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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)**

## **REVISION OF THE EXISTING ANNUAL CAP AND RENEWAL OF CONTINUING CONNECTED TRANSACTIONS**

### **REVISION OF THE EXISTING ANNUAL CAP UNDER THE ORIGINAL MASTER AGREEMENT**

Reference is made to the announcement of the Company dated 30 March 2011 pursuant to which, it was stated, inter alia, that the existing annual cap for the sale of the Group's tissue paper to V-Care for the year ending 31 December 2012 was set at HK\$4,500,000 under the Original Master Agreement.

The Directors expect that the existing annual cap of HK\$4,500,000 for the year ending 31 December 2012 will not be sufficient for the Group's requirements. The Directors therefore propose that the existing annual cap for the sale of the Group's tissue paper to V-Care for the year ending 31 December 2012 under the Original Master Agreement be revised to HK\$6,000,000, with the terms and conditions of the Original Master Agreement remain unchanged and effective.

### **RENEWED MASTER AGREEMENT**

In view of the Original Master Agreement will expire on 31 December 2012, the Company and V-Care had entered into the Renewed Master Agreement on 13 November 2012 to renew the Original Master Agreement for a term of two years commencing from 1 January 2013 and expiring on 31 December 2014.

Since each of the applicable percentage ratios (other than the profits ratio) calculated with reference to the aggregated Renewed Annual Caps for the Renewed Master Agreement is less than 5%, the continuing connected transactions contemplated under the Renewed Master Agreement 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.

## REVISION OF THE EXISTING ANNUAL CAP UNDER THE ORIGINAL MASTER AGREEMENT

Reference is made to the announcement of the Company dated 30 March 2011 pursuant to which, it was stated, inter alia, that the existing annual cap for the sale of the Group's tissue paper to V-Care for the year ending 31 December 2012 was set at HK\$4,500,000 under the Original Master Agreement.

In compliance with the Listing Rules, the Company has been monitoring all of its transactions under the Original Master Agreement. The Directors expect that the existing annual cap of HK\$4,500,000 for the year ending 31 December 2012 will not be sufficient for the Group's requirements. The Directors therefore propose that the existing annual cap for the sale of the Group's tissue paper to V-Care for the year ending 31 December 2012 under the Original Master Agreement be revised to HK\$6,000,000, with the terms and conditions of the Original Master Agreement remain unchanged and effective.

### Historical transaction figures and the existing annual cap

A breakdown of the approximate historical transaction figures and the existing annual caps for the sale and purchase of the products between the Group and V-Care under the Original Master Agreement is as follows:

Transactions	Year ended 31 December 2011		Year ending 31 December 2012	
	Existing annual cap	Historical transaction figure	Existing annual cap	Historical transaction figure
Sale of the Group's tissue paper to V-Care	HK\$2,200,000	HK\$1,690,305	HK\$4,500,000	HK\$3,244,397 <i>(Note)</i>

*Note:* This historical transaction figure for the sale of the Group's tissue paper was for the period from 1 January 2012 to 30 September 2012.

### Revised annual cap and the reasons for the revised annual cap

V-Care has increased its purchases from the Group during the month of September 2012 and has also indicated to the Company that it will continue to increase its purchases of the Group's tissue paper products which will be used as part of V-Care's promotion campaign for its baby diapers. While the existing annual caps for the year ending 31 December 2012 has not been exceeded as at the date of this announcement, the Directors expect that the existing annual cap of HK\$4,500,000 for the year ending 31 December 2012 under the Original Master Agreement will not be sufficient for the Group's requirements. The Directors therefore propose that the existing annual cap in respect of the sale of the Group's tissue paper to V-Care for the year ending 31 December 2012 under the Original Master Agreement be revised to HK\$6,000,000.

The revised annual cap of HK\$6,000,000 was calculated on the basis of several factors including (i) the historical transaction figures, and (ii) the estimated quantity of the Group's products required by V-Care during the remaining period for the year ending 31 December 2012.

All terms and conditions of the Original Master Agreement shall remain unchanged and effective. Base on the above, the Board (including the independent non-executive Directors) considers that the revised annual cap of HK\$6,000,000 is fair and reasonable and is in the interests of the Company and its shareholders as a whole.

## **RENEWED MASTER AGREEMENT**

In view of the Original Master Agreement will expire on 31 December 2012, the Company and V-Care had entered into the Renewed Master Agreement on 13 November 2012 to renew the Original Master Agreement for a term of two years.

### **Principal terms**

The principal terms of the Renewed Master Agreement are as follows:

- Date:** 13 November 2012
- Parties:** (1) V-Care (contracting for itself and its subsidiaries)  
(2) The Company (contracting for itself and its subsidiaries)
- Duration:** The Renewed Master Agreement is for a term of two years commencing from 1 January 2013 and expiring on 31 December 2014.

### **Nature of the Renewed Master Agreement**

- (a) The Company is appointed by V-Care as its non-exclusive sales agent and will be responsible for procuring the sale of the V-Care Group's personal care products in the PRC (including Hong Kong, Macau and Taiwan). The V-Care Group's personal care products will include baby diapers and sanitary napkins manufactured by the V-Care Group or its outsourced manufacturing partners under its proprietary brand name "Babifit 貝愛多" and such other brands which the V-Care Group would create or procure from time to time. In consideration for the services provided by the Group, the V-Care Group will pay to the Group on a monthly basis a commission based on a market rate of a prescribed percentage of the total net sales value of the sale of the V-Care Group's products solicited or procured by the Group.
- (b) Members of the Group will purchase as distributors of the V-Care Group's personal care products, including baby diapers and sanitary napkins manufactured by the V-Care Group or its outsourced manufacturing partners under its proprietary brand name "Babifit 貝愛多" and such other brands which the V-Care Group would create or procure from time to time from the V-Care Group at prices and other terms negotiated between the Group and the V-Care Group 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 the V-Care Group to Independent Third Parties, and as agreed between the Group and the V-Care Group. Purchase orders for the V-Care Group's personal care products shall be given by the Group to the V-Care Group in writing or, if given orally, shall be confirmed by the Group in writing not more than 3 days after the order is given by the Group.
- (c) Members of the Group will sell the Group's household consumable paper products, including packet tissue, box tissue, softpacks and wet wipes, to the V-Care Group at prices and other terms negotiated between the Group and the V-Care Group 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 the Group to Independent Third Parties, and as agreed between the Group and the V-Care Group. Purchase orders for the Group's household consumable paper products shall be given by the V-Care Group to the Group in writing or, if given orally, shall be confirmed by the V-Care Group in writing not more than 3 days after the order is given by the V-Care Group.

### **Renewed Annual Caps and determination**

The Renewed Annual Caps under the Renewed Master Agreement are as follows:

	<b>Annual caps for the year ending</b>	
	<b>31 December 2013</b>	<b>31 December 2014</b>
Commission from the sale of the V-Care Group's products	HK\$6,250,000	HK\$6,800,000
Purchase of the V-Care Group's products from the V-Care Group	HK\$125,000,000	HK\$168,200,000
Sale of the Group's tissue paper to the V-Care Group	<u>HK\$37,500,000</u>	<u>HK\$53,900,000</u>
<b>TOTAL</b>	<b><u>HK\$168,750,000</u></b>	<b><u>HK\$228,900,000</u></b>

In determining the proposed Renewed Annual Caps of the continuing connected transactions contemplated under the Renewed Master Agreement for each of the two financial years ending 31 December 2014, the Board has taken into account for reference of the following principal factors:

- (a) the historical transaction figures between the Group and the V-Care Group under the Original Master Agreement;
- (b) the expected development of the Group's sale of personal care products; and
- (c) the expected rate of growth of the Group's sales network and overall business.

### **REASONS FOR AND BENEFITS OF THE RENEWED MASTER AGREEMENT**

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

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 V-Care Group is engaged in the manufacturing and sale of baby diapers and sanitary napkins manufactured by the V-Care Group or its outsourced manufacturing partners under its proprietary brand name "Babifit 貝愛多" and such other brands which the V-Care Group would create or procure from time to time. The Board believes that the Renewed Master Agreement can continue to provide opportunities for the Group to cooperate with V-Care and thereby expanding the Group's existing business to include the distribution of disposable diapers and sanitary napkins.

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 and believe that (a) the Renewed Master Agreement will allow the Group to secure additional business, and hence revenue, for the Group; (b) the Renewed Master Agreement and the transactions contemplated thereunder were entered into in the ordinary and usual course of the business of the Group, and have been negotiated on an arm's length basis between the parties on normal commercial terms; and (c) the terms of the Renewed Master Agreement (including the Renewed 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 International, a shareholder of V-Care, Mr. Li Chao Wang, Ms. Yu Yi Fang and Mr. Dong Yi Ping are regarded to be interested in the Renewed Master Agreement, and thereby had abstained from voting at the meeting of the board of Directors convened and held to approve the Renewed Master Agreement and the transaction contemplated thereunder.

## **LISTING RULES IMPLICATIONS**

V-Care is owned as to 41% by a wholly-owned subsidiary of the Company, as to 39% by Fu An International, as to 7% by Dynasty Fortune Partners, L.P. and as to 13% by Cathay Capital Holdings II, L.P. As Fu An International is a substantial shareholder of the Company, it is regarded as a Connected Person of the Company. As Fu An International controls the exercise of over 30% of the voting power at general meetings of V-Care, V-Care is also regarded as a Connected Person of the Company. In the circumstances, the transactions between the Group and the V-Care Group as contemplated under the Renewed Master Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Since each of the applicable percentage ratios (other than the profits ratio) calculated with reference to the aggregated Renewed Annual Caps for the Renewed Master Agreement is less than 5%, the continuing connected transactions contemplated under the Renewed Master Agreement 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.

Details of the continuing connected transactions under the Renewed Master Agreement will be disclosed in the Company's next published annual report in compliance with the requirements under the Listing Rules.

In the event that (i) for any financial year during the term of the Renewed Master Agreement, the aggregate amount of the purchase price payable by the Group and the V-Care Group under the Renewed Master Agreement exceeds the Renewed Annual Caps for the relevant years, or (ii) if the Renewed Master Agreement is renewed or there is material change to the terms of the transactions, the Company will comply with the provisions of Chapter 14A of the Listing Rules dealing with connected transactions.

## DEFINITIONS

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

<b>“Board”</b>	the board of Directors of the Company
<b>“Company”</b>	Vinda International Holdings Limited (維達國際控股有限公司), a company incorporated under the laws of the Cayman Islands with limited liability whose shares are listing on The Stock Exchange of Hong Kong Limited
<b>“Connected Person”</b>	shall have the meaning given to it in the Listing Rules
<b>“Directors”</b>	director(s) of the Company
<b>“Fu An International”</b>	Fu An International Company Limited, a company incorporated under the laws of the British Virgin Islands and a substantial shareholder of the Company
<b>“Group”</b>	the Company and its subsidiaries
<b>“Independent Third Parties”</b>	third parties independent of the Company and the Connected Persons of the Company and is not a Connected Person of the Company
<b>“Listing Rules”</b>	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
<b>“Original Master Agreement”</b>	the agreement dated 30 March 2011 made between V-Care and the Company (each contracting for itself and its subsidiaries)
<b>“PRC”</b>	People’s Republic of China
<b>“Renewed Annual Caps”</b>	the annual caps for the transactions contemplated under the Renewed Master Agreement
<b>“Renewed Master Agreement”</b>	the agreement dated 13 November 2012 made between V-Care and the Company (each contracting for itself and its subsidiaries)

“V-Care”	V-Care Holdings Limited, a company incorporated under the laws of the British Virgin Islands and owned as to 41% by a wholly owned subsidiary of the Company, as to 39% by Fu An International, as to 7% by Dynasty Fortune Partners, L.P. and as to 13% by Cathay Capital Holdings II, L.P.
“V-Care Group”	V-Care and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

By order of the Board  
**Vinda International Holdings Limited**  
**LI CHAO WANG**  
*Chairman*

Hong Kong, 13 November 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 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.*