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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Vinda International Holdings Limited, you should at once hand this circular to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was affected for transmission to the purchaser or transferee.

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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)**

**DISCLOSEABLE AND CONNECTED TRANSACTIONS**  
**AND**  
**NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Financial Adviser to the Company**



**The Hongkong and Shanghai Banking Corporation Limited**

**Independent Financial Adviser to the**  
**Independent Board Committee and the Independent Shareholders**



**Quam Capital Limited**

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Terms defined in the section headed "Definitions" of this circular have the same meanings when used in this cover page, unless the context otherwise requires.

A letter from the Board is set out on pages 6 to 20 of this circular. A letter from the Independent Board Committee is set out on page 21 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 22 to 46 of this circular.

A notice convening the EGM to be held at Fanling Room, Lower Level 1, Kowloon Shangri-La, 64 Mody Road, Tsimshatsui East, Kowloon, Hong Kong on Friday, 12 September 2014 at 10:00 a.m. is set out on pages 59 to 60 of this circular. Whether or not you are able to attend the EGM, please complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the EGM or any adjourned meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or at any adjourned meeting thereof if you so wish and, in such event, the relevant form of proxy shall be deemed to be revoked. This circular is published on the website of the Stock Exchange at <http://www.hkexnews.hk> and on the website of the Company at <http://www.vindapaper.com>.

22 August 2014

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## DEFINITIONS

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### DEFINITIONS

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

“Announcement”	the announcement of the Company dated 18 July 2014 in relation to, among other things, the Sale and Purchase Agreement and the transactions contemplated thereunder
“Board”	the board of directors of the Company
“Business Day”	a day (other than a Saturday or Sunday or public holiday or a day on which a tropical cyclone warning no. 8 or above or a black rainstorm warning signal is hoisted or remains hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) 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)
“Completion”	completion of the sale and purchase of the entire issued share capital of SCA Tissue and SCA Healthcare and the PRC Assets pursuant to the Sale and Purchase Agreement
“Completion Date”	the date on which the transactions contemplated under the Sale and Purchase Agreement are completed, which shall be the fifth (5th) Business Day after the date on which the conditions of the Sale and Purchase Agreement are satisfied or such other date as SCA Group and the Company may agree in writing
“Connected Person”	shall have the meaning given to it in the Listing Rules
“Controlling Shareholder(s)”	shall have the meaning given to it in the Listing Rules
“Director(s)”	the director(s) of the Company
“EB Fujian”	全日美實業(福建)有限公司 (in English, for identification purpose only, Everbeauty Industry (Fujian) Co., Ltd.), a limited company established under the laws of the PRC and is an indirect wholly-owned subsidiary of SCA Group

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## DEFINITIONS

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“EB Fujian Completion Date”	the date of issuance of a revised business licence of EB Fujian by the relevant administration or authority for industry and commerce to EB Fujian
“EB Shanghai”	全日美實業(上海)有限公司 (in English, for identification purpose only, Everbeauty Industry (Shanghai) Ltd.), a limited company established under the laws of the PRC and an indirect wholly-owned subsidiary of SCA Group
“EGM”	extraordinary general meeting of the Company to be held at Fanling Room, Lower Level 1, Kowloon Shangri-La, 64 Mody Road, Tsimshatsui East, Kowloon, Hong Kong on 12 September 2014 at 10:00 a.m. to approve, among other things, the Sale and Purchase Agreement and the transactions contemplated thereunder
“Group”	the Company and its subsidiaries
“HK Licence Agreement”	the licence agreement between SCA Hygiene Products AB as licensor and SCA Tissue as licensee dated 17 July 2014
“HK Trademark Assignment”	the trademark assignment between SCA Taiwan as assignor and SCA Tissue as assignee dated 17 July 2014
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company comprising all independent non-executive Directors, namely, Mr. KAM Robert, Mr. HUI Chin Tong, Godfrey and Mr. TSUI King Fai
“Independent Financial Adviser”	Quam Capital Limited, a licensed corporation licensed under the SFO to carry out Type 6 (advising on corporate finance) regulated activities, and the independent financial adviser to the Independent Board Committee and the Independent Shareholders on the Sale and Purchase Agreement and the transactions contemplated thereunder
“Independent Shareholders”	the Shareholders except for SCA Group
“Independent Third Parties”	third parties independent of the Company and the Connected Persons of the Company and is not a Connected Person of the Company

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## DEFINITIONS

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“Latest Practicable Date”	20 August 2014, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Licence Agreements”	the HK Licence Agreement and the PRC Licence Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	the Macau Special Administrative Region of the PRC
“Netherlands”	Kingdom of the Netherlands
“PRC”	People’s Republic of China (excluding Hong Kong, Macau and Taiwan for the purposes of the Sale and Purchase Agreement and this circular)
“PRC Assets”	consist of the benefit (subject to the burden) of the PRC Contracts and the PRC Inventory
“PRC Contracts”	the contracts entered into by SCA China and EB Shanghai in relation to business of sale and distribution of consumer tissues and personal care and hygiene products in the PRC which are unperformed (wholly or partly) at the Completion Date including, without limitation, supply and distribution agreements and customer contracts, but excluding employment contracts with its employees and agreements relating to borrowing
“PRC Inventory”	the stock of raw materials, partly finished and finished goods in relation to the business of the manufacture, sale and distribution of consumer tissues and personal care and hygiene products carried on by SCA and its subsidiaries in the PRC as at the Completion Date
“PRC Licence Agreement”	the licence agreement between SCA Hygiene Products AB as licensor and Vinda China as licensee dated 17 July 2014
“PRC Trademark Assignment”	the trademark assignment between SCA Taiwan as assignor and Vinda China as assignee dated 17 July 2014
“RMB”	Renminbi, the lawful currency of the PRC
“Sale and Purchase Agreement”	the sale and purchase agreement made between SCA Group as vendor and the Company as purchaser dated 17 July 2014 in respect of the sale and purchase of the Sale Shares and the PRC Assets

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## DEFINITIONS

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“Sale Shares”	the entire issued share capital of SCA Tissue and SCA Healthcare respectively and the entire equity interest of EB Fujian
“SCA”	Svenska Cellulosa Aktiebolaget, SCA (publ), a company incorporated under the laws of the Kingdom of Sweden with limited liability, the issued shares of which are listed on NASDAQ OMX Stockholm, and the holding company of SCA Group, and a Connected Person of the Company
“SCA China”	愛生雅(中國)投資有限公司 (in English, for identification purpose only, SCA China Holding Co.), a limited company established under the laws of the PRC and is a wholly-owned subsidiary of SCA Group
“SCA Group”	SCA Group Holding BV, a company incorporated under the laws of the Netherlands, a wholly-owned subsidiary of SCA and a Connected Person of the Company
“SCA Healthcare”	SCA Healthcare Management Pte. Ltd., a limited company incorporated under the laws of Singapore and a wholly-owned subsidiary of SCA Group
“SCA Shanghai”	愛生雅(上海)健康管理有限公司 (in English, for identification purpose only, SCA (Shanghai) Healthcare Management Co., Ltd.), a limited company established under the laws of the PRC and a wholly-owned subsidiary of SCA Healthcare
“SCA Tissue”	SCA Tissue Hong Kong Limited, a limited company incorporated under the laws of Hong Kong whose principal activity is the trading of tissue products and adult diapers and a wholly-owned subsidiary of SCA Group
“SCA Taiwan”	台灣愛生雅股份有限公司 (in English, for identification purpose only, SCA Taiwan Ltd.), a limited company incorporated under the laws of Taiwan and an indirect wholly-owned subsidiary of SCA
“SFO”	Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong
“Shareholder(s)”	holder(s) of share(s) of the Company
“Share(s)”	ordinary share(s) of the Company
“Singapore”	Republic of Singapore

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## DEFINITIONS

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“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	shall have the meaning given to it in the Listing Rules
“S\$”	Singapore dollars, the lawful currency of Singapore
“Trademark Assignments”	the HK Trademark Assignment and the PRC Trademark Assignment
“US\$”	United States dollars, the lawful currency of the United States of America
“Vinda China”	維達紙業(中國)有限公司 (in English, for identification purpose only, Vinda Paper (China) Company Limited), a limited company established under the laws of the PRC and an indirect wholly-owned subsidiary of the Company
“Xiamen Site”	the site located at 福建省龍海市角美鎮吳宅工業園村 (Wuzhai Industrial Zone Village in Jiaomei County, Longhai City, Fujian Province, the PRC) legally and beneficially owned by EB Fujian as specified in the land use right certificate numbered 漳台國用 (2014)0108號
“%”	per cent.

*In this circular, unless otherwise stated, certain amounts denominated in RMB and S\$ have been translated into HK\$ at exchange rates of RMB1 = HK\$1.25 and S\$1 = HK\$6.25 respectively for illustration purpose only. Such conversions shall not be construed as representations that amounts in RMB or S\$ were or could have been or could be converted into HK\$ at such rate or any other exchange rate on such date or any other date.*

*For ease of reference, the names of the PRC or Taiwan established companies or entities have been included in this circular in both the Chinese and English languages. The English names of these PRC or Taiwan companies and entities are only English translation of their respective official Chinese names. In the event of any inconsistency, the Chinese version shall prevail.*



**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)**

*Executive Directors:*

Mr. LI Chao Wang  
Ms. YU Yi Fang  
Ms. ZHANG Dong Fang  
Mr. DONG Yi Ping

*Registered office:*

Cricket Square, Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

*Non-executive Directors:*

Mr. Jan Christer JOHANSSON  
Mr. Jan Lennart PERSSON  
Mr. Johann Christoph MICHALSKI  
Mr. Ulf Olof Lennart SODERSTROM

*Principal place of business in Hong Kong:*

Room 506, Tower 1  
South Seas Centre  
75 Mody Road  
Tsimshatsui East  
Kowloon  
Hong Kong

*Independent Non-executive Directors:*

Mr. KAM Robert  
Mr. HUI Chin Tong, Godfrey  
Mr. TSUI King Fai

*Alternate Directors:*

Ms. LI Jieli (alternate to Mr. LI, Ms. YU  
and Mr. DONG)  
Mr. CHIU Bun (alternate to Mr. MICHALSKI  
and Mr. SODERSTROM)  
Mr. Gert Mikael SCHMIDT (alternate to  
Mr. JOHANSSON and Mr. PERSSON)

Hong Kong, 22 August 2014

*To the Shareholders*

Dear Sir/Madam

**DISCLOSEABLE AND CONNECTED TRANSACTIONS**

**INTRODUCTION**

On 18 July 2014, the Board announced that the Company and SCA Group entered into the Sale and Purchase Agreement. Subject to the terms and conditions thereunder, the Company agreed to purchase and SCA Group agreed to sell (1) the entire issued share



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## LETTER FROM THE BOARD

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capital of SCA Tissue, (2) the entire issued share capital of SCA Healthcare, (3) the entire equity interest of EB Fujian, and (4) the PRC Assets, for an aggregate initial purchase price of HK\$1,144,000,000 (subject to adjustments) which will be settled in cash at Completion.

As part of the transactions contemplated under the Sale and Purchase Agreement, the Trademark Assignments in relation to the assignment of several trademarks and the Licence Agreements in relation to the grant of licence to use several brand names, patents and technology associated with the relevant brand products were executed.

The purpose of this circular is to provide you with the information, among other things, (i) further details of the Sale and Purchase Agreement, the Licence Agreements and the Trademark Assignments, (ii) a letter of advice from the Independent Board Committee to the Independent Shareholders, (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder and the duration of the Licence Agreements, and (iv) a notice of the EGM.

### **SALE AND PURCHASE AGREEMENT**

On 17 July 2014, the Company and SCA Group entered into the Sale and Purchase Agreement. The principal terms are set out below:

#### **Date**

17 July 2014

#### **Parties**

- (1) the Company as purchaser
- (2) SCA Group as vendor

#### **Assets to be acquired**

- (1) the entire issued share capital of SCA Tissue, free from all encumbrances and together with all rights attaching or accruing thereto and all dividends and distributions declared, made or paid on such shares or in respect of them on or after the Completion Date;
- (2) the entire issued share capital of SCA Healthcare, free from all encumbrances and together with all rights attaching or accruing thereto and all dividends and distributions declared, made or paid on such shares or in respect of them on or after the Completion Date;
- (3) the entire equity interest of EB Fujian, free from all encumbrances and together with all rights attaching or accruing thereto and all dividends and distributions declared, made or paid on such equity interest or in respect of them on or after the EB Fujian Completion Date; and

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**LETTER FROM THE BOARD**

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- (4) the PRC Assets, which consist of the benefit (subject to the burden) of the PRC Contracts and the PRC Inventory.

*SCA Tissue*

SCA Tissue is a limited company incorporated under the laws of Hong Kong whose principal activity is the trading of tissue products and adult diapers. SCA Tissue is a wholly-owned subsidiary of SCA Group. Based on the information provided by SCA Group, a summary of certain financial information of SCA Tissue for the two financial years ended 31 December 2012 and 2013 is set out below:

	<b>For the year ended 31 December 2013 (audited)</b>	<b>For the year ended 31 December 2012 (audited)</b>
Turnover	HK\$310.33 million	HK\$279.82 million
Net profit (before taxation)	HK\$27.32 million	HK\$19.80 million
Net profit (after taxation)	HK23.14 million	HK\$16.43 million

The audited total asset value of SCA Tissue as at 31 December 2013 was approximately HK\$124.84 million. The audited net asset value of SCA Tissue as at 31 December 2013 was approximately HK\$72.12 million.

*SCA Healthcare and SCA Shanghai*

SCA Healthcare is a limited company incorporated under the laws of Singapore and is a wholly-owned subsidiary of SCA Group. SCA Healthcare is an investment holding company which owns the entire equity interest of SCA Shanghai. Based on the information provided by SCA Group, a summary of certain financial information of SCA Healthcare for the period from 20 September 2011 to 31 December 2012 and the financial year ended 31 December 2013 is set out below:

	<b>For the year ended 31 December 2013 (audited)</b>	<b>During the period from 20 September 2011 to 31 December 2012 (audited)</b>
Turnover	Nil	Nil
Net loss (before taxation)	S\$0.33 million (equivalent to approximately HK\$2.08 million)	S\$0.59 million (equivalent to approximately HK\$3.70 million)
Net loss (after taxation)	S\$0.33 million (equivalent to approximately HK\$2.08 million)	S\$0.59 million (equivalent to approximately HK\$3.70 million)

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## LETTER FROM THE BOARD

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The audited total asset value of SCA Healthcare as at 31 December 2013 was approximately S\$0.09 million (equivalent to approximately HK\$0.54 million). The audited net asset value of SCA Healthcare as at 31 December 2013 was approximately S\$0.08 million (equivalent to approximately HK\$0.47 million).

SCA Shanghai is a limited company established under the laws of the PRC whose principal business is the provision of home-based health care services and health management consultancy. Based on the information provided by SCA Group, a summary of certain financial information of SCA Shanghai for the period from 7 December 2011 to 31 December 2012 and the financial year ended 31 December 2013 is set out below:

	<b>For the year ended 31 December 2013 <i>(audited)</i></b>	<b>During the period from 7 December 2011 to 31 December 2012 <i>(audited)</i></b>
Turnover	RMB0.17 million (equivalent to approximately HK\$0.21 million)	RMB0.04 million (equivalent to approximately HK\$0.06 million)
Net loss (before taxation)	RMB1.67 million (equivalent to approximately HK\$2.08 million)	RMB2.01 million (equivalent to approximately HK\$2.51 million)
Net loss (after taxation)	RMB1.67 million (equivalent to approximately HK\$2.08 million)	RMB2.01 million (equivalent to approximately HK\$2.51 million)

The audited total asset value of SCA Shanghai as at 31 December 2013 was approximately RMB\$2.75 million (equivalent to approximately HK\$3.44 million). The audited net asset value of SCA Shanghai as at 31 December 2013 was approximately RMB0.86 million (equivalent to approximately HK\$1.08 million).

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## LETTER FROM THE BOARD

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### *EB Fujian*

EB Fujian is a limited company established under the laws of the PRC and it is wholly-owned by EB Shanghai. EB Fujian is not currently engaged in any operating activity. EB Fujian owns the land use right relating to the Xiamen Site which has a total site area of approximately 96,226 square meters. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, EB Fujian obtained such land use right in September 2011 at a consideration of RMB16,166,000 for the purpose of developing its business of manufacture of paper and paper products, and the construction work on the Xiamen Site was suspended by the then controlling shareholder of EB Fujian before EB Fujian was acquired by SCA in 2012. As advised by the Vendor, it has been the commercial decision of SCA not to resume the construction work at Xiamen Site so far after its acquisition of EB Fujian. Pursuant to an agreement concerning the Xiamen Site dated 30 September 2013 entered into between, among others, 福建省漳州台商投資區管理委員會 (in English for identification purpose only, Management Committee of Taiwanese Investors Investment Zone of Zhangzhou, Fujian Province) and EB Fujian, it was agreed that福建省漳州台商投資區管理委員會 would have the right to acquire the Xiamen Site from EB Fujian at cost (i.e. RMB16,166,000) if EB Fujian and its shareholder fail to develop the Xiamen Site by 30 September 2015. As at the Latest Practicable Date, the Company had no development plan and timetable concerning the development of the Xiamen Site. Based on the current intention of the Company, the Group will liaise with the relevant PRC government authority as soon as practicable after Completion regarding the development of the Xiamen Site. As advised by the Company's legal advisers as to PRC laws, there is no legal impediment to the transfer of the equity interest of EB Fujian. The Company is of the view that in the unlikely event the equity interest of EB Fujian cannot be transferred to Group, there will be no impact on the operation of the business of the Group.

Based on the information provided by SCA Group, a summary of certain financial information of EB Fujian for the two financial years ended 31 December 2012 and 2013 is set out below:

	<b>For the year ended 31 December 2013 (audited)</b>	<b>For the year ended 31 December 2012 (audited)</b>
Turnover	Nil	Nil
Net loss (before taxation)	RMB0.19 million (equivalent to approximately HK\$0.24 million)	RMB0.33 million (equivalent to approximately HK\$0.42 million)
Net loss (after taxation)	RMB0.20 million (equivalent to approximately HK\$0.25 million)	RMB0.33 million (equivalent to approximately HK\$0.42 million)

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## LETTER FROM THE BOARD

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The audited total asset value of EB Fujian as at 31 December 2013 was approximately RMB49.62 million (equivalent to approximately HK\$62.02 million). The audited net asset value of EB Fujian as at 31 December 2013 was approximately RMB49.61 million (equivalent to approximately HK\$62.01 million).

### *PRC Assets*

The PRC Contracts are contracts entered into by SCA China and EB Shanghai in relation to the business of sale and distribution of consumer tissues and personal care and hygiene products in the PRC which are unperformed (wholly or partly) as at the Completion Date including, without limitation, supply and distribution agreements and customer contracts but excluding employment contracts with its employees and agreements relating to borrowing. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, there are over 300 PRC Contracts which are intended to be transferred to the Group after Completion. The counterparties of these PRC Contracts are mostly distributors and customers for tissues and personal care hygiene products in the PRC who, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, are Independent Third Parties. The PRC Contracts entered with the customers merely stipulate the distribution areas, logistics arrangement and quality examination provisions for the products supplied in the PRC, and there is no amount or volume of supply fixed in the PRC Contracts. Some of the PRC Contracts were further modified and supplemented by subsequent correspondence with the customers. It is expected that after Completion, the Group will replace SCA China or EB Shanghai (as the case may be) and supply its household consumable paper products to the distributors and customers according to the current terms of the PRC Contracts.

Pursuant to the provisions of the Sale and Purchase Agreement, following the Completion Date, the Group will perform all obligations of either SCA China or EB Shanghai (as the case may be) under the PRC Contracts. As advised by the Company's legal advisers as to PRC laws, consents from the counterparties to the PRC Contracts will be required for effecting novation of the PRC Contracts, and save to the consents, there is no other legal impediment to the transfer of the PRC Contracts or the performance of the PRC Contracts by the Group in the capacity of a sub-contractor.

In the event that a PRC Contract cannot be transferred to the Group, the Group will, acting in the capacity of the sub-contractor of either SCA China or EB Shanghai (if legal under the laws of the PRC), perform all the obligations of either SCA China or EB Shanghai (as the case may be) under the PRC Contracts and be entitled to the benefits, interests and revenue under the PRC Contracts. SCA China and/or EB Shanghai (as the case may be) will make all reasonable efforts to obtain the consent to the assignment, or achieve the novation, of the PRC Contracts, and will bear the costs and risks of the Group for doing each reasonable act for enabling the performance of the PRC Contracts by the Group after the Completion Date.

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## LETTER FROM THE BOARD

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The PRC Inventory consists of stock of raw materials, partly finished and finished goods in relation to the business of the manufacture, sale and distribution of consumer tissues and personal care and hygiene products carried on by SCA and its subsidiaries in the PRC as at the Completion Date.

The turnover generated under the PRC Contracts for the year ended 31 December 2013 was approximately HK\$405.18 million. The average book value of the PRC Inventory over the 12 months ended 30 June 2014 was approximately HK\$85.41 million.

### **Purchase price**

The initial purchase price for the Sale Shares and the PRC Assets which is subject to adjustments is HK\$1,144,000,000, being the debt and cash free value (i.e. assuming that all debts owed by the entities to be acquired being settled and the surplus cash being removed), and will be payable in cash (or such other manner as may be agreed between SCA Group and the Company) by the Group at Completion. The Company will finance the settlement of the initial purchase price by internal resources and the funding available under a term loan facility in the sum of HK\$1,200,000,000 to be made available by AB SCA Finans (publ), an indirectly wholly-owned subsidiary of SCA, particulars of which have been disclosed in the announcement of the Company dated 18 July 2014. The formal agreement in respect of the term loan facility is expected to be executed shortly after the EGM. To the best of the Directors' knowledge, information and belief, having made all reasonable enquires, there should be no major obstacle for the Company to entered into the formal agreement for the said terms loan facility or otherwise to obtain bank loan with comparable terms for the financing of the payment of the initial purchase price.

The initial purchase price for the Sale Shares and the PRC Assets will be adjusted such that the final purchase price will be determined by deducting the amount of actual net debt of SCA Tissue, SCA Healthcare, SCA Shanghai and EB Fujian as at the Completion Date, and adding the surplus or deducting the deficits (as the case may be) (i) between the amount of working capital of SCA Tissue as at the Completion Date and the agreed amount of normalised working capital of HK\$5,900,000 (which was calculated based on the average amount of working capital during the twelve-month period from 1 July 2013 to 30 June 2014), and (ii) between the amount of actual value of the PRC Inventory as at the Completion Date and the agreed amount of normalised value of the PRC Inventory at HK\$85,400,000. There is no maximum adjustment amount or ceiling to the initial purchase price. If there is any adjustment to the initial purchase price, the relevant party shall settle the same within 5 Business Days from the date when the final purchase price is determined or agreed among the parties. In the event that the final purchase price determined is materially different from the initial purchase price and a material adjustment is required to be made to the initial purchase price, the Company will issue an announcement disclosing particulars of the same.

The initial purchase price was determined after arm's length negotiations between the Company and SCA Group, after taking into account of, amongst others, the historical financial performance of the assets to be required (in particular, that of SCA Tissue and the turnover amount of the PRC Contracts) and the future development potential of assets to

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## LETTER FROM THE BOARD

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be acquired (including the benefits under the Trademark Assignments and the Licence Agreements, which will become effective upon Completion). In particular, the Company has considered the perpetual exclusive rights to use the brand name of Tempo and the assignment of the trademarks of Dr. P and Sealer brands. These are established household consumable paper products and personal care brands in Hong Kong and PRC, with a history of brand presence in the market. At the same time, the Company will also obtain exclusive rights to use the brand names of international brands TORK, TENA, Libresse and Libero. The Company believes that these brands carry significant brand recognition with the consumers, which will allow the Company to further enhance its current brand portfolio.

On the other hand, SCA Healthcare and SCA Shanghai are in the early stage of developing their businesses, whereas EB Fujian does not carry any operating activity. Therefore they had incurred loss in previous financial years and the amounts of which are considered immaterial. SCA Healthcare and its subsidiary SCA Shanghai are newly established companies which are engaged in the business of provision of home-based health care services and health management consultancy. These companies can provide complementary services to the overall operation of the Group.

### **Conditions precedent**

Completion of the transactions contemplated under the Sale and Purchase Agreement is conditional upon the following conditions being fulfilled:

- (1) the approval by the Independent Shareholders at the EGM of the Sale and Purchase Agreement and the transactions contemplated thereunder; and
- (2) all approvals, consents, authorisations and licences (so far as are necessary) (other than the transfer of the equity interest of EB Fujian) in relation to the transactions contemplated under the Sale and Purchase Agreement having been obtained from the relevant governmental authorities.

As the parties to the Sale and Purchase Agreement do not foresee any issue in transferring the equity interest of EB Fujian which will take approximately 3 months, and in order not to delay the Completion Date, the transfer of equity interest of EB Fujian is excluded as one of the conditions precedent for Completion. As advised by the Company's legal advisers as to PRC laws, there is no legal impediment to the transfer of the equity interest of EB Fujian.

If all the conditions have not been satisfied by 5:00 p.m. on 31 December 2014, being the long stop date of the Sale and Purchase Agreement, or such other date as agreed between SCA Group and the Company in writing, the Sale and Purchase Agreement will lapse and have no further effect (save for the clauses that survive the termination of the Sale and Purchase Agreement as provided for thereunder).

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## LETTER FROM THE BOARD

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### Completion

Completion of the transactions under the Sale and Purchase Agreement shall take place on the fifth (5th) Business Day after the date on which the conditions precedent for Completion are satisfied, or such other date as SCA Group and the Company may agree in writing.

### TRADEMARK ASSIGNMENTS AND LICENCE AGREEMENTS

On 17 July 2014, as part of the transactions contemplated under the Sale and Purchase Agreement, the following agreements were entered into:

- (a) the HK Licence Agreement, pursuant to which SCA Hygiene Products AB will grant to SCA Tissue a licence to use in Hong Kong and Macau (i) Tempo, TORK, TENA, Libresse and Libero brands in relation to personal care and tissue product business, and (ii) certain patents and technology and related intellectual property in relation to Tempo, Dr. P, Sealer, TORK, TENA, Libresse and Libero brands for the manufacture of personal care and tissue products;
- (b) the HK Trademark Assignment, pursuant to which SCA Taiwan will transfer and assign all its rights, title, benefits and interests in Dr. P and Sealer brands and trademarks in Hong Kong and Macau to SCA Tissue for a consideration of US\$1.00;
- (c) the PRC Licence Agreement, pursuant to which SCA Hygiene Products AB will grant to Vinda China a licence to use in the PRC (i) Tempo, TORK, TENA, Libresse and Libero brands in relation to personal care and tissue product business, and (ii) certain patents and technology and related intellectual property in relation to Tempo, Dr. P, Sealer, TORK, TENA, Libresse and Libero brands for the manufacture of personal care and tissue products; and
- (d) the PRC Trademark Assignment, pursuant to which SCA Taiwan will transfer and assign all its rights, title, benefits and interests in Dr. P and Sealer brands and trademarks in the PRC to Vinda China for a consideration of US\$1.00.

The Licence Agreements and the Trademark Assignments are conditional and will become effective upon Completion.

SCA Hygiene Products AB, an indirect wholly-owned subsidiary of SCA, is a company incorporated under the laws of Kingdom of Sweden with limited liability and is a global supplier of personal care and tissue products.



## LETTER FROM THE BOARD

The following table summarises the Group's entitlement to certain intellectual property rights in PRC, Hong Kong and Macau upon the Trademark Assignments and the Licence Agreements becoming effective at Completion:

Brand name	Major products under the brand	Ownership of trademark	Documents assigning the ownership	Licence to use the brand	Licence to use the relevant patents	Licence to use the relevant technology associated with the brand	Documents governing the licence arrangements
Tempo	consumer tissue products (including toilet paper, facial tissue and wet wipes)	No	N/A	Perpetual and exclusive, royalty-free	Non-exclusive, royalty-free for first three years	Exclusive right, royalty-free for first three years	The Licence Agreements
Dr. P	incontinence care products	Yes	The Trademark Assignments	Not applicable	Non-exclusive, royalty-free for first three years	Exclusive right, royalty-free for first three years	The Licence Agreements
Sealer	baby diapers products and baby care products	Yes	The Trademark Assignments	Not applicable	Non-exclusive, royalty-free for first three years	Exclusive right, royalty-free for first three years	The Licence Agreements
TORK	tissue, object wipes, soap and product dispensers	No	N/A	Exclusive and royalty-free for the first three years, renewal for two more three-year terms with royalty	Non-exclusive, royalty-free for first three years	Exclusive right, royalty-free for first three years	The Licence Agreements
TENA	incontinence care products	No	N/A	Exclusive and royalty-free for the first three years, renewal for two more three-year terms with royalty	Non-exclusive, royalty-free for first three years	Exclusive right, royalty-free for first three years	The Licence Agreements
Libresse	feminine care products	No	N/A	Exclusive and royalty-free for the first three years, renewal for two more three-year terms with royalty	Non-exclusive, royalty-free for first three years	Exclusive right, royalty-free for first three years	The Licence Agreements
Libero	baby diapers products and baby care products	No	N/A	Exclusive and royalty-free for the first three years, renewal for two more three-year terms with royalty	Non-exclusive, royalty-free for first three years	Exclusive right, royalty-free for first three years	The Licence Agreements

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## LETTER FROM THE BOARD

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By the Licence Agreements, the Group will be granted the non-exclusive usage of patents and the exclusive usage of technology know-how and product designs for Tempo, Dr. P, Sealer, TORK, TENA, Libresse and Libero' branded products. Such usage will be royalty-free during the first three years of the Licence Agreements, and subject to a royalty thereafter should the Company decide to continue with the usage. The following table summarises the arrangements for royalty upon the expiry of the first three-year period from the date of the Licence Agreements:

<b>Brand name</b>	<b>Royalty for the use of the brand</b>	<b>Royalty for the use of patents and technology</b>
Tempo	royalty-free	such amount to be further agreed among the parties by no later than the date falling 30 months from the date of the Licence Agreements
Dr. P	not applicable	such amount to be further agreed among the parties by no later than the date falling 30 months from the date of the Licence Agreements
Sealer	not applicable	such amount to be further agreed among the parties by no later than the date falling 30 months from the date of the Licence Agreements
TORK	a quarterly amount equal to 1.5% of the quarterly net sales ( <i>Note</i> ) of all products marketed and sold under TORK brand	
TENA	a quarterly amount equal to 3% of the quarterly net sales ( <i>Note</i> ) of all products marketed and sold under TENA brand	
Libresse	a quarterly amount equal to 3% of the quarterly net sales ( <i>Note</i> ) of all products marketed and sold under Libresse brand	
Libero	a quarterly amount equal to 3% of the quarterly net sales ( <i>Note</i> ) of all products marketed and sold under Libero brand	

*Note:* "Quarterly net sales" means net sales of the relevant products during the relevant calendar quarter, provided that for the period commencing from the date of the Licence Agreements to the end of the calendar quarter immediately following the date of the Licence Agreements, the "quarterly net sales" shall be the net sales during that period.

### **REASONS FOR AND BENEFITS OF THE SALE AND PURCHASE AGREEMENT, TRADEMARK ASSIGNMENTS AND LICENCE AGREEMENTS**

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

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## LETTER FROM THE BOARD

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It is the Group's intention to diversify its business and to expand its products range and brands offered, with a long-term vision to become the most preferred personal hygiene products company in Asia. Through completing the transactions contemplated under the Sale and Purchase Agreement, the Group will be able to (i) consolidate its strong position within the consumable paper products market by obtaining the exclusive perpetual right to use the 'Tempo' brand in Hong Kong, Macau and PRC, (ii) further expand into key personal care product categories such as baby care, elderly care and feminine care products, (iii) leverage on the strong brand equity of SCA's key global brands such as 'TORK', 'TENA', 'Libero', and 'Libresse', and also the well-known regional brands such as 'Dr. P' and 'Sealer' to further penetrate into the personal care products market, (iv) expand the sales of various hygiene product brands through utilising the Group's sales network, and (v) further strengthen its strategic relationship with SCA.

Although the Completion will be taken place notwithstanding the uncertainties of transferring every PRC Contract the Directors consider that this risk is not material as the Group is still able to perform all obligations under the PRC Contracts as the sub-contractor of either SCA China or EB Shanghai (as the case may be) upon the Completion even if the PRC Contracts cannot be transferred or novated, and the costs of effecting the novation shall be borne by either SCA China or EB Shanghai (as the case may be).

None of the Directors has a material interest in the connected transactions contemplated under the Sale and Purchase Agreement, the Trademark Assignments and the Licence Agreements and hence no Director is required to abstain from voting on such board resolutions in accordance with the Listing Rules. Based on the above, the Directors, including the independent non-executive Directors but excluding Mr. Jan Christer JOHANSSON, Mr. Jan Lennart PERSSON, Mr. Ulf Olof Lennart SODERSTROM and Mr. Johann Christoph MICHALSKI, four non-executive Directors, who had elected to abstain from voting, consider the respective terms of the Sale and Purchase Agreement, the Trademark Assignments and the Licence Agreements are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### GENERAL

The Group is principally engaged in the manufacturing and sale of household consumable paper products in the PRC, Hong Kong and Macau, and its principal products include toilet paper, paper handkerchiefs, facial tissue paper and paper napkins.

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.

Completion of the transactions contemplated under the Sale and Purchase Agreement is conditional upon the satisfaction of the conditions set out in the section headed "Conditions precedent" in this circular, including the approval of the Sale and Purchase Agreement and the transactions contemplated thereunder by the Independent Shareholders at the EGM. Accordingly, the transactions contemplated under the Sale and Purchase Agreement may or may not proceed. Shareholders and potential investors should therefore exercise caution when dealing in the securities of the Company.

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## LETTER FROM THE BOARD

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### IMPLICATION UNDER THE LISTING RULES

#### **Sale and Purchase Agreement**

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the transactions contemplated under the Sale and Purchase Agreement are higher than 5% but below 25%, they constitute discloseable transactions of the Company and are subject to reporting and announcement requirements under Chapter 14 of the Listing Rules.

SCA Group is the Controlling Shareholder of the Company. As a result, SCA Group is a Connected Person of the Company. As one or more of the applicable percentage ratios in respect of the transactions contemplated under the Sale and Purchase Agreement exceeds 5%, the transactions contemplated under the Sale and Purchase Agreement will therefore constitute connected transactions which are subject to the reporting, announcement and independent shareholders' approval requirements under Rules 14A of the Listing Rules.

#### **PRC Trademark Assignment**

SCA Taiwan is a wholly-owned subsidiary of SCA, which is the holding company of SCA Group, the Controlling Shareholder of the Company. In the circumstances, SCA Taiwan is a Connected Person of the Company and any transaction between SCA Taiwan and the Group will constitute a connected transaction of the Company.

As the consideration of the PRC Trademark Assignment is US\$1.00, the connected transactions contemplated under the PRC Trademark Assignment are fully exempt from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

#### **Licence Agreements**

Pursuant to Rule 14A.60 of the Listing Rules, if a listed issuer's group has entered into an agreement for a fixed period with fixed terms for a continuing transaction, and the transaction subsequently becomes a continuing connected transaction, the listed issuer must, as soon as practicable after becoming aware of this fact, comply with the annual review and disclosure requirements including publishing an announcement and annual reporting if the listed issuer's group continues to conduct the transaction under the agreement; and when the agreement is renewed or its terms are varied, comply with all connected transaction requirements.

Upon Completion, SCA Tissue will become an indirect wholly-owned subsidiary of the Company, and any transaction between SCA Tissue and SCA Hygiene Products AB, an indirect wholly-owned subsidiary of SCA and hence a Connected Person of the Company, will constitute a connected transaction of the Company.

As the transactions contemplated under the Licence Agreements are continuing in nature, they will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Pursuant to the terms of the Licence Agreements, all the

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## LETTER FROM THE BOARD

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transactions will be conducted on a royalty-free basis for the first three years commencing from the Completion Date. As such, the continuing connected transactions contemplated under the Licence Agreements are fully exempt from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

In the event that the Group decides to renew the licence to use the TORK, TENA, Libresse and Libero brands and/or the licence to use the relevant patents and technology and the related intellectual property in relation to Tempo, Dr. P, Sealer, TORK, TENA, Libresse and Libero brands for a further term of three years upon the expiry of the first three-year period from the date of the Licence Agreements, the Group will comply with all the requirements under Chapter 14A of the Listing Rules, including the setting of the annual caps in relation to the royalties payable, as well as the reporting, announcement and shareholders' approval requirements if so required under Chapter 14A of the Listing Rules. The licence arrangements under the renewed term will be on substantially the same terms and be governed by the provisions of the Licence Agreements.

Pursuant to Rule 14A.52 of the Listing Rules, should the term of an agreement for a continuing connected transaction exceeds three years, the Company must appoint an independent financial adviser to explain why the agreement requires a longer period and to confirm that it is normal business practice for agreements of this type to be of such duration. The Company, accordingly, has appointed Quam Capital Limited as its independent financial adviser to advise the Board on the duration of the Licence Agreements. Details of its advice, together with the principal factors and reasons it has taken into consideration in giving its advice pursuant to Rule 14A.52 of the Listing Rules, are contained in its letter set out on pages 22 to 46 of this circular.

### EGM

The notice convening the EGM to be held at Fanling Room, Lower Level 1, Kowloon Shangri-La, 64 Mody Road, Tsimshatsui East, Kowloon, Hong Kong on Friday, 12 September 2014 at 10:00 a.m. is set out on pages 59 to 60 of this circular. An ordinary resolution will be proposed at the EGM to approve, among other things, the Sale and Purchase Agreement and the transactions contemplated thereunder. The votes on the resolution proposed to be approved at the EGM will be taken by poll and an announcement will be made by the Company after the EGM on the results of the EGM.

A member entitled to attend and vote at the EGM is entitled to appoint one or more proxies to attend and, on a poll, vote on his/her behalf. A form of proxy for the use at the EGM is enclosed with this circular. A proxy need not be a member of the Company. To be valid, a form of proxy and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power of attorney or authority, must be deposited with the Hong Kong branch share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the EGM or any adjourned EGM.

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## LETTER FROM THE BOARD

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SCA Group, the Controlling Shareholder of the Company, having a material interest in the transactions contemplated under the Sale and Purchase Agreement, and therefore is required to abstain from voting under the Rule 14A.36 of the Listing Rules.

The Independent Board Committee comprising three independent non-executive Directors has been formed to advise the Independent Shareholders as to the fairness and reasonableness of the terms of the Sale and Purchase Agreement. The Independent Financial Adviser, being Quam Capital Limited, has been appointed to advise the Independent Board Committee and the Independent Shareholders in this connection.

### RECOMMENDATIONS

Taking into consideration of the reasons set out in the paragraph headed “Reasons for and benefits of the Sale and Purchase Agreement, Trademark Assignments and Licence Agreements” above, the Directors (including the independent non-executive Directors but excluding the non-executive Directors) consider that the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder are in the ordinary and usual course of business of the Company, fair and reasonable and on normal commercial terms, and the acquisition of the Sale Shares and the PRC Assets is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors but excluding the non-executive Directors) recommend the Independent Shareholders to vote in favour of the ordinary resolution as set out in the notice of the EGM to approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

Your attention is drawn to the letter from the Independent Board Committee set out on page 21 of this circular, the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders set out on pages 22 to 46 of this circular and the information set out in the appendices of this circular.

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



**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)**

22 August 2014

*To the Independent Shareholders*

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTIONS**

We refer to the circular dated 22 August 2014 issued by the Company (the “**Circular**”) of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless specified otherwise.

Our committee has been formed to advise the Independent Shareholders in relation to the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder. Quam Capital Limited has been appointed by the Company as the Independent Financial Adviser to advise us in this regard. Details of its advice, together with the principal factors and reasons it has taken into consideration in giving its advice, are contained in its letter set out on pages 22 to 46 of the Circular. Your attention is also drawn to the letter from the Board and the additional information set out in the appendix to the Circular.

After taking into account the factors and reasons considered by the Independent Financial Adviser and its conclusion and advice, we concur with its views and consider that the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder are in the ordinary and usual course of business of the Company, fair and reasonable so far as the Company and the Shareholders are concerned, on normal commercial terms and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend that the Independent Shareholders should vote in favor of the resolution to be proposed at the EGM to approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

Yours faithfully  
For and on behalf of the  
**Independent Board Committee**

**Mr. KAM Robert**  
**Mr. HUI Chin Tong, Godfrey**  
**Mr. TSUI King Fai**

*Independent non-executive Directors*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the full text of a letter of advice from Quam Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of incorporation into this circular, setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder.*



22 August 2014

*To the Independent Board Committee  
and the Independent Shareholders*

Vinda International Holdings Limited  
Room 506, Tower 1  
South Seas Centre  
75 Mody Road  
Tsimshatsui East  
Kowloon  
Hong Kong

Dear Sir or Madam,

### **DISCLOSEABLE AND CONNECTED TRANSACTIONS**

#### **INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder, details of which are set out in the “Letter from the Board” contained in the circular (the “**Letter from the Board**”) issued by the Company to the Shareholders dated 22 August 2014 (“**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

Mr. Kam Robert, Mr. Hui Chin Tong, Godfrey and Mr. Tsui King Fai, the independent non-executive Directors, have been appointed as the members of the Independent Board Committee to consider and to advise the Independent Shareholders as to (i) whether the terms of the Sale and Purchase Agreement are fair and reasonable so far as the Independent Shareholders are concerned and whether they are in the interests of the Company and the Shareholders as a whole; and (ii) whether to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Sale and Purchase Agreement and the transactions contemplated thereunder. As the Independent Financial Adviser, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders in such regard.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Furthermore, we are appointed to advise the Company the reasons for the length of the Licence Agreements which exceed three years and whether this is normal business practice for such duration as required under the Listing Rules.

As at the Latest Practicable Date, Quam Capital Limited did not have any relationship with or interest in the Company or SCA that could reasonably be regarded as relevant to the independence of Quam Capital Limited. In the last two years, there was no engagement between the Group and Quam Capital Limited. Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no arrangements exist whereby we had received any fees or benefits from the Company or SCA. Accordingly, we are qualified to give independent advice in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder.

### **BASIS OF OUR OPINION**

In formulating our recommendation, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the information supplied by the Company; (iii) the opinions expressed by and the representations of the Directors and management of the Group; and (iv) our review of relevant public information. We have assumed that all the information provided and representations and opinions expressed to us or contained or referred to in the Circular were true, accurate and complete in all respects at the date thereof and may be relied upon. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors, the management of the Group and the advisers of the Company. We have also sought and received confirmation from the Directors that no material facts have been withheld or omitted from the information provided and referred to in the Circular and that all information or representations regarding the Group, the Sale and Purchase Agreement and the transactions contemplated thereunder provided to us by the Company and/or the Directors and the management of the Group are true, accurate, complete and not misleading in all material respects at the time they were made and continued to be so until the date of the Circular.

We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Company, its subsidiaries and associates as well as the companies and assets to be acquired pursuant to the Sale and Purchase Agreement.

## PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation, we have taken into account the following principal factors and reasons:

### A. The Sale and Purchase Agreement

#### 1. *Background of and reasons for the Sale and Purchase Agreement*

##### 1.1 *Information on the Group*

The Group is principally engaged in the manufacture and sale of household consumable paper products in the PRC, Hong Kong and Macau. Its principal products include toilet paper, paper handkerchiefs, facial tissue paper and paper napkins.

According to the annual report of the Company for the year ended 31 December 2013 (the “**2013 Annual Report**”), the Group’s turnover amounted to approximately HK\$6,024.0 million and HK\$6,798.0 million for the two years ended 31 December 2012 and 2013 respectively. The PRC is the principal market of the Group. For the year ended 31 December 2013, approximately 91.9%, 7.8% and 0.3% of the Group’s turnover was generated from the PRC, Hong Kong and overseas respectively. For each of the years ended 31 December 2012 and 2013, the Group recorded profit attributable to Shareholders of approximately HK\$536.6 million and HK\$542.9 million respectively.

As disclosed in the 2013 Annual Report, the management of the Company considers that household paper industry of the PRC has shifted down from rapid to steady growth, while consumers’ emphasis on brands and product quality has triggered off the industry’s transformation. The management of the Company believes that market competition will remain fierce and costs will be rising. Having developed a strong household paper business, the Group is now diversifying into other products to enhance profitability.

##### 1.2 *Information on SCA*

SCA Group, the vendor of the Sale and Purchase Agreement, is a wholly-owned subsidiary of SCA. As stated in the Letter from the Board, 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. SCA Group has been a Shareholder since 2007 and became the largest Shareholder in late 2013. As at the Latest Practicable Date, SCA Group held approximately 51.4% of the issued share capital of the Company.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *1.3 Information on SCA Tissue, SCA Healthcare, SCA Shanghai, EB Fujian and the PRC Assets*

On 17 July 2014, the Company and SCA Group entered into the Sale and Purchase Agreement, pursuant to which the Company agreed to purchase and SCA Group agreed to sell (i) the entire issued share capital of SCA Tissue; (ii) the entire issued share capital of SCA Healthcare; (iii) the entire equity interest of EB Fujian; and (iv) the PRC Assets, for an aggregate initial purchase price of HK\$1,144,000,000 (subject to adjustments) (the “**Proposed Acquisition**”).

#### SCA Tissue

SCA Tissue is a limited company incorporated under the laws of Hong Kong and is a wholly-owned subsidiary of SCA Group. Its principal activity is the trading of tissue products and adult diapers.

The following table sets out certain selected financial information of SCA Tissue as extracted from the relevant audited financial statements of SCA Tissue:

	<b>For the year ended 31 December</b>	
	<b>2013</b>	<b>2012</b>
	<i>HK\$'million</i>	<i>HK\$'million</i>
Turnover	310.3	279.8
Profit before taxation	27.3	19.8
Profit after taxation	23.1	16.4

Turnover of SCA Tissue increased slightly by approximately 10.9% from approximately HK\$279.8 million to approximately HK\$310.3 million for the year ended 31 December 2013. As advised by the management of the Company, such increase was driven by the launch of new products during the year ended 31 December 2013. As at 31 December 2013, the audited net asset value of SCA Tissue was approximately HK\$72.1 million. The assets of SCA Tissue mainly comprised of machineries, inventories, trade and other receivables and cash and cash equivalents, whereas its liabilities were mainly trade and other payables and amount due to fellow subsidiaries.

#### SCA Healthcare and SCA Shanghai

SCA Healthcare is a limited company incorporated under the laws of Singapore and is a wholly-owned subsidiary of SCA Group. SCA Healthcare is an investment holding company which owns the entire equity interest of SCA Shanghai, a limited company incorporated under the laws of the PRC whose principal business is the provision of home-

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**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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based health care services and health management consultancy. The business of SCA Shanghai is complementary to the personal care products business of SCA and its other subsidiaries.

The following table sets out certain selected financial information of SCA Healthcare as extracted from the relevant audited financial statements of SCA Healthcare:

	<b>For the year ended 31 December 2013</b>		<b>Period from 20 September 2011 to 31 December 2012</b>	
	<i>S\$'million</i>	<i>HK\$'million equivalent</i>	<i>S\$'million</i>	<i>HK\$'million equivalent</i>
Turnover	Nil	Nil	Nil	Nil
Loss before taxation	(0.3)	(2.1)	(0.6)	(3.7)
Loss after taxation	(0.3)	(2.1)	(0.6)	(3.7)

As at 31 December 2013, the audited net asset value of SCA Healthcare was approximately S\$0.08 million (equivalent to approximately HK\$0.5 million).

The following table sets out certain selected financial information of SCA Shanghai as extracted from the relevant audited financial statements of SCA Shanghai:

	<b>For the year ended 31 December 2013</b>		<b>Period from 7 December 2011 to 31 December 2012</b>	
	<i>RMB'million</i>	<i>HK\$'million equivalent</i>	<i>RMB'million</i>	<i>HK\$'million equivalent</i>
Turnover	0.2	0.2	0.04	0.1
Loss before taxation	(1.7)	(2.1)	(2.0)	(2.5)
Loss after taxation	(1.7)	(2.1)	(2.0)	(2.5)

As at 31 December 2013, the audited net asset value of SCA Shanghai was approximately RMB0.9 million (equivalent to approximately HK\$1.1 million).

EB Fujian

EB Fujian is a limited company incorporated under the laws of the PRC and is an indirect wholly-owned subsidiary of SCA Group. EB Fujian has no income-generating operation and currently possesses the land use right relating to the Xiamen Site which has a total site area of approximately 96,226 square meters. EB Fujian obtained such land use right in September 2011 at a consideration of RMB16,166,000 for the purpose of developing its business of manufacture of paper and paper products.

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**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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The following table sets out certain selected financial information of EB Fujian as extracted from the relevant audited financial statements of EB Fujian:

	For the year ended 31 December			
	2013		2012	
	<i>RMB'million</i>	<i>HK\$'million equivalent</i>	<i>RMB'million</i>	<i>HK\$'million equivalent</i>
Turnover	Nil	Nil	Nil	Nil
Loss before taxation	(0.2)	(0.2)	(0.3)	(0.4)
Loss after taxation	(0.2)	(0.3)	(0.3)	(0.4)

The audited net asset value of EB Fujian as at 31 December 2013 was approximately RMB49.6 million (equivalent to approximately HK\$62.0 million). As at 31 December 2013, the carrying value of the land use right in respect of Xiamen Site amounted to approximately RMB11.8 million (equivalent to approximately HK\$14.8 million). Other assets of EB Fujian as at 31 December 2013 mainly included construction in progress and cash and cash equivalents.

As disclosed in the Letter from the Board, as at the Latest Practicable Date, the Company had no development plan and timetable concerning the development of the Xiamen Site. Based on the current intention of the Company, the Group will liaise with the relevant PRC government authority as soon as practicable after Completion regarding the development of the Xiamen Site. The acquisition of EB Fujian will allow the Group to preserve an industrial land for the expansion of its production capacity of personal care products as and when necessary up to September 2015. In the event that the Group decides not to develop the Xiamen Site by September 2015, the Group can return the Xiamen Site to 福建省漳州台商投資區管理委員會 (in English for identification purpose only, Management Committee of Taiwanese Investors Investment Zone of Zhangzhou, Fujian Province) at the original consideration as previously agreed between 福建省漳州台商投資區管理委員會 and EB Fujian.

As reported in the valuation report (the “**Valuation Report**”) prepared by American Appraisal China Limited (the “**Valuer**”) as set out in Appendix I to the Circular, the market value of the real property interests on the Xiamen Site (which included the land use right of the Xiamen Site and the construction works thereon) (the “**Property**”) was approximately RMB29.0 million as at 30 June 2014. We have conducted an interview with the Valuer to enquire its experience in valuing similar real property interests in the PRC and its independence, and reviewed the terms of engagement of the Valuer, in particular to its scope of work. We noted that its scope of work is appropriate to form the opinion

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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required to be given and there are no limitations on the scope of work which might adversely impact on the degree of assurance given by the Valuer in the Valuation Report.

We have also reviewed the Valuation Report and discussed with the Valuer regarding the methodology, basis and assumptions adopted in arriving at the value of the Property as at 30 June 2014. We noted that both market approach and cost approach were adopted by the Valuer in arriving at the value of the Property. For the land use right of the Xiamen Site, the Valuer has adopted market approach which is used to estimate value through the analysis of recent sales of comparable property. In the valuation of real estate, similar properties that have recently sold or are offered for sale in the current market are analysed and compared with the property being appraised, and adjustments are made for differences in such factors as date of sale, location, size, shape, and topography of the land, type, age, and condition of the improvements, and prospective use. For the construction works on the Xiamen Site, the Valuer has adopted cost approach by adopting the construction cost incurred in the process of construction. Given the nature of use and other particulars of the Property, the Valuer considers that the market approach and cost approach are the most appropriate valuation methods in arriving at its value. Moreover, as advised by the Valuer, such approaches are in compliance with the standards and guidelines set out in the HKIS Valuation Standards (2012 Edition) published by the Hong Kong Institute of Surveyors and Chapter 5 of the Listing Rules. We also understand from the Valuer that it has carried out an on-site inspection and made relevant enquiries for the purpose of the valuation and no irregularities were noted during the course of the valuation. Given the valuation methodology adopted by the Valuer is usual and in compliance with the standards published by the Hong Kong Institute of Surveyors, we consider that the methodology and basis adopted by the Valuer for determining the value of the Property are appropriate.

As disclosed in the Letter from the Board, one of the conditions precedent for Completion was all approvals, consents, authorisations and licences (so far as are necessary) (other than the transfer of the equity interest of EB Fujian) in relation to the transactions contemplated under the Sale and Purchase Agreement having been obtained from the relevant governmental authorities. As advised by the Company's legal advisers as to PRC laws, there is no legal impediment to the transfer of the equity interest of EB Fujian which will take approximately three months, and in order not to delay the Completion Date, the transfer of equity interest of EB Fujian is excluded as one of the conditions precedent for Completion.

The PRC Contracts

The PRC Contracts are contracts entered into by SCA China and EB Shanghai in relation to the business of sale and distribution of consumer tissues and personal care and hygiene products in the PRC which are unperformed (wholly or partly) at the Completion Date including, without limitation, supply and distribution agreements and customer contracts but excluding employment contracts with its employees and agreements relating to borrowing. As advised by the management of the Company, there are over 300 PRC Contracts covering over 300 cities and over 3,000 customers and/or distributors for tissues and personal care hygiene products in the PRC who, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, are Independent Third Parties. The turnover generated under the PRC Contracts for the year ended 31 December 2013 was approximately HK\$405.2 million.

As stated in the Letter from the Board, it is expected that after Completion, the Group will replace SCA China or EB Shanghai (as the case may be) and supply its household consumable paper products to the distributors and customers according to the current terms of the PRC Contracts. Pursuant to the provisions of the Sale and Purchase Agreement, following the Completion Date, the Group will perform all obligations of either SCA China or EB Shanghai (as the case may be) under the PRC Contracts. The Company has been advised by its legal advisers as to PRC laws that consents from the counterparties to the PRC Contracts will be required for effecting novation of the PRC Contracts, and save to the consents, there is no other legal impediment to the transfer of the PRC Contracts or the performance of the PRC Contracts by the Group in the capacity of a sub-contractor. In the event that a PRC Contract cannot be transferred to the Group, the Group will, acting in the capacity of the sub-contractor of either SCA China or EB Shanghai (if legal under the laws of the PRC), perform all the obligations of either SCA China or EB Shanghai (as the case may be) under the PRC Contracts and be entitled to the benefits, interests and revenue under the PRC Contracts. SCA China and/or EB Shanghai (as the case may be) will make all reasonable efforts to obtain the consent to the assignment, or achieve the novation, of the PRC Contracts, and will bear the costs and risks of the Group for doing each reasonable act for enabling the performance of the PRC Contracts by the Group after the Completion Date.

According to the Letter from the Board, although the Completion will be taken place notwithstanding the uncertainties of transferring every PRC Contract, the Directors consider that this risk is not material as the Group is still able to perform all obligations under the PRC Contracts as the sub-contractor of either SCA China or EB Shanghai (as

the case may be) upon Completion even if the PRC Contracts cannot be transferred or novated, and the costs of effecting the novation shall be borne by either SCA China or EB Shanghai (as the case may be).

#### The PRC Inventory

The PRC Inventory consists of stock of raw materials, partly finished and finished goods in relation to the business of the manufacture, sale and distribution of consumer tissues and personal care and hygiene products carried on by SCA and its subsidiaries in the PRC as at the Completion Date. The average book value of the PRC Inventory over the 12 months ended 30 June 2014 was approximately HK\$85.4 million.

#### *1.4 Reasons for and benefits of the Sale and Purchase Agreement*

As stated in the Letter from the Board, it is the Group's intention to diversify its business and to expand its products range and brands offered, with a long-term vision to become the most-preferred personal hygiene products company in Asia. As stated in the 2013 Annual Report, the Group is diversifying into other products to enhance profitability. With its well-established distribution network, and capabilities of marketing and promotion, supply chain management, a rich talent pool and financial strength, the Group is well positioned to diversify its business. SCA, which is Europe's largest and the world's second largest personal care enterprise, increased its equity stake in the Group in 2013 and became the largest Shareholder. With its rich experience in branding management and research and development capability, SCA will give new impetus to the Group's diversification into four major personal care businesses.

Upon Completion, the Group will own SCA Tissue, SCA Healthcare, SCA Shanghai, EB Fujian and the PRC Assets. Besides, as part of the transactions, the Group will also be entitled to certain intellectual property rights in the PRC, Hong Kong and Macau including the licence to use the brand, relevant patents and relevant technology for 'Tempo', 'Dr. P', 'Sealer', 'TORK', 'TENA', 'Libresse' and 'Libero' upon the Trademark Assignments and the Licence Agreements becoming effective upon Completion. Details of the above are set out in the section headed "Reasons for duration of the Licence Agreements exceeds three years" below.

The management of the Company considers that after Completion, the Group will be able to (i) consolidate its strong position within the consumable paper products market by obtaining the exclusive perpetual right to use the 'Tempo' brand in Hong Kong, Macau and the PRC; (ii) further expand into key personal care product categories such as baby care, elderly care and feminine care products; (iii) leverage on the strong brand equity of SCA's key global brands such as 'TORK', 'TENA', 'Libero' and 'Libresse', and also the well-known regional brands such as 'Dr. P' and



‘Sealer’ to further penetrate into the personal care products market; (iv) expand the sales of various hygiene product brands through utilising the Group’s sales network; and (v) further strengthen its strategic relationship with SCA.

We have discussed with the management of the Company in respect of the reasons for and benefits of the Sale and Purchase Agreement and the transactions contemplated thereunder and have considered the following factors in arriving our opinion:

Expand the Group’s products range and brands offered

SCA is a leading global hygiene and forest products company. SCA’s products are sold in more than 70 countries and it maintains a leading position in most of the countries. Over 70% of SCA’s net sales was contributed by Europe market. According to the annual report of SCA for the year ended 31 December 2013, SCA is the world leader in incontinence products through its global brand ‘TENA’. In the baby diapers segment, SCA is the world’s fourth largest player and holds the number two position in Europe. SCA markets baby diapers under the brand ‘Libero’ in Europe and its strongest market is in Nordic region. In the feminine care segment, SCA is the world’s fourth largest player and the third largest in Europe. SCA is a market leader in Latin America, Australia and New Zealand. ‘Libresse’ is a regional brand which holds a number two position in the Nordic region. SCA is a global leading consumer tissue and Away-from-Home (AfH) tissue company. In the consumer tissue segment, SCA holds the global number two position and the clear market leader in Europe with strong regional and local brands such as ‘Tempo’, ‘Zewa’, ‘Plenty’ and ‘Lotus’. ‘Tempo’ is the market leader in handkerchiefs in Hong Kong with a market share of about 70%. ‘TORK’ is the global largest supplier in the AfH tissue segment.

After Completion, the Group will have the exclusive licence to market and sell products under the brands ‘TENA’ (incontinence products), ‘Tork’ (AfH tissue), ‘Tempo’ (consumer tissue), ‘Libero’ (baby diapers) and ‘Libresse’ (feminine care) in the PRC, Hong Kong and Macau. The Group will also have ‘Dr. P’ (incontinence products) and ‘Sealer’ (baby diapers) brands in the PRC, Hong Kong and Macau. As stated in the 2013 Annual Report, the Group is set on becoming the most preferred brand of household care, baby care, feminine care and elderly care products. The Proposed Acquisition is in line with the Group’s business strategies, which allows the Group to get access to a broader product range. We consider that, by leveraging on the strong brands, the Group will be able to further penetrate into the personal care products market in the PRC, Hong Kong and Macau efficiently.

Significant potential for future growth in the PRC

According to the statistics released by the National Bureau of Statistics of China, the population of the PRC increased gradually by a compound annual growth rate of approximately 0.5% per annum from approximately 1,299,880,000 in 2004 to approximately 1,360,720,000 in 2013. In 2013, female accounted for approximately 48.8% of the population in the PRC. The birth rate of the PRC was approximately 1.2% and approximately 1.6 million babies were born in 2013. In 2013, population aged 65 and above accounted for approximately 9.7% of the population in the PRC.

In order to maintain a healthy demographic structure and stable working force of the PRC in the future, the PRC government released a new birth policy in February 2014 with an aim to enhance the birth rate of the country. The new birth policy stated that in the event that either one of the parents is a single child, the family is allowed to give birth up to two children. The increase in birth rate will increase the demand for baby products including baby diapers.

The real gross domestic product (the “GDP”) for 2013 increased by around 7.7% as compared to the previous year. The PRC government expects the annual growth rate of the GDP for the year ending 31 December 2014 to be approximately 7.5%. With the economic growth, the living standard of PRC consumers is expected to continue to improve. This will lead to the increase in demand for quality personal care products.

With the PRC’s population growth, rising living standards and growing hygiene awareness, the demand for personal care products is expected to increase.

Synergies in distribution, sales, research and development as well as production

The Group has established strong sales network in the PRC and Hong Kong markets. As disclosed in the 2013 Annual Report, the revenue contributed by traditional distributors, modern hypermarket and supermarkets, corporate clients and E-commerce was approximately 46.8%, 37.6%, 13.0% and 2.6% respectively for the year ended 31 December 2013. As of 31 December 2013, the Group had a total of 210 sales offices and 1,387 distributors. The Group maintained its market leadership in Guangdong, Hubei, Beijing and Hong Kong with its well-established sales network. To expand its presence in Shandong province and its surrounding areas, the Group had a new plant built in Laiwu, a city in the province. The factory started operating in the second half of the year. It is expected that the proportion of E-commerce will gradually expand and the Group will continue to develop E-commerce in the

future. After Completion, the new product portfolio obtained by the Group will have the potential to reach a broader base of consumers and customers through the extensive and robust distribution network of the Group in the PRC. In addition, as advised by the management of the Company, the PRC Contracts cover over 300 cities in the PRC with over 3,000 customers and distributors. The Group may also enhance its distribution capability by approaching those customers and distributors of the PRC Contracts which do not have business relationship with the Group.

Upon Completion, the Group will own trademark of ‘Dr. P’ and ‘Sealer’ in the PRC, Hong Kong and Macau. The Group will also have the licences to use relevant patents and technology associated with the brands obtained after Completion. This will enhance the Group’s research and development capabilities.

As disclosed in the 2013 Annual Report, the Group sold 481,929 tons of paper in 2013 and the Group’s annual designed production capacity was 760,000 tons by end of 2013. In the fourth quarter of 2014, the Group plans to expand 70,000 tons and 60,000 tons of capacity in Guangdong and Zhejiang Province respectively, which will further raise the Group’s total designed annual production capacity to 890,000 tons by the end of 2014. It is noted that the Proposed Acquisition will not involve the transfer of manufacturing facilities for the PRC Contracts from SCA Group and its subsidiaries to the Group. Upon Completion, the expansion of products range and brands will allow the Group to utilise its idle production capacity.

Based on the aforesaid, we consider that the Proposed Acquisition together with the Licence Agreements and Trademark Assignments will create synergies for the Group by capitalising the renowned brands of SCA Group and its developed distribution network in the PRC, Hong Kong and Macau, and thus we concur with the view of the Directors that the Proposed Acquisition is in line with the Group’s expansion strategies and is the interest of the Company and the Shareholders as a whole.

2. *Principal terms of the Sale and Purchase Agreement*

2.1 *The consideration*

The initial purchase price for the Sale Shares and the PRC Assets (subject to adjustments) is HK\$1,144,000,000 (the “**Consideration**”), being the debt and cash free value (i.e. assuming that all debts owed by the entities to be acquired being settled and the surplus cash being removed), and will be payable in cash (or such other manner as may be agreed between SCA Group and the Company) by the Group at Completion. The Company will finance the settlement of the Consideration by internal resources and the funding available under a term loan facility to be made available by AB SCA Finans (publ), an indirect wholly-owned subsidiary of SCA, in the sum of HK\$1,200,000,000 as disclosed in the Announcement (the “**Term Loan Facility**”).

As stated in the Letter from the Board, the initial purchase price was determined after arm’s length negotiations between the Company and SCA Group, after taking into account of, amongst others, the historical financial performance of the assets to be required (in particular, that of SCA Tissue and the turnover amount of the PRC Contracts) and the future development potential of assets to be acquired (including the benefits under the Trademark Assignments and the Licence Agreements, which will become effective upon Completion), In particular, the Company has considered the perpetual exclusive rights to use the brand name of ‘Tempo’ and the assignment of the trademarks of ‘Dr. P’ and ‘Sealer’ brands. These are established household consumable paper products and personal care brands in Hong Kong and PRC, with a history of brand presence in the market. At the same time, the Company will also obtain exclusive rights to use the brand names of international brands ‘TORK’, ‘TENA’, ‘Libresse’ and ‘Libero’. The Company believes that these brands carry significant brand recognition with the consumers, which will allow the Company to further enhance its current brand portfolio. On the other hand, SCA Healthcare and SCA Shanghai are in the early stage of developing their businesses, whereas EB Fujian does not carry any operating activity. Therefore they had incurred loss in previous financial years and the amounts of which are considered immaterial. SCA Healthcare and its subsidiary SCA Shanghai are newly established companies which are engaged in the business of provision of home-based health care services and health management consultancy. These companies can provide complementary services to the overall operation of the Group.

Evaluation of the Consideration

Pursuant to the Sale and Purchase Agreement, the Proposed Acquisition involves the acquisition of (i) the entire issued share capital of SCA Tissue; (ii) the entire issued share capital of SCA Healthcare; (iii) the entire equity interest of EB Fujian; and (iv) the PRC

Assets by the Company. As part of the transactions contemplated under the Sale and Purchase Agreement, the Group will entitle to certain intellectual property rights in the PRC, Hong Kong and Macau upon the Trademark Assignments and the Licence Agreements becoming effective at Completion. Upon Completion, the Group will be engaged in the sale of the products under the brand name of ‘Tempo’, ‘Dr. P’, ‘Sealer’, ‘TORK’, ‘TENA’, ‘Libero’, and ‘Libresse’ in the PRC, Hong Kong and Macau (the “**Business**”) and also owns the entire equity interests of SCA Healthcare and EB Fujian.

In evaluating the fairness and reasonableness of the Consideration, we have, on a best effort basis, identified a full and exhaustive list of comparable companies which are listed on the Stock Exchange and are principally engaged in the manufacturing, distribution and sale of personal hygiene and/or healthcare products based on the information publicly available on the website of the Stock Exchange (the “**Comparable Companies**”). We have considered several commonly used and generally accepted trading multiples of the Comparable Companies identified, including price to earnings multiples (“**P/E ratio**”), price to net asset value multiples (“**P/NAV ratio**”) and enterprise value (“**EV**”) to sales multiples.

As advised by the management of the Company, the Business is carried out by SCA Tissue and other relevant subsidiaries of SCA Group. It should be noted that the acquisition of the Business will involve acquisition of the business of ‘Tempo’, the PRC Contracts, the PRC Inventory and the entitlement of the relevant licences which are all relating to the personal care products business carried out by SCA Group and its subsidiaries. We note that the Proposed Acquisition will not involve, among other things, the transfer of manufacturing facilities, staff contracts, loan contracts, account receivables and accounts payables of the other relevant subsidiaries of SCA Group which carried out the Business to the Group (except for those of SCA Tissue where applicable). We, therefore, consider that P/E ratio and P/NAV ratio are not appropriate for valuation of the business and assets to be acquired under the Proposed Acquisition.

In our opinion, the value of the Business should reflect the value of (i) the PRC Contracts which generated revenue of approximately HK\$405.2 million for the year ended 31 December 2013; (ii) the PRC Inventory with average book value of approximately HK\$85.4 million; (iii) the entire issued share capital of SCA Tissue, which recorded net profit of approximately HK\$23.1 million for the year ended 31 December 2013; (iv) the entitlement of the licences associated with brands of the Business; (v) the appraised value of the Property of approximately RMB29.0 million as at 30 June 2014; and (vi) the entire

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issued share capital of SCA Healthcare and SCA Shanghai. Both companies incurred net loss of approximately of HK\$2.1 million for the year ended 31 December 2013.

Due to the structure of the Proposed Acquisition, we consider that it is appropriate to use EV to sales multiple to value the Business. For simplicity and prudence sake, we value the Business in terms of revenue generated from the PRC Contracts and turnover of SCA Tissue and SCA Shanghai and ignore the following in our evaluation of the fairness and reasonableness of the Consideration: (i) the PRC Inventory with average book value of approximately HK\$85.4 million; (ii) the appraised value of the Property of approximately RMB29.0 million; and (iii) the fair value of intellectual property rights to be utilised by the Group as the Group will utilise the intellectual property rights in its ordinary course of business instead of sale of the rights to third parties. The inclusion of the positive combined value of these assets in evaluation of the fairness of the Consideration would lead to a lower EV to be used in the EV to sales multiple calculation in comparison to those of Comparable Companies. Therefore, we consider that the exclusion of the value of these assets will not affect our assessment of the fairness and reasonableness of the Consideration.

Notwithstanding that the scale of operations, operating environment, business model, taxation, accounting policies and risk profile of the Comparable Companies may be different from those of the Business, given that the principal business of the Comparable Companies is similar to that of the Business, we consider that the Comparable Companies are fair and representative samples for comparison, and that the analysis with the Comparable Companies provides a general reference as to the market valuation of the Business. We set out in the following table the respective EV to sales multiples of the Comparable Companies as at the Latest Practicable Date.

<b>Company name</b>	<b>Principal business</b>	<b>EV<sup>(Note 1)</sup> to sales multiple (Times)</b>
Hengan International Group Co. Ltd. (stock code: 1044)	Manufacturing, distribution and sale of personal hygiene products, skin care and food and snacks products in the PRC	4.9
China Child Care Corporation Ltd. (stock code: 1259)	Design and provision of children's personal care products, including skin care products, body and hair care products, oral care products and diaper products in the PRC	0.5

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<b>Company name</b>	<b>Principal business</b>	<b>EV<sup>(Note 1)</sup> to sales multiple (Times)</b>
Newtree Group Holdings Ltd. (stock code: 1323)	Trading and manufacture of clinical and household hygienic disposables and trading of related raw materials, agency service and trading of methyl tertiary butyl ether products and, trading of coal products, wholesales and retail of household consumables	3.7
The Company	Manufacturing of household consumable paper products	2.2
<b>Maximum</b>		<b>4.9</b>
<b>Minimum</b>		<b>0.5</b>
<b>Average</b>		<b>2.8</b>
<b>Median</b>		<b>3.0</b>
The Business (as implied by the Consideration)		1.6 <sup>(Note 2)</sup>

*Source:* Website of the Stock Exchange

*Notes:*

1. EV of a Comparable Company refers to its market value as at the Latest Practicable Date adjusting by net debt (defined as total borrowings minus cash and cash equivalents) and non-controlling interests according to the latest published financial statements of the Comparable Company available on the Latest Practicable Date.

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2. EV of the Business is calculated based on the Consideration. Sales of the Business are turnover of SCA Tissue and SCA Shanghai, and the turnover generated from the PRC Contracts in aggregate for the year ended 31 December 2013. The following table illustrates the calculation of the EV to sales multiple of the Business:

	<i>HK\$' million</i>
EV of the Business (as implied by the Consideration) (A)	1,144.0
Turnover for the year ended 31 December 2013 of:	
— SCA Tissue	310.3
— SCA Healthcare	—
— SCA Shanghai	0.2
— EB Fujian	—
— the PRC Contracts	405.2
Total relevant turnover of the Business (B)	715.7
EV to sales multiple of the Business ( <i>Times</i> ) (C) = (A)/(B)	1.6

Based on the above table, we note that the EV to sales multiples of the Comparable Companies ranged from approximately 0.5 times to 4.9 times, with an average of approximately 2.8 times and a median of approximately 3.0 times. The EV to sales multiple of the Business as implied by the Consideration of approximately 1.6 times falls within the range of those of the Comparable Companies and is below the average and median of those of the Comparable Companies. Accordingly, we consider that the Consideration is fair and reasonable in this regard.

### Adjustment mechanism

The initial purchase price for the Sale Shares and the PRC Assets will be adjusted such that the final purchase price will be determined by deducting the amount of actual net debt of SCA Tissue, SCA Healthcare, SCA Shanghai and EB Fujian as at the Completion Date, and taking into account the surplus or the deficits (as the case may be) (i) between the amount of working capital of SCA Tissue as at the Completion Date and the agreed amount of normalised working capital of HK\$5,900,000 (which was calculated based on the average amount of working capital during the twelve-month period from 1 July 2013 to 30 June 2014), and (ii) between the amount of actual value of the PRC Inventory as at the Completion Date and the agreed amount of normalised value of the PRC Inventory at HK\$85,400,000. There is no maximum adjustment amount or ceiling to the initial purchase price. If there is any adjustment to the initial purchase price, the relevant party shall settle the same within five Business Days from the date when the final purchase price is determined or agreed among the parties.



In respect of the amount of net debt of SCA Tissue, SCA Healthcare, SCA Shanghai and EB Fujian, we have reviewed the latest audited financial statements of SCA Tissue, SCA Healthcare, SCA Shanghai and EB Fujian and noted that each of these companies recorded net cash position as at 31 December 2013.

We have also discussed with the management of the Company regarding the basis of determination of the amount of normalised working capital of HK\$5,900,000 of SCA Tissue and the amount of normalised value of the PRC Inventory at HK\$85,400,000. We have reviewed the calculations of the normalised working capital of SCA Tissue and the normalised value of the PRC Inventory.

Given that the final purchase price will be determined by deducting the amount of actual net debt of SCA Tissue, SCA Healthcare, SCA Shanghai and EB Fujian as at the Completion Date such that the Consideration is the debt and cash free value, we consider that the adjustment mechanism of the Consideration is fair and reasonable to adjust for any surplus or deficit of the value of the companies and assets under the Proposed Acquisition on a dollar-to-dollar basis.

## *2.2 Conclusion*

Based on the foregoing, in particular, the basis of determination of the Consideration and the analysis on the Comparable Companies, we are of the opinion that the principal terms of the Sale and Purchase Agreement (including the Consideration) are on normal commercial terms and also fair and reasonable.

## **3. *Potential financial effects of the Proposed Acquisition on the Group***

### *3.1 Revenue*

Upon Completion, the Group will have (i) 100% equity interests in SCA Tissue, SCA Healthcare and EB Fujian and their financial results will be consolidated into the accounts of the Group; and (ii) the PRC Assets. As set out in the sub-section headed “Information on SCA Tissue, SCA Healthcare, SCA Shanghai, EB Fujian and the PRC Assets” above, total turnover of SCA Tissue, SCA Healthcare, SCA Shanghai and EB Fujian was approximately HK\$310.5 million for the year ended 31 December 2013 and the turnover generated under the PRC Contracts for the year ended 31 December 2013 was approximately HK\$405.2 million. The aggregate profit after taxation of SCA Tissue, SCA Healthcare, SCA Shanghai and EB Fujian was approximately HK\$18.6 million for the year ended 31 December 2013. The Company expects that the revenue base of the Group will be enhanced after Completion. The actual impact on earnings of the Company will depend on the future performance of the Business including future revenue to be generated and associated costs to be incurred by the Group.

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### 3.2 Gearing ratio

As stated in the Letter from the Board, the Consideration shall be settled by the Group in cash at Completion. The Company will finance the settlement of the Consideration by internal resources and the funding available under the Term Loan Facility in the sum of HK\$1,200,000,000. As disclosed in the Announcement, the interest rates of the Term Loan Facility offered are equal to or more favourable than those offered to the Group by Independent Third Parties.

According to the interim results of the Company for the six months ended 30 June 2014, the Group had cash and cash equivalents of approximately HK\$577.9 million and gearing ratio (calculated on the basis of the amount of total borrowings as a percentage of the total shareholders' equity) of approximately 65.7% as at 30 June 2014. Taking into account that the Consideration will be settled by the Group in cash which will be financed by the Group's internal resources and the Term Loan Facility, it is expected that the gearing ratio of the Group would increase in this regard.

As stated in the Letter from the Board, the formal agreement in respect of the Term Loan Facility is expected to be executed shortly after the EGM. The following table sets forth the principal terms of the Term Loan Facility pursuant to the term sheet entered into between the Company and AB SCA Finans (publ):

Borrower:	The Company
Lender:	AB SCA Finans (publ)
Guarantors <sup>(Note)</sup> :	Vinda Household Paper (China) Limited Forton Enterprises Limited Vinda Investment Group Limited Vinda Household Paper (Hong Kong) Limited Vinda Investment (China) Limited Vinda Paper Industrial (H.K.) Company Limited Vinda Personal Care (Hong Kong) Limited
Amount:	HK\$1,200,000,000, to be drawn in HK\$ or RMB subject to the RMB being readily available to the lender at reasonable cost and it being confirmed that no restrictions apply preventing the borrower from repaying the loan on maturity date
Availability period:	One month from signing of facility agreement

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Maturity:	Term loans can be drawn with maturity of three years
Interest rate:	Equal to or more favourable than those offered to the Group by Independent Third Parties
Minimum amount of each term loan:	HK\$300,000,000 or appropriate equivalent minimum amounts for option currencies

*Note:* The guarantors are wholly-owned subsidiaries of the Company. As confirmed by the Company, the guarantors are not required to pledge any of their assets for the Term Loan Facility.

As confirmed by the Directors, the terms of the Term Loan Facility are equal to or more favourable than those offered to the Group by Independent Third Parties.

### *3.3 Working capital position*

Having considered that (i) the Consideration will be settled by the Group in cash which will be financed by the Group's internal resources and the Term Loan Facility; (ii) the Group had cash and cash equivalents amounted to approximately HK\$577.9 million as at 30 June 2014; (iii) the Group generated net cash inflows from operating activities for each of the years ended 31 December 2012 and 2013 and the six months ended 30 June 2014 was approximately HK\$740.1 million, HK\$819.6 million and HK\$211.0 million respectively; and (iv) the management of the Company expects that the Group is not required to devote substantial additional expenditures for the development of the Business after Completion, the Company expects that the Proposed Acquisition would not result in material adverse impact on the working capital position of the Group and that the increase in the gearing ratio of the Group is acceptable.

In view of the foregoing, we are of the opinion that the Proposed Acquisition is not expected to have any material adverse financial effect on the Group upon Completion.

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**B. Reasons for duration of the Licence Agreements exceeds three years**

As part of the transactions contemplated under the Sale and Purchase Agreement, the Trademark Assignments in relation to the assignment of several trademarks and the Licence Agreements in relation to the grant of licences to use several brand names, patents and technology associated with the relevant brand products were executed. The following table summarises the Group's entitlement to certain intellectual property rights in the PRC, Hong Kong and Macau upon the Trademark Assignments and the Licence Agreements becoming effective at Completion:

<b>Brand name</b>	<b>Major products under the brand</b>	<b>Licence to use the brand</b>	<b>Licence to use the relevant patents</b>	<b>Licence to use the relevant technology associated with the brand</b>
Tempo	Consumer tissue products (including toilet paper, facial tissue and wet wipes)	Perpetual and exclusive, royalty-free	Non-exclusive, royalty-free for first three years	Exclusive right, royalty-free for first three years
Dr. P	Incontinence care products	N/A	Non-exclusive, royalty-free for first three years	Exclusive right, royalty-free for first three years
Sealer	Baby diapers products and baby care products	N/A	Non-exclusive, royalty-free for first three years	Exclusive right, royalty-free for first three years
TORK	Tissue, object wipes, soap and product dispensers	Exclusive and royalty-free for the first three years, renewal for two more three-year terms with royalty	Non-exclusive, royalty-free for first three years	Exclusive right, royalty-free for first three years
TENA	Incontinence care products	Exclusive and royalty-free for the first three years, renewal for two more three-year terms with royalty	Non-exclusive, royalty-free for first three years	Exclusive right, royalty-free for first three years
Libresse	Feminine care products	Exclusive and royalty-free for the first three years, renewal for two more three-year terms with royalty	Non-exclusive, royalty-free for first three years	Exclusive right, royalty-free for first three years
Libero	Baby diapers products and baby care products	Exclusive and royalty-free for the first three years, renewal for two more three-year terms with royalty	Non-exclusive, royalty-free for first three years	Exclusive right, royalty-free for first three years

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The intellectual property rights under the Licence Agreements are essential for the operations of the Business. It is in the interests of the Group to have the duration of the Licence Agreements exceeds three years as continuous sales and marketing efforts are required to maintain or enhance public awareness of the branded products and to extend the distribution network of the products. A longer period of the Licence Agreements can facilitate the Group to formulate a long term business plan so as to maximise the return generated from the Business. It is not justified for the Group to have the duration of three years or less and face the uncertainties on whether the Licence Agreements will be extended. As such, we consider that there are legitimate commercial reasons for the duration of the Licence Agreements exceeds three years.

In considering whether it is normal business practice for contracts of similar nature to the Licence Agreements to have a term of such duration, we have identified a number of comparable transactions involving the granting of licences for the use of intellectual property rights, such as trademarks, patents, brands and/or technology know-how with duration of over three years (the “**Comparable Licensing Transactions**”) based on our best knowledge. The Comparable Licensing Transactions are identified based on the following criteria: (i) one of the parties to the relevant transaction is a company listed on the Stock Exchange; (ii) the transactions were announced by way of announcement made pursuant to the Listing Rules during the 24-month period prior to the date of the Sale and Purchase Agreement; and (iii) the transactions relate to the granting of licences for the use of intellectual property rights, including trademarks, patents, brands and/or technology know-how.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following table sets out certain selected details of the Comparable Licensing Transactions:

Company name	Date of announcement	Nature of licence	Date of grant	Duration	Reason(s) for a duration exceeding three years
Theme International Holdings Limited (stock code: 0990)	26 June 2014	A licence to use a trademark and related intellectual properties in Taiwan region	28 October 2009 (as amended and supplemented by a supplemental agreement dated 26 June 2014)	An initial term of five years and a further five-year term	N/A <sup>(Note)</sup>
TPV Technology Limited (stock code: 0903) (“TPV”)	25 March 2014	An exclusive trademark licence under which licensee may design, manufacture, source, sell, distribute and market licensor’s branded products under specified scope in certain territory	1 April 2012 (as amended and supplemented by a supplemental agreement dated 25 March 2014)	An initial term of five years, automatically renewable for a subsequent five-year period. After the second five-year term, the trademark licence agreement may be extended by mutual agreement for successive five-year periods	(i) Any shorter term would increase the risks associated with, and lower the returns on, the investment in TPV group’s brand building of the licensor’s contributed business; (ii) TPV group was expected to invest substantial management efforts to broaden the licensor contributed business’s product range and market share, the benefits of which would extend beyond three years; and (iii) TPV intended to strengthen the licensor contributed business and the presence of the licensor’s trademarks and the licensor secondary trademark in the markets where the products under the specified scope are sold.
China Resources Enterprise, Limited (stock code: 0291)	2 October 2013	A non-exclusive royalty-free perpetual licence to use the licensor’s intellectual property	28 May 2014 (being the completion date)	Perpetual	The relevant licence agreement is designed to run for the life of the joint venture which is the licensee, and the provision of the licensor’s intellectual property and know-how is an integral part of the joint venture
Chongqing Machinery & Electric Co., Ltd. (stock code: 2722)	28 August 2013	A non-exclusive right for the use of the licensor’s patents and technological information, such that the licensee can manufacture, outsource, utilise, sell and serve licensed products in the PRC	28 August 2013	An initial term of ten years, renewable for a further term of five years subject to negotiation, with any subsequent extension subject to the same mechanism	N/A <sup>(Note)</sup>
Sparkle Roll Group Limited (stock code: 0970)	29 January 2013	An exclusive right to use trademarks on diamond and diamond accessories within the PRC and Macau	29 January 2013	An initial term of ten years with an option to renew for an additional period of ten years upon expiration	N/A <sup>(Note)</sup>

*Source:* Website of the Stock Exchange

*Note:* These transactions did not constitute connected transactions of the respective listed companies concerned and no reason for the duration of licence term exceeding three years was disclosed.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The above list of the Comparable Licensing Transactions identified may not be an exhaustive list as we are unable to definitively capture all Comparable Licensing Transactions based on the abovementioned criteria. Notwithstanding the aforesaid, given that (i) there exist at least five Comparable Licensing Transactions during the 24-month period prior to the date of the Sale and Purchase Agreement. We consider that the precedent cases can illustrate that it is normal business practice for contracts of similar nature to the Licence Agreements to have a term of such duration; (ii) the duration of the Licence Agreements falls within range of the licence terms of the Comparable Licensing Transactions from an initial term of approximately five years to perpetual; and (iii) it is normally in the interest of the licensee to obtain a longer period of licence to facilitate the formulation of a long term business plan so as to maximise return, we consider that it is normal business practice for the duration of the Licence Agreements exceeds three years.

### RECOMMENDATION

In arriving at our recommendation in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder, we have considered the principal factors and reasons as discussed above, in particular, the following (which shall be read in conjunction with and interpreted in the full context of this letter):

- the Proposed Acquisition provides the Group an opportunity to expand its product range and brands offered;
- the Proposed Acquisition will create synergy in distribution and sales of products of the Group and SCA Group and its subsidiaries;
- the entitlement to certain licences to use the relevant patents and technology associated with the brands will enhance the Group's research and development capabilities;
- the EV to sales multiple of the Business as implied by the Consideration falls within the range of those of the Comparable Companies; and
- the Proposed Acquisition is not expected to have any material adverse financial effect on the Group upon Completion,

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**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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we are of the opinion that the terms of the Sale and Purchase Agreement are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and the Sale and Purchase Agreement and the transactions contemplated thereunder are in the ordinary and usual course of business and in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Shareholders, as well as the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

Yours faithfully,  
For and on behalf of  
**Quam Capital Limited**  
**Noelle Hung**  
*Managing Director*

*Ms. Noelle Hung is a licensed person and a responsible officer of Quam Capital Limited registered with the SFC to carry out type 6 (advising on corporate finance) regulated activities under the SFO since 2007 and has participated in the provision of independent financial advisory services for various transactions involving companies listed in Hong Kong.*



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Leading / Thinking / Performing



22 August 2014

The Directors  
Vinda International Holdings Limited  
Room 506, Tower 1  
South Seas Centre  
75 Mody Road  
Tsimshatsui East  
Kowloon, Hong Kong

Dear Sirs,

In accordance with the instruction of Vinda International Holdings Limited (the “Company”) and its subsidiaries (hereinafter together referred to as the “Group”) to estimate the market value of the real property interests located at Linmei Da Dao, Wuzhai Industrial Zone, Jiaomei Industrial Comprehensive Development Zone, Longhai City, Fujian Province, the People’s Republic of China (the “PRC”) (the “Property”) held by Everbeauty Industry (Fujian) Co., Ltd. (“EB Fujian”), we confirm that we have inspected the Property, made relevant enquiries and obtained such further information as we consider necessary for providing the market value of such property interests as at June 30, 2014 (referred to as the “date of valuation”).

This letter which forms part of our valuation report explains the basis and methodology of valuation, and clarifies our assumptions made, title investigation of property and the limiting conditions.

### **BASIS OF VALUATION**

Our valuation is our opinion of the Market Value which is defined in accordance with the HKIS Valuation Standards of the Hong Kong Institute of Surveyors to mean “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

Market Value is understood as the value of an asset and liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

This estimate specifically excludes an estimated price inflated or deflated by special considerations or concessions granted by anyone associated with the sale, or any element of special value.

### **VALUATION METHODOLOGY**

In the course of our valuation, we have adopted both market approach and cost approach.

For the land parcel of the Property, we have adopted market approach which is used to estimate value through the analysis of recent sales of comparable property. In the valuation of real estate, similar properties that have recently sold or are offered for sale in the current market are analyzed and compared with the property being appraised, and adjustments are made for differences in such factors as date of sale, location, size, shape, and topography of the land, type, age, and condition of the improvements, and prospective use.

For the construction works of the Property, we have adopted cost approach by adopting the construction cost incurred in the process of construction.

### **TITLE INVESTIGATION**

We have been provided with copies of documents in relation to the title of the property interests. However, due to the current registration system of the PRC, no investigation has been made for the legal title or any liabilities attached to the property. We have also not scrutinized the original documents to verify ownership or to verify any amendments which may not appear on the copies handed to us.

We have relied to a considerable extent on the information provided by the Group and the PRC legal opinion provided by the PRC legal adviser, Allbright Law Offices (Shenzhen) on the PRC Law regarding the property interests located in the PRC.

All legal documents disclosed in this letter and valuation certificate are for reference only and no responsibility is assumed for any legal matters concerning the legal title to the property interests set out in this letter and valuation certificate.

### **ASSUMPTIONS**

Our valuations have been made on the assumption that the owner sell the property interests on the market in its existing state without the benefit of deferred terms contracts, leaseback, joint ventures, management agreements or any similar arrangement which would serve to affect the values of the property interests.

No allowance has been in our valuations for any charges, mortgages or amounts owing on the properties valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, all the property interests are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

We have assumed that the owners of the property interests have free and uninterrupted rights to use, lease or mortgage the property interests for the whole of the unexpired term of its respective land use rights. We have also assumed that the property interests are freely disposable and transferable.

We have valued the property interests on the assumption that it is developed in accordance with the development proposals or building plans given to us. We have assumed that all consents, approvals and licences from relevant government authorities for the buildings and structures erected or to be erected thereon have been granted. Also, we have assumed that unless otherwise stated, all buildings and structures erected on the land parcels are held by the owners or permitted to be occupied by the owners.

It is assumed that all applicable zoning, land use regulations and other restrictions have been complied with unless a non-conformity has been stated, defined and considered in the valuation certificate. Further, it is assumed that the utilization of the land and improvements is within the boundaries of the property interests described and that no encroachment or trespass exists unless noted in the valuation certificate.

Other special assumptions of the Property, if any, have been stated in the footnotes of the valuation certificate.

### **LIMITING CONDITIONS**

We have relied to a considerable extent on the information provided by the Group and have accepted advice given to us by the Group on such matters as statutory notices, easements, tenure, occupancy, construction cost, site areas and floor areas and all other relevant matters. Dimensions and areas included in the valuation certificate are based on information contained in the documents provided to us and are only approximations.

Having examined all relevant documentation, we have had no reason to doubt the truth and accuracy of the information provided to us. We have assumed that no material factors have been omitted from the information to reach an informed view, and have no reason to suspect that any material information has been withheld.

We have not carried out detailed site measurements to verify the land or building areas in respect of the property but have assumed that the areas provided to us are correct. All dimensions and areas are approximations only.

Our Valerie Li has inspected the property included in the attached valuation certificate on August 13, 2014. No structural survey has been made and we are therefore unable to report as to whether the property is or is not free of rot, infestation or any other structural defects. No tests were carried out on any of the services.

No site investigations have been carried out to determine the suitability of the ground conditions or the services for the development site. Our valuation is made on the basis that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the construction period.

**REMARKS**

In valuing the property interests, we have complied with all the requirements contained in Paragraph 34(2), (3) of Schedule 3 of the Companies (Winding up and Miscellaneous Provisions) Ordinance (Cap. 32), Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited and The HKIS Valuation Standards (2012 Edition) published by the Hong Kong Institute of Surveyors.

We hereby certify that we have neither present nor a prospective interest in the real properties or the value reported. This valuation report is issued subject to our Assumptions and Limiting Conditions.

Unless otherwise stated, all monetary amount stated in this report is in Renminbi (RMB).

We enclose herewith our valuation certificate.

Yours faithfully,

For and on behalf of

**AMERICAN APPRAISAL CHINA LIMITED**

**Calvin K.C. Chan**

**CFA, MRICS, MHKIS, MCIREA, RPS (GP)**

**Vice President**

*Note:* Mr. Calvin K. C. Chan, who is a Chartered Surveyor and Registered Professional Surveyor, has over 18 years' experience in valuation of properties in Hong Kong and the PRC. Mr. Chan has been admitted to the Hong Kong Institute of Surveyors' approved List of Property Valuers to undertake valuation for incorporation or reference in Listing Particulars and Circulars and valuation in connection with takeovers and mergers.

Ms. Valerie Li, who is a Registered China Real Estate Appraiser (CREA), has over 6 years post-qualification in valuation of properties in the PRC.

## VALUATION CERTIFICATE

## Property — Held for Owner Occupied

			<b>Market Value In existing state as at June 30, 2014</b>
	<b>Description and tenure</b>	<b>Particulars of occupancy</b>	
<p>A Land Parcel located at Linmei Da Dao Wuzhai Industrial Zone, Jiaomei Industrial Comprehensive Development Zone, Longhai City, Fujian Province, the PRC (Lot No. 2011G39)</p> <p>中國福建省龍海市 角美工業綜合開發區 吳宅工業園村 林美大道之土地 (土地編號：2011G39)</p>	<p>The Property comprises a parcel of land with total site area of approximately 96,226 square metres.</p> <p>The land use rights of the Property have been granted for industrial use with a term to be expired on November 28, 2061.</p>	<p>The foundation works of the Property was completed and pending for further construction</p>	<p>28,970,000</p>

*Notes:*

- (1) Pursuant the State-owned Land Use Certificate (國有土地使用證), Zhang Tai Guo Yong (2014) Di No. 0108 (漳台國用(2014)第0108號), issued by People's Government of Zhangzhou City (漳州市人民政府) dated January 19, 2014, the land use rights of the Property with site area of approximately 96,226 square metres is held by Everbeauty Industry (Fujian) Co., Ltd. (全日美實業(福建)有限公司) ("EB Fujian") for the term expiring on November 28, 2061 for industrial use (manufacturing of paper products).
- (2) Pursuant to the State-owned Construction Land Grant Contract (國有建設用地使用權出讓合同), entered between Land Resources Bureau of Longhai City (龍海市國土資源局) ("Party A") and EB Fujian ("Party B") dated September 28, 2011, Party A agreed to grant the land use rights of the Property with a total site area of about 96,226 square metres to Party B for a term of 50 years for manufacturing of paper products use for a land premium of approximately RMB16,166,000.
- (3) Pursuant to the Construction Land Use Planning Permit (建設用地規劃許可證), Di Zi Di No. 20112025 (地字第20112025號), issued by the Management Committee of Taiwanese Enterprises Investment Zone of Zhangzhou City (漳州台商投資區管理委員會) dated September 8, 2011, the construction planning of the land parcel for a total gross floor area 102,300 square meters for industrial facilities purpose has been approved.

- (4) Pursuant to the Report of Phase I Construction Works Commencement Application (辦理第一期建設項目先行開工申請報告), dated January 16, 2012, the construction works of a total gross floor area 28,003.82 square meters for factory, warehouse, office and dormitory purposes were approved to commence by Zhangzhou Taiwanese Enterprises Investment Economic Development Bureau (漳州台商投資區經濟發展局).
- (5) Pursuant to the Construction Planning Permit (建設工程規劃許可證), Jin Zi Di No. 3506002012G3004 (建字第3506002012G3004號), issued by the Urban-Rural Planning Bureau of Zhangzhou City (漳州市城鄉規劃局) dated February 15, 2012, the planned area of about 23,376.80 square metres for factory and warehouse purposes has been approved.
- (6) Pursuant to the Construction Planning Permit (建設工程規劃許可證), Jin Zi Di No. 3506002012G3003 (建字第3506002012G3003號), issued by the Urban-Rural Planning Bureau of Zhangzhou City (漳州市城鄉規劃局) dated February 15, 2012, the planned area of about 4,627.02 square metres for office and dormitory purposes has been approved.
- (7) As advised by the Company, the total construction cost incurred in the deferred construction works erected on the Property was about RMB9,970,000 as at the date of valuation, which has been taken into account in the course of our valuation.
- (8) Pursuant to the agreement dated September 30, 2013 entered into between, Management Committee of Taiwanese Enterprises Investment Zone of Zhangzhou, Fujian Province (福建省漳州台商投資區管理委員會) and EB Fujian, the subject construction works was approved to be deferred. 福建省漳州台商投資區管理委員會 shall have the right to acquire back the Property at cost if EB Fujian fail to develop the Property by September 30, 2015.
- (9) We have been provided with a legal opinion on the title to the property issued by Allbright Law Offices (Shenzhen), which contains, inter alias, that:
  - (a) EB Fujian is the sole owner of the Property. The land premium has been fully settled. As such, EB Fujian has the rights to transfer or mortgage the Property subject to the conditions stated in the State-owned Construction Land Grant Contract and State-owned Land Use Rights Certificate.
  - (b) EB Fujian was approved to commence the construction works of the above mentioned project. Pursuant to the agreement dated September 30, 2013, the Management Committee of Taiwanese Enterprises Investment Zone of Zhangzhou City has approved the deferral of the construction works.
- (10) Jiaomei Industrial Comprehensive Development Zone borders Zhangzhou City and Xiamen City. It covers an area of approximately 163 square kilometers and has population of approximately 120,000. It consists of 32 village committees. The Development Zone comprises 6 main industrial zones including Wuzhai Industrial Zone. The Property's neighbourhood is developed predominately with industrial properties. It conforms to the surrounding land uses. And limited vacant land remains available for additional development in the subject's immediate neighbourhood.

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DIRECTORS AND CHIEF EXECUTIVES INTERESTS OR SHORT POSITION IN THE SHARES OR SHORT POSITION IN SHARES AND UNDERLYING SHARES

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code contained in Appendix 10 of the Listing Rules were as follows.

Name	Company/name of associated corporations	Nature of interest	Number of shares	Number of underlying Shares <sup>(4)</sup>	Aggregate interest	Approximate percentage of interest
Li Chao Wang	The Company	Interest of controlled company	216,341,581 Shares <sup>(1)</sup>	1,998,000	219,275,581	21.96%
		Personal	<u>936,000 Shares</u>			
		217,277,581 Shares				
	Fu An International Company Limited	Interest of controlled company	282 shares of US\$1.00 each			
	Sentential Holdings Limited	Interest of controlled company	1 share of US\$1.00 each	—	—	100.00%
Yu Yi Fang	The Company	Interest of controlled company	216,341,581 Shares <sup>(2)</sup>	240,000	225,669,581	22.60%
		Personal	<u>9,088,000 Shares</u>			
		225,429,581 Shares				
	Fu An International Company Limited	Interest of controlled company	60 shares of US\$1.00 each			
	Join Pride International Limited	Interest of controlled company	10 shares of US\$1.00 each	—	—	100.00%

Name	Company/name of associated corporations	Nature of interest	Number of shares	Number of underlying Shares <sup>(4)</sup>	Aggregate interest	Approximate percentage of interest
Dong Yi Ping	The Company	Interest of controlled company	216,341,581 Shares <sup>(3)</sup>			
		Personal	<u>9,038,000 Shares</u>			
			225,379,581 Shares	240,000	225,619,581	22.60%
	Fu An International Company Limited	Interest of controlled company	38 shares of US\$1.00 each	—	—	10.00%
	Daminos Management Limited	Interest of controlled company	10 shares of US\$1.00 each	—	—	100.00%
Zhang Dong Fang	The Company	Personal	—	1,998,000	1,998,000	0.20%
Johann Christoph Michalski	The Company	Personal	—	220,000	220,000	0.02%
Ulf Olof Lennart Soderstrom	The Company	Personal	—	220,000	220,000	0.02%
Cao Zhen Lei	The Company	Personal	—	140,000	140,000	0.01%
Kam Robert	The Company	Personal	—	220,000	220,000	0.02%
Hui Chin Tong, Godfrey	The Company	Personal	100,000	220,000	320,000	0.03%
Tsui King Fai	The Company	Personal	—	140,000	140,000	0.01%

*Notes:*

1. The Shares are registered in the name of Fu An International Company Limited which is held as to 74.21% by Sentential Holdings Limited, 15.79% by Join Pride International Limited and 10.00% by Daminos Management Limited. The entire issued share capital of Sentential Holdings Limited is held by LI Chao Wang.
2. The Shares are registered in the name of Fu An International Company Limited which is held as to 74.21% by Sentential Holdings Limited, 15.79% by Join Pride International Limited and 10.00% by Daminos Management Limited. The entire issued share capital of Join Pride International Limited is held by YU Yi Fang.
3. The Shares are registered in the name of Fu An International Company Limited which is held as to 74.21% by Sentential Holdings Limited, 15.79% by Join Pride International Limited and 10.00% by Daminos Management Limited. The entire issued share capital of Daminos Management Limited is held by DONG Yi Ping.
4. These Shares represent the Shares to be issued and allotted by the Company upon exercise of the options granted under share option scheme adopted by the Company.



### 3. INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, according to the register kept by the Company pursuant to section 336 of SFO and so far as is known to the Directors or chief executive of the Company, the following persons (other than the Directors and the chief executive of the Company) had or were deemed or taken to have interests or short positions in the Shares or underlying shares (including any interests in options in respect of such capital), which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Shareholder	Capacity/ Nature of interest	Interest in Shares	Interest in underlying Shares	Approximate % of existing issued share capital in the Company
SCA Group	Beneficial owner	513,200,425	—	51.40%
SCA	Interest of controlled company	513,200,425 (1)	—	51.40%
Fu An International Company Limited	Beneficial owner	216,341,581	—	21.67%
Sentential Holdings Limited	Interest of controlled company	216,341,581 (2)	—	21.67%
Li Chao Wang	Interest of controlled company	216,341,581 (2)	—	
	Personal	936,000	1,998,000 (4)	21.96%
Nordinvest AB	Beneficial owner	97,000,000	—	9.72%
Floras Kulle AB	Interest of controlled company	97,000,000 (3)	—	9.72%
AB Industrivarden (publ)	Interest of controlled company	97,000,000 (3)	—	9.72%

*Notes:*

1. These Shares are registered in the name of SCA Group which is indirectly wholly-owned by SCA. Under the SFO, SCA is deemed to be interested in the Shares held by SCA Group.
2. These Shares are registered in the name of Fu An International Company Limited which is held as to 74.21% by Sentential Holdings Limited, 15.79% by Join Pride International Limited and 10.00% by Daminos Management Limited. The entire issued share capital of Sentential Holdings Limited is held by LI Chao Wang. Under the SFO, Sentential Holdings Limited and LI Chao Wang are all deemed to be interested in the Shares held by Fu An International Company Limited.
3. These Shares are registered in the name of Nordinvest AB which is indirectly wholly-owned by AB Industrivarden (publ). Under the SFO, Floras Kulle AB and AB Industrivarden (publ) are deemed to be interested in the Shares held by Nordinvest AB.
4. These represent the Shares to be issued and allotted by the Company upon exercise of the options granted under share option scheme adopted by the Company.

Save as disclosed above, as at the Latest Practicable Date, the Directors and the chief executive of the Company were not aware of any other person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

#### **4. DIRECTORS' INTEREST IN ASSETS AND/OR ARRANGEMENT**

Save as the lease agreement entered into between a wholly-owned subsidiary of the Company and Jiangmen Taiyuan Paper Company Limited, details of which have been set out in paragraph (D) in the "Continuing Connected Transactions" section on page 45 of the Annual Report of the Company for the year ended 31 December 2013, no contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director or a controlling shareholder of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

As at the Latest Practicable Date, there was no contract or arrangement subsisting in which any Director was materially interested and which was significant in relation to the business of the Group. As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been, since 31 December 2013 (being the date to which the latest published audited financial statements of the Group were made up), (i) acquired or disposed of by; or (ii) leased to; or (iii) proposed to be acquired or disposed of by; or (iv) proposed to be leased to, any member of the Group.

As at the Latest Practicable Date, none of the Directors or proposed Directors, directly or indirectly, had any interest in any assets which had since 31 December 2013 (being the date to which the latest published audited financial statements of the Group were made up) been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

## 5. SERVICE CONTRACTS

As at the Latest Practicable Date, each executive Director had entered into a service contract with the Company for an initial term of three years and continuing thereafter on an annual basis until terminated by not less than three months' notice in writing served by either party.

## 6. COMPETING INTERESTS

As at the Latest Practicable Date, so far as the Directors are aware of, none of the Directors, proposed directors or any of their respective associates had any interest in business which competes with or may compete with the business of the Group or had any other conflict of interests which any person has or may have with the Group.

## 7. EXPERTS AND CONSENTS

The following are the names and qualifications of the experts who have given their opinions and advice which are included in this circular:

<b>Name</b>	<b>Qualification</b>
Quam Capital Limited	A licensed corporation licensed under the SFO to carry out Type 6 (advising on corporate finance) regulated activities
American Appraisal China Limited	Professional surveyor

As at the Latest Practicable Date, none of the above experts had any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, none of the above experts had any interest, direct or indirect, in the promotion of, or in any assets which since 31 December 2013, the date to which the latest published audited financial statements of the Group were made up, have been acquired or disposed of by or leased to, any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular, with the inclusion of the references to its name and/or its opinion or report in the form and context in which they are included.

## 9. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2013, being the date to which the latest audited financial statements of the Group were made up, up to and including the Latest Practicable Date.

**10. MISCELLANEOUS**

In the event of inconsistency, the English texts of this circular shall prevail their respective Chinese texts.

**11. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection during normal business hours on any weekday (except Saturdays and public holidays) at the head office and principal place of business of the Company in Hong Kong at Room 506, Tower 1, South Seas Centre, 75 Mody Road, Tsimshatsui East, Kowloon, Hong Kong, from the date of this circular, up to and including the date of the EGM:

- (a) the memorandum and articles of association of the Company;
- (b) the letter from the Board, the text of which is set out on pages 6 to 20 of this circular;
- (c) letter from the Independent Board Committee, the text of which is set out on page 21 of this circular;
- (d) letter from the Independent Financial Adviser, the text of which is set out on pages 22 to 46 of this circular;
- (e) the written consents referred to in paragraph headed “Experts and Consents” of this appendix;
- (f) the annual report of the Company for the two year ended 31 December 2012 and 31 December 2013 respectively;
- (g) the service contracts entered into between the Company and all the executive Directors;
- (h) the Sale and Purchase Agreement;
- (i) the Licence Agreements;
- (j) the Trademark Assignments;
- (k) the property valuation report in relation to the Xiamen Site from American Appraisal China Limited, the text of which is set out in Appendix I to this circular; and
- (l) this circular.



**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)**

**NOTICE IS HEREBY GIVEN THAT** an extraordinary general meeting (the “**Meeting**”) of Vinda International Holdings Limited (the “**Company**”) will be held at Fanling Room, Lower Level 1, Kowloon Shangri-La, 64 Mody Road, Tsimshatsui East, Kowloon, Hong Kong on Friday, 12 September 2014 at 10:00 a.m. for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolution as an ordinary resolution of the Company:

**ORDINARY RESOLUTION**

“**THAT:**

- (a) the sale and purchase agreement dated 17 July 2014 (the “**Sale and Purchase Agreement**”) entered into between the Company and SCA Group Holding BV (a copy of which has been produced to the Meeting and marked “A” and initialled by the chairman of the Meeting for the purpose of identification) in respect of the acquisition of (1) the entire issued share capital in SCA Tissue Hong Kong Limited, (2) the entire issued share capital of SCA Healthcare Management Pte. Ltd., (3) the entire equity interest of 全日美實業(福建)有限公司 (in English for identification purpose only, Everbeauty Industry (Fujian) Co., Ltd.), and (4) the PRC Assets (as defined in the Company’s circular dated 22 August 2014) for an initial purchase price of HK\$1,144,000,000 and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and
- (b) the directors of the Company be and are hereby authorised to do all such acts and things and execute all such documents which they considers necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the Sale and Purchase Agreement and the transactions contemplated thereunder.”

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

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## NOTICE TO THE EGM

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*Registered office:*

Cricket Square, Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

*Principal place of business in Hong Kong:*

Room 506, Tower 1, South Seas Centre  
75 Mody Road, Tsimshatsui East  
Kowloon, Hong Kong

**Notes:**

1. A member entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and, on a poll, vote on his/her behalf. A proxy need not be a member of the Company.
2. To be valid, a form of proxy and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power of attorney or authority, must be deposited with the Hong Kong branch share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the Meeting or any adjourned Meeting.
3. In the case of joint holders of shares in the Company, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the vote(s) of the other joint holder(s), seniority being determined by the order in which names stand in the register of members.
4. Completion and return of the form of proxy will not preclude members from attending and voting at the Meeting.