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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)

**CONTINUING CONNECTED TRANSACTIONS –
NEW ANNUAL CAPS**

BACKGROUND

Reference is made to the Announcements and the Circular.

As disclosed in the Circular, Vinda China, as tenant, leases the Sanjiang Properties from Former Taiyuan pursuant to the Lease Agreements. Pursuant to the Company Division, the Sanjiang Properties have been transferred to Dynasty Paper who thereby became the landlord under each of the Lease Agreements.

NEW ANNUAL CAPS

As the Previous Annual Caps expired on 31 December 2016, the Company proposes to set the annual caps for each of the Lease Agreements for the year ending 31 December 2017 as set out further below.

Previous Annual Caps and historical transaction amounts

The historical transaction amounts paid by the Group under each of the Lease Agreements and the Previous Annual Caps for the indicated periods were as follows:

	Year ended 31 December					
	2014		2015		2016	
	Historical Amount paid <i>(RMB'000)</i>	Previous Annual Caps	Historical Amount paid <i>(RMB'000)</i>	Previous Annual Caps	Historical Amount paid <i>(RMB'000)</i>	Previous Annual Caps
Phase I Agreement	25,573	29,000	28,948	29,000	29,000	29,000
Phase II Agreement	15,400	16,800	16,800	16,800	16,800	16,800
Supplemental Lease Agreement	11,806	16,200	16,200	16,200	16,200	16,200
Total	<u>52,779</u>	<u>62,000</u>	<u>61,948</u>	<u>62,000</u>	<u>62,000</u>	<u>62,000</u>

The New Annual Caps

The Company proposes that the New Annual Caps be set as follows:

	Year ending 31 December 2017 <i>(RMB'000)</i>
Phase I Agreement	29,000
Phase II Agreement	16,800
Supplemental Lease Agreement	<u>16,200</u>
Aggregated Annual Caps	<u>62,000</u>

Basis of determining the New Annual Caps

The New Annual Caps in respect of the rental under the Lease Agreements were determined after taking into account of (a) the indicative annual rental of the properties leased as valued by the independent property valuer engaged by the Company; (b) the annual rental under the Phase I Agreement, the Phase II Agreement and the Supplemental Lease Agreement, respectively; (c) the location of the land and the buildings and facilities erected thereon; and (d) Vinda China's rights to use Dynasty Paper's pollution discharge quota in Vinda China's business operation.

The Board has reviewed the existing annual rental under each of the Lease Agreements with reference to the advisory reports issued by an independent property valuer in respect of the properties leased under each of the Lease Agreements and is of the view that the respective annual rental under each of the Lease Agreements for the year ending 31 December 2017 shall remain unchanged.

The Board also took into account of the fact that, as disclosed in the Circular, each of the Lease Agreements will be terminated upon completion of the Group's acquisition of the entire equity interest in Dynasty Paper, which is expected to take place in early 2017. In the event that the Lease Agreements are not terminated by 31 December 2017, the Company will set new annual caps for each of the Lease Agreements and make further announcements, as required under the Listing Rules.

REASONS FOR AND BENEFITS OF THE LEASE AGREEMENTS AND THE NEW ANNUAL CAPS

The Directors are of the view that the business nature of the Group requires Vinda China to continue leasing the Sanjiang Properties under each of the Lease Agreements 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 requires the Sanjiang Properties for its production and to capture the opportunities available. To this end, the Group entered into the Phase I Agreement, the Phase II Agreement and the Supplemental Lease Agreement which the Directors believe will be the most time-and-cost efficient arrangement to maintain the Group's production needs.

- (b) The rented site and the tailor-made factory will provide the required compliance with the sewage indicator for the manufacturing of tissue papers products and the factory and the ancillary infrastructures and facilities will be constructed in accordance with the Group's specifications and requirements and sewage indicator imposed by the PRC.
- (c) In order to make full use of the buildings and ancillary facilities at the Sanjiang Properties which were constructed in accordance with the Group's specifications and requirements.

The Directors (including the independent non-executive Directors but excluding Mr. Li Chao Wang, Ms. Yu Yi Fang and Mr. Dong Yi Ping, each an executive Director) are of the view that (a) each of the Lease Agreements and the transactions contemplated thereunder were entered into in the ordinary and usual course of the business of the Group; (b) the rental under each of the Lease Agreements were 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 each of the Lease Agreements and the New 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 Dynasty Paper, Mr. Li Chao Wang, Ms. Yu Yi Fang and Mr. Dong Yi Ping are regarded to be interested in the Lease Agreements, and thereby had abstained from voting on the relevant resolutions of the Board approving the New Annual Caps.

GENERAL INFORMATION

The Group is principally engaged in the manufacturing and sale of tissue and personal care products in the PRC, Hong Kong, Macau, Korea, Malaysia, Taiwan and other Southeast Asian countries including, among others, Singapore, Thailand, Indonesia, and its principal products include toilet paper, hanky, softpack, box tissues, wet wipes, paper napkins, baby diapers, incontinence products and feminine care products.

Vinda China is an operating subsidiary of the Group established under the laws of the PRC, and is principally engaged in the manufacturing and sale of household consumable paper products in the PRC.

Former Taiyuan is a company established 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, each an executive Director. Former Taiyuan was permitted to be engaged in production of packaging paper but has ceased operation for some time.

Dynasty Paper is a wholly-owned subsidiary of Fu An established under the laws of the PRC and was established to hold the Sanjiang Properties as part of the Company Division.

LISTING RULES IMPLICATIONS

Dynasty Paper is a wholly-owned subsidiary of Fu An, which 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, each an executive Director. Therefore Dynasty Paper is an associate of Mr. Li Chao Wang and a connected person of the Company pursuant to the Listing Rules. Accordingly the transactions contemplated under the Lease Agreements, which are of a continuing nature, constitute continuing connected transactions of the Company under the Listing Rules.

In addition, pursuant to Rule 14A.81 of the Listing Rules, the Company is required to aggregate the transactions contemplated under the Phase I Agreement, the Phase II Agreement and the Supplemental Lease Agreement and treat them as if they were one transaction for the purpose of considering the compliance obligations of the Company.

Since each of the applicable percentage ratios (other than the profits ratio) calculated with reference to the aggregated New Annual Caps are more than 0.1% but less than 5%, the continuing connected transactions contemplated under the Lease Agreements are subject to the reporting, announcement and annual review requirements but are exempt from the independent shareholders' approval requirement under Rule 14A.34 of the Listing Rules.

DEFINITIONS

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

“Announcements”	the announcements of the Company dated 22 November 2011, 27 March 2012 and 10 April 2014 in relation to, among other things, the Phase I Agreement, the Phase II Agreement and the Supplemental Lease Agreement, respectively
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors

“Circular”	the circular of the Company dated 28 December 2015 in relation to, among other things, the division of Former Taiyuan into Dynasty Paper and New Taiyuan and the Group’s acquisition of the entire equity interest in Dynasty Paper
“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)
“Company Division”	the division of Former Taiyuan to be implemented by Fu An in accordance with the Company Law of the PRC, further details of which are set out in the Circular
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Dynasty Paper”	江門朝富紙業有限公司 (Jiangmen Dynasty Fortune Paper Limited*), a company established under the laws of the PRC and a wholly-owned subsidiary of Fu An
“Former Taiyuan”	江門泰源紙業有限公司 (Jiangmen Taiyuan Paper Company Limited*), a company established under the laws of the PRC and a wholly-owned subsidiary of Fu An
“Fu An”	Fu An Trading (Hong Kong) Limited, a company incorporated under the laws of Hong Kong 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, each an executive Director, and a connected person of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Lease Agreements”	together, the Phase I Agreement, the Phase II Agreement and the Supplemental Lease Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“New Annual Caps”	the new annual caps in respect of each of the Lease Agreements for the year ending 31 December 2017
“New Taiyuan”	江門泰源紙業有限公司 (Jiangmen Taiyuan Paper Company Limited*), a company established under the laws of the PRC and a wholly-owned subsidiary of Fu An
“Phase I Agreement”	a lease agreement dated 22 November 2011 (as supplemented by supplemental agreements dated 18 June 2012 and 18 February 2013) entered into between Former Taiyuan and Vinda China 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 announcement of the Company dated 22 November 2011
“Phase II Agreement”	a lease agreement dated 27 March 2012 (as supplemented by supplemental agreements dated 18 June 2012 and 18 February 2013) entered into between Former Taiyuan and Vinda China for the lease of a piece of land together with the buildings and ancillary infrastructures and facilities erected thereon for a term commencing from 27 March 2012 and ending on the date on which the Phase I Agreement expires, further details of which are set out in the announcement of the Company dated 27 March 2012
“PRC”	the People’s Republic of China, and, for the purpose of this announcement, excluding Taiwan, Hong Kong and Macau Special Administrative Regions
“Previous Annual Caps”	the annual caps of each of the Lease Agreements for the three years ended 31 December 2016 as set out in the announcement of the Company dated 10 April 2014

“RMB”	Renminbi, the lawful currency of the PRC
“Sanjiang Properties”	the subject matter of the Lease Agreements, namely, two pieces of land situated at Xinjiang Village, Sanjiang County, Xinhui District, Guangdong, the PRC, together with all the factories, buildings and the ancillary infrastructure and facilities erected thereon including but not limited to the boilers, water sewage disposal treatment facilities and thermal power station, together with the approval certification of pollution emission issued by the relevant PRC environmental protection bureau
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Lease Agreement”	a supplemental lease agreement dated 10 April 2014 entered into between Former Taiyuan and Vinda China in respect of the new buildings and ancillary facilities erected on the two pieces of land leased by the Former Taiyuan to Vinda China under the Phase I Agreement and Phase II Agreement for a term commencing on 10 April 2014 and ending on the date on which the Phase I Agreement expires, further details of which are set out in the announcement of the Company dated 10 April 2014
“Vinda China”	維達紙業(中國)有限公司 (Vinda Paper (China) Company Limited*), a company established under the laws of the PRC and an indirect wholly-owned subsidiary of the Company

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

Hong Kong, 26 January 2017

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

Executive Directors:

Mr. LI Chao Wang

Ms. YU Yi Fang

Mr. Johann Christoph MICHALSKI

Ms. LI Jielin

Mr. DONG Yi Ping

Non-executive Directors:

Mr. Jan Christer JOHANSSON

Mr. Carl Magnus GROTH

Mr. Ulf Olof Lennart SODERSTROM

Independent Non-executive Directors:

Mr. CHIA Yen On

Mr. KAM Robert

Mr. TSUI King Fai

Mr. WONG Kwai Huen, Albert

Alternate Directors:

Mr. Carl Fredrik Stenson RYSTEDT (*alternate to Mr. SODERSTROM*)

Mr. Gert Mikael SCHMIDT (*alternate to Mr. JOHANSSON and Mr. GROTH*)

* *For identification purposes only*