Landlord to the Tenant under the Lease Agreement to purchase the land, the factory, the ancillary infrastructure and facilities together with the property under the Previous Agreement allows the Group to execute long term expansion plan in Southern China and deploy long term investment and capital commitment on the two production plants during the leasing term.

Having reviewed the publicly available information regarding the duration of the long term lease agreements for land and properties entered into by different Hong Kong listed companies with their related companies or third parties commencing from 2008 up to and including 23 March 2012, New Spring Capital noted that 14 out of total 21 comparable companies have the longest lease terms of not less than 15 years, while 6 of them are in manufacturing nature as the Company and have entered into long term lease agreements of land and properties for the purpose of constructing manufacturing and production plants in the PRC with terms of not less than 15 years.

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

GENERAL INFORMATION

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

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

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

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

IMPLICATIONS OF THE LISTING RULES

Under the Listing Rules, the Landlord is regarded as a Connected Person of the Company and any transaction between the Landlord and the Group will constitute a connected transaction of the Company. As the transactions contemplated under the Lease Agreement are of a

continuing nature, they will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. In addition, under the Listing Rules, the Company is required to aggregate the transactions contemplated under the Lease Agreement and the transactions contemplated under the Previous Agreement (which was also entered into between the Tenant and the Landlord) and treat them as if they were one transaction.

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

DEFINITIONS

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

“Aggregated Annual Caps”	the expected maximum aggregate annual amounts of the transactions under the Lease Agreement and the Previous Agreement for the year ending 31 December 2012, 31 December 2013 and 31 December 2014 as set out in the paragraph headed “Aggregated Annual Caps and determination” in this announcement
“Board”	the board of directors of the Company
“Company”	Vinda International Holdings Limited, a company incorporated under the laws of the Cayman Islands with limited liability and the shares of which are listed on the Stock Exchange (stock code: 3331)
“Connected Person”	shall have the meaning given to it in the Listing Rules
“Directors”	directors of the Company
“Fu An”	Fu An Trading (Hong Kong) Limited, a company incorporated under the laws of Hong Kong on 3 December 2010 and is owned as to 74.21% by Mr. Li Chao Wang, 15.79% by Ms. Yu Yi Fang and 10.00% by Mr. Dong Yi Ping, being the three executive directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third party(ies) independent of the Company and the Connected Persons of the Company and is not a Connected Person of the Company
“Landlord”	江門泰源紙業有限公司(for identification purpose only, in English, Jiangmen Taiyuan Paper Company Limited), a company established under the laws of the PRC, is wholly-owned by Fu An

“Lease Agreement”	the lease agreement dated 27 March 2012 made between the Landlord and the Tenant for the lease of a piece of land together with a facility and ancillary infrastructure and facilities erected thereon for a term commencing on the date of the Lease Agreement and ending on the date on which the Previous Agreement expires
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Spring Capital”	New Spring Capital Limited, a licensed corporation to carry out type 6 (advising on corporate finance) of the regulated activities under the Securities and futures Ordinance (Chapter 571 of the Laws of Hong Kong), the independent financial adviser to the independent Shareholders
“PRC”	the People’s Republic of China
“Previous Agreement”	the lease agreement dated 22 November 2011 made between the Landlord and the Tenant for the lease of a piece of vacant land together with a factory and ancillary infrastructures and facilities to be constructed thereon for a term of 15 years commencing from 22 November 2011, further details of which are set out in the Company’s announcement dated 22 November 2011
“Shareholders”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	shall have the meaning given to it in the Listing Rules
“Tenant”	the tenant of the Lease Agreement, a company established under the laws of the PRC and an indirectly wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

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

Hong Kong, 27 March 2012

As at the date of this announcement, the executive Directors are Mr. Li Chao Wang, Ms. Yu Yi Fang, Ms. Zhang Dong Fang and Mr. Dong Yi Ping; the non-executive Directors are Mr. Johann Christoph Michalski, Mr. Ulf Olof Lennart Soderstrom and Mr. CHIU Bun (alternate director to Mr. Michalski and Mr. Soderstrom); and the independent non-executive Directors are Dr. Cao Zhen Lei, Mr. Kam Robert, Mr. Hui Chin Tong, Godfrey and Mr. Tsui King Fai.