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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)

CONNECTED TRANSACTION

INVESTMENT AND SHAREHOLDERS' AGREEMENT

On 16 December 2010, the Company entered into the Investment and Shareholders' Agreement with Fu An, Dynasty Fortune, Cathay Capital and the Target Company, pursuant to which, the Company, Fu An, Dynasty Fortune and Cathay Capital have agreed to invest an aggregate sum of HK\$300,000,000 into the Target Company by way of subscription of new shares of the Target Company. Upon completion of the subscription, the Target Company will be held as to 41% by the Company, 39% by Fu An, 7% by Dynasty Fortune and 13% by Cathay Capital.

LISTING RULES IMPLICATIONS

As Fu An is a Substantial Shareholder of the Company, Fu An is regarded as a Connected Person of the Company. Dynasty Fortune, is a private equity fund and a limited partnership. As the general partner of Dynasty Fortune is owned as to 50% by a company which in turn is owned as to 74.21% by Mr. Li Chao Wang, the chairman and executive director of the Company, Dynasty Fortune is a Connected Person. In the circumstances, the transaction contemplated under the Investment and Shareholders' Agreement constitutes a connected transaction of the Company. Since each of the applicable percentage ratios (other than the profits ratio) calculated with reference to investment amount payable by the Company under the Investment and Shareholders' Agreement is less than 5%, the connected transaction contemplated under the Investment and Shareholders' Agreement is only subject to the reporting and announcement requirements under Rules 14A.45 to 14A.47 of the Listing Rules and is exempt from the independent shareholders' approval requirement of Chapter 14A of the Listing Rules.

On 16 December 2010, the Company entered into the Investment and Shareholders' Agreement with Fu An, Dynasty Fortune, Cathay Capital and the Target Company, pursuant to which, the Company, Fu An, Dynasty Fortune and Cathay Capital have agreed to invest an aggregate sum of HK\$300,000,000 into the Target Company by way of subscription of new shares of the Target Company. Upon completion of the subscription, the Target Company will be held as to 41% by the Company, 39% by Fu An, 7% by Dynasty Fortune and 13% by Cathay Capital. The Investment and Shareholders' Agreement has also set out the terms regulating the participation of the shareholders in the Target Company.

INVESTMENT AND SHAREHOLDERS' AGREEMENT

The particulars of the Investment and Shareholders' Agreement are as follows:

Date

16 December 2010

Parties

1. The Company.
2. Fu An, a Substantial Shareholder of the Company, is a Connected Person.
3. Dynasty Fortune, a private equity fund and a limited partnership. As the general partner of Dynasty Fortune is owned as to 50% by a company which in turn is owned as to 74.21% by Mr. Li Chao Wang, the chairman and executive director of the Company, Dynasty Fortune is a Connected Person.
4. Cathay Capital, a private equity fund and a limited partnership. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Cathay Capital is an Independent Third Party.
5. The Target Company.

Assets to be acquired

The Target Company is a limited company incorporated under the laws of the British Virgin Islands on 2 July 2009 and is an investment holding company. The Target Company wholly-owns a limited liability company incorporated under the laws of Hong Kong on 30 October 2009, which in turn wholly-owns a company established under the laws of the PRC on 2 November 2010. As at the date of this announcement, none of the Target Company or any of its subsidiaries is engaged in any business operation.

Upon completion of the subscription, the Target Company will be held as to 41% by the Company, 39% by Fu An, 7% by Dynasty Fortune and 13% by Cathay Capital.

Investment amount

The Company, Fu An, Dynasty Fortune and Cathay Capital will invest an aggregate sum of HK\$300,000,000 into the Target Company by way of subscription of 300,000,000 new shares of the Target Company. Upon completion of the subscription, the Shareholding will be as follows:

	Amount (HK\$)	Shares in the Target Company	
Company	123,000,000	123,000,000	41%
Fu An	117,000,000	117,000,000	39%
Dynasty Fortune	21,000,000	21,000,000	7%
Cathay Capital	<u>39,000,000</u>	<u>39,000,000</u>	<u>13%</u>
Total Investment	<u>300,000,000</u>	<u>300,000,000</u>	<u>100%</u>

The investment amount under the Investments and Shareholders' Agreement was arrived at based on normal commercial terms after arm's length negotiations between the JV Parties and by reference to the amount required for future capital expenditures estimated by the JV Parties and other factors set out in the paragraph headed "Reasons for and benefits of the Investment and Shareholders' Agreement" below.

Other major provisions of the Investment and Shareholders' Agreement

- (1) Right to nominate director(s). The board of directors of the Target Company will at all times consist of six (6) directors, of whom two (2) will be appointed and may be removed from time to time at the request of the Company, two (2) at the request of Fu An, one (1) at the request of Dynasty Fortune and one (1) at the request of Cathay Capital.
- (2) Option to acquire further Shareholding. In the event that the audited consolidated net profit and interest (where applicable) of the Target Company reaches the Target Amount in any financial year, the Company will have the right, within three (3) months after the release of the relevant audited consolidated financial statements of the Target Company, to demand all the other JV Parties to sell to the Company their entire Shareholding at a price of not less than ten (10) times the price-to-earnings multiple of the audited consolidated net profit after tax as stated in the said audited financial statements. In the event that the Company gives up the above right, all the other JV Parties may freely transfer their respective Shareholding subject to the pre-emptive and tag-along rights of any other JV Parties as well as the prohibited purchasers provision.

REASONS FOR AND BENEFITS OF THE INVESTMENT AND SHAREHOLDERS' AGREEMENT

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

It has always been the intention of the Company to expand its existing business. By entering into the Investment and Shareholders' Agreement, the Company could cooperate with the other joint venture partners, through the Target Company, to explore for business opportunities, in particular, in the production and distribution of disposable diapers and sanitary napkins business. The Board considers that the Investment and Shareholders' Agreement is in line with its business strategy and represents a good opportunity to expand its existing business.

Cathay Capital is a private equity fund and a limited partnership which is principally engaged in the business of investment holding with direct investment in the PRC, and was, through its wholly-owned subsidiary, a shareholder of the Company. As disclosed in the Company's announcement dated 22 September 2010, Cathay Capital had distributed its shares of the Company to 50 investors in or about September 2010. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the distribution of shares was made as part of Cathay Capital's normal business activities.

The Company intends to finance its commitment pursuant to the Investment and Shareholders' Agreement of HK\$123,000,000 by internal resources. The Board (including the independent non-executive Directors but excluding Mr. Li Chao Wang, Ms. Yu Yi Fang, and Mr. Dong Yi Ping) considers that (i) the Investment and Shareholders' Agreement was entered into in the usual and ordinary course of business of the Company, and (ii) the Investment and Shareholders' Agreement had been negotiated and was conducted on an arm's length basis between the JV Parties and on normal commercial terms. The Board (including the independent non-executive Directors but excluding Mr. Li Chao Wang, Ms. Yu Yi Fang, and Mr. Dong Yi Ping who had abstained from voting) believes that the terms of the Investment and Shareholders' Agreement are fair and reasonable and are in the best interests of the Company and the shareholders of the Company as a whole.

IMPLICATIONS OF THE LISTING RULES

As Fu An is a Substantial Shareholder of the Company, Fu An is regarded as a Connected Person of the Company. Dynasty Fortune, is a private equity fund and a limited partnership. As the general partner of Dynasty Fortune is owned as to 50% by a company which in turn is owned as to 74.21% by Mr. Li Chao Wang, the chairman and executive director of the Company, Dynasty Fortune is a Connected Person. In the circumstances, the transaction contemplated under the Investment and Shareholders' Agreement constitutes a connected transaction of the Company. Since each of the applicable percentage ratios (other than the profits ratio) calculated with reference to investment amount payable by the Company under the Investment and Shareholders' Agreement is less than 5%, the connected transaction contemplated under the Investment and Shareholders' Agreement is only subject to the reporting and announcement requirements under Rules 14A.45 to 14A.47 of the Listing Rules and is exempt from the independent shareholders' approval requirement of Chapter 14A of the Listing Rules.

DEFINITIONS

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

“Board”	means the board of directors of the Company
“Cathay Capital”	means Cathay Capital Holdings II, L.P., a private equity fund and limited partnership registered under the laws of Cayman Islands
“Company”	means 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”	means the directors of the Company
“Dynasty Fortune”	means Dynasty Fortune Partners, L.P., a private equity fund and limited partnership registered in the British Virgin Islands

“Fu An”	means Fu An International Company Limited, a company incorporated under the laws of the British Virgin Islands 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, three executive directors of the Company
“Group”	means the Company and its subsidiaries
“HK\$”	means Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	means third party 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
“Investment and Shareholders’ Agreement”	means the investment and shareholders’ agreement dated 16 December 2010 made between (i) the Company, (ii) Fu An, (iii) Dynasty Fortune, (iv) Cathay Capital, and (v) the Target Company in relation to the parties’ proposed investment in the Target Company in an aggregate sum of HK\$300,000,000.
“JV Parties”, each, a “JV Party”	means (i) the Company, (ii) Fu An, (iii) Dynasty Fortune, and (iv) Cathay Capital
“PRC”	means the People’s Republic of China
“Shareholding”	means shareholding in the Target Company
“Shares”	means ordinary shares in the Target Company
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited
“Substantial Shareholder”	shall have the meaning given to it in the Listing Rules
“Target Amount”	means one third (1/3) of the JV Parties’ total investment (in the form of equity and/or debt investment) in the Target Company at any point in time

“Target Company” means V-Care Holdings Limited, a company incorporated under the laws of the British Virgin Islands on 2 July 2009

“%” means per cent.

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

Hong Kong, 16 December 2010

As at the date of this announcement, the Board comprises four executive Directors, namely Mr. Li Chao Wang, Ms. Yu Yi Fang, Ms. Zhang Dong Fang and Mr. Dong Yi Ping; two non-executive Directors, namely Mr. Johann Christoph Michalski and Mr. Chiu Bun; and four independent non-executive Directors, namely Dr. Cao Zhen Lei, Mr. Kam Robert, Mr. Hui Chin Tong Godfrey and Mr. Tsui King Fai.