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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)**

### **TERMINATION OF PRE-EXISTING PRODUCT SUPPLY AGREEMENT AND CONTINUING CONNECTED TRANSACTIONS**

Reference is made to the Company's announcement dated 17 November 2009 in relation to the Pre-existing Product Supply Agreement entered into between Vinda Guangdong and SCA Hong Kong.

#### **TERMINATION OF THE PRE-EXISTING PRODUCT SUPPLY AGREEMENT AND THE NEW PRODUCT SUPPLY AGREEMENT**

On 29 June 2010, Vinda Hong Kong and Vinda Guangdong, both wholly-owned subsidiaries of the Company, entered into the New Product Supply Agreement with SCA Hong Kong, a Connected Person, whereby (1) Vinda Guangdong and Vinda Hong Kong agreed to terminate the Pre-existing Product Supply Agreement effective on signing of the New Product Supply Agreement and (2) Vinda Hong Kong agreed to manufacture and export the Products to SCA Hong Kong pursuant to the terms and conditions of the New Product Supply Agreement at an agreed processing fee.

The New Product Supply Agreement has an initial term commencing on 29 June 2010 and ending on 31 December 2012.

The transactions under the New Product Supply Agreement are of a continuing nature and will constitute continuing connected transactions under Chapter 14A of the Listing Rules. Since each of the applicable percentage ratios with reference to each of the Annual Caps for the New Product Supply Agreement is more than 0.1% but less than 5%, the continuing connected transactions under the New Product Supply Agreement are subject to reporting and announcement requirements under Rules 14A.45 to 14A.47 of the Listing Rules but exempt from the independent Shareholders' approval requirement under Rule 14A.34 of the Listing Rules. Details of the continuing connected transactions under the New Product Supply Agreement will be disclosed in the Company's next published annual reports in compliance with the requirements under the Listing Rules.

Reference is made to the Company's announcement dated 17 November 2009 in relation to the Pre-existing Product Supply Agreement entered into between Vinda Guangdong and SCA Hong Kong. Pursuant to the terms and conditions of the Pre-existing Product Supply Agreement, Vinda Guangdong agreed to manufacture and sell the Products to SCA Hong Kong at an agreed processing fee.

#### **TERMINATION OF THE PRE-EXISTING PRODUCT SUPPLY AGREEMENT**

On 29 June 2010, SCA Hong Kong, Vinda Hong Kong and Vinda Guangdong entered into the New Product Supply Agreement under which SCA Hong Kong and Vinda Guangdong agreed to terminate the Pre-existing Product Supply Agreement effective on the signing of the New Product Supply Agreement.

#### **THE NEW PRODUCT SUPPLY AGREEMENT**

##### ***Date***

29 June 2010

##### ***Parties***

1. SCA Hong Kong (on behalf of itself and its Associates), as purchaser. SCA Hong Kong is a wholly-owned subsidiary of SCA. SCA is a substantial shareholder of the Company and a Connected Person;
2. Vinda Hong Kong, as supplier; and
3. Vinda Guangdong.

### ***Term***

The New Product Supply Agreement has an initial term commencing on 29 June 2010 and ending on 31 December 2012.

### ***Service to be provided by Vinda Hong Kong***

Pursuant to the provisions of the New Product Supply Agreement, Vinda Hong Kong has agreed to manufacture the Products by way of processing trade. The raw and auxiliary materials, packaging materials and machinery will be provided and imported (to the PRC) by SCA Hong Kong. Vinda Hong Kong will manufacture the Products and export the finished Products to SCA Hong Kong, who will be responsible for the sale of the finished Products. SCA Hong Kong will bear the costs for transportation, customs clearance and insurance in relation to the delivery of the Products.

Under the New Product Supply Agreement, Vinda Hong Kong has the right to sub-contract its rights and obligations thereunder to its Associates at any time and notice shall be given to SCA Hong Kong as soon as practicable.

### ***Processing fees to be paid by SCA Hong Kong***

The quantity of the Products to be manufactured by Vinda Hong Kong and the processing fees to be paid by SCA Hong Kong under the New Product Supply Agreement will depend on the actual purchase order to be placed by SCA Hong Kong from time to time. The agreed processing fee for each box of Products payable by SCA Hong Kong is approximately US\$2.8 and each box of Products weights approximately 6.5 kilograms (which is equivalent to 0.0065 tonne). The minimum quantity of Products committed by SCA under the New Product Supply Agreement was 85 tonnes per calendar month. Nevertheless, it was estimated by the Company that the quantity of Products to be sold by Vinda Hong Kong and exported to SCA Hong Kong in years 2010, 2011 and 2012 will be 3,000 tonnes, 5,000 tonnes and 6,000 tonnes respectively.

The processing fee will be paid in accordance to the mode set out on the invoice which will be issued by Vinda Hong Kong to SCA Hong Kong from time to time.

The terms of the New Product Supply Agreement and the processing fee are negotiated between Vinda Hong Kong and SCA Hong Kong on an arm's length basis and on normal commercial terms, comparable to the prevailing market rates or at rates similar to those offered by SCA or the Company (as the case may be) to Independent Third Parties.

## ANNUAL CAPS

The Annual Caps under the New Product Supply Agreement are as follows:

|   | <b>Annual Cap for<br/>the period from<br/>29 June 2010 to<br/>31 December 2010</b> | <b>Annual Cap for the year ending<br/>31 December</b> |                |
|---|--|---|----------------|
|   |  | <b>2011</b>   | <b>2012</b>    |
| Processing fees under the<br>New Product Supply Agreement | HK\$8,000,000  | HK\$13,500,000  | HK\$16,000,000 |

In determining the Annual Caps for the transactions contemplated under the New Product Supply Agreement, the following principal factors have been taken into consideration:

- (a) the estimated quantity of Products to be manufactured by Vinda Hong Kong and exported to SCA Hong Kong;
- (b) indications received from the SCA Group; and
- (c) the production capacity of the Group.

The Directors, including the independent non-executive Directors but excluding Mr. Chiu Bun and Mr. Johann Christoph Michalski, non-executive Directors, who had elected to abstain from voting, consider that the terms of the New Product Supply Agreement and the Annual Caps are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **REASONS FOR AND BENEFITS OF TERMINATING THE PRE-EXISTING PRODUCT SUPPLY AGREEMENT AND ENTERING INTO THE NEW PRODUCT SUPPLY AGREEMENT**

The terms and conditions of the New Product Supply Agreement remain substantially unchanged as compared with those in the Pre-existing Product Supply Agreement. The processing fee per box has increased from approximately US\$2 to approximately US\$2.8 in the New Product Supply Agreement but the overall profitability to be brought to the Group remains unchanged. The Group and SCA Hong Kong have mutually agreed to terminate the Pre-existing Product Supply Agreement and enter into the New Product Supply Agreement due to commercial considerations.

SCA is a global consumer goods and paper company which develops, produces and markets personal care products, tissue paper, packaging solutions, publication papers and solid-wood products in more than 70 countries. Mr. Chiu Bun, a non-executive

Director, disclosed his interest in the meeting of the board of Directors approving the New Product Supply Agreement and the transactions contemplated thereunder in accordance with the articles of association of the Company in that he was also the general manager of Shanghai Minghang SCA Packaging Co. Ltd. and gave general notice that he was to be regarded as interested in any transaction with any subsidiary or associated company of SCA. Mr. Johann Christoph Michalski, a non-executive Director, did not attend the meeting approving the New Product Supply Agreement and the transactions contemplated thereunder in accordance with the articles of association of the Company. Mr Michalski is also the president of SCA Asia Pacific and had given general notice that he was to be regarded as interested in any transaction with any subsidiary or associated company of SCA prior to the meeting. Mr. Chiu Bun had elected to abstain from voting at the meeting.

The Group has been selling tissue paper products to, and purchasing packaging material from, the SCA Group. The New Product Supply Agreement can provide additional opportunities for the Group to partner with the SCA Group in the manufacturing of the Products for the SCA Group in the future. The Group and the SCA Group have always maintained a good business relationship. The Board considers that the New Product Supply Agreement will allow the Group to secure additional business, and hence revenue, for the Group.

The Directors attending the meeting (including the independent non-executive Directors but excluding Mr. Chiu Bun who elected to abstain from voting) consider that (i) the New Product Supply Agreement was entered into in the usual and ordinary course of business of the Company, and (ii) the New Product Supply Agreement had been negotiated and was conducted on an arm's length basis between the parties and on normal commercial terms. The Directors attending the meeting (including the independent non-executive Directors but excluding Mr. Chiu Bun) believe that the terms of the New Product Supply Agreement and the Annual Caps are fair and reasonable and are in the best interests of the Company and the Shareholders as a whole.

## **IMPLICATIONS OF THE LISTING RULES**

SCA is a substantial shareholder of the Company and each of its subsidiaries is a Connected Person. SCA Hong Kong is a wholly-owned subsidiary of SCA. The transactions under the New Product Supply Agreement are of a continuing nature and will constitute continuing connected transactions under Chapter 14A of the Listing Rules. Since each of the applicable percentage ratios with reference to each of the Annual Caps for the New Product Supply Agreement is more than 0.1% but less than 5%, the continuing connected transactions under the New Product Supply Agreement are subject to the reporting and announcement requirements under Rules 14A.45 to

14A.47 of the Listing Rules but exempt from the independent Shareholders' approval requirement under Rule 14A.34 of the Listing Rules. Details of the continuing connected transactions under the New Product Supply Agreement will be disclosed in the Company's next published annual reports in compliance with the requirements under the Listing Rules.

## **INFORMATION ON THE COMPANY**

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

## **DEFINITIONS**

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

|                    |  |
|--------------------|--|
| “Annual Caps”      | the expected maximum aggregate annual amounts of the transactions under the New Product Supply Agreement for the year ending 31 December 2010, 31 December 2011 and 31 December 2012 as set out in the paragraph headed “Annual Caps” in this announcement |
| “Associates”       | shall have the meaning given to it in the Listing Rules  |
| “Board”            | the board of directors of the Company  |
| “Business Day”     | a day (other than a Saturday or Sunday) on which banks are open for business in Hong Kong  |
| “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   |
| “Group”            | the Company and its subsidiaries   |
| “Hong Kong”        | means the Hong Kong Special Administrative Region of the PRC   |

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|---|--|
| “Independent Third Party(ies)”          | means third party(ies) independent of the Company and the Connected Persons of the Company and is not a Connected Person of the Company  |
| “Listing Rules”                         | means the Rules Governing the Listing of Securities on the Stock Exchange  |
| “New Product Supply Agreement”          | the product supply agreement entered into between SCA Hong Kong, Vinda Hong Kong and Vinda Guangdong on 29 June 2010 for the manufacturing and exporting of the Products by Vinda Hong Kong to SCA Hong Kong (on behalf of itself and its Associates) for an initial term commencing from 29 June 2010 to 31 December 2012 |
| “PRC”                                   | the People’s Republic of China   |
| “Pre-existing Product Supply Agreement” | the product supply agreement entered into between SCA Hong Kong and Vinda Guangdong on 13 November 2009  |
| “Products”                              | the tissue paper handkerchief products under a trademark owned by the SCA Group as specified in the Product Supply Agreement   |
| “SCA”                                   | Svenska Cellulosa Aktiebolaget (Swedish Cellulose Incorporated), a substantial shareholder of the Company and a Connected Person   |
| “SCA Group”                             | SCA and its subsidiaries   |
| “SCA Hong Kong”                         | SCA Tissue Hong Kong Limited, an indirect wholly-owned subsidiary of SCA   |
| “Shares”                                | ordinary shares of the Company   |
| “Shareholders”                          | holders of Shares  |
| “Stock Exchange”                        | The Stock Exchange of Hong Kong Limited  |
| “subsidiary”                            | as defined under the Listing Rules   |
| “Vinda Hong Kong”                       | Vinda Paper Industrial (H.K.) Co. Limited 維達紙業(香港)有限公司, a company established under the laws of Hong Kong and a wholly-owned subsidiary of the Company   |

|                   |   |
|-------------------|---|
| “Vinda Guangdong” | 維達紙業(廣東)有限公司 (for identification purpose only, in English, Vinda Paper (Guangdong) Company Limited), a company established under the laws of the PRC and a wholly-owned subsidiary of the Company |
| “HK\$”            | Hong Kong dollars, the lawful currency of Hong Kong   |
| “US\$”            | United States dollars, the lawful currency of the United States of America  |
| “%”               | means per cent.   |

By order of the board  
**Vinda International Holdings Limited**  
**LI Chao Wang**  
*Chairman*

Hong Kong, 30 June 2010

*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. Leung Ping Chung Hermann, Mr. Johann Christoph Michalski and Mr. Chiu Bun; and the independent non-executive Directors are Dr. Cao Zhen Lei, Mr. Kam Robert, Mr. Hui Chin Tong Godfrey and Mr. Tsui King Fai.*