



# Vinda International Holdings Limited

(incorporated in the Cayman Islands with limited liability)

Stock Code: 3331

## Annual Results Announcement 2011

Healthy  
Lifestyle  
Starts from  
Vinda



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# Company Representatives

Mr. Li Chao Wang

- Chairman

Ms. Zhang Dong Fang, Donna

- Chief Executive Officer

Mr. Tsang Zee Ho, Paul

- Chief Financial Officer

I. Results Highlights

II. Financial Highlights

III. Business Review

IV. Future Outlook

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# Key Achievements in 2011



- Mapped out a 6<sup>th</sup> five-year plan and executed this blueprint for the next five years with considerable results so far in brand enhancement, product innovation, sales channel, and production capacity expansion.
- Revenue surged by 32.3% year-on-year to reach an impressive HK\$4,765 million in revenue.
- Achieved the goal of increasing annual production capacity to a total of 470,000 tons as at 31 December 2011.
- V-Care, the newly established joint-venture, successfully launched 24 SKUs with 3 product lines of baby diapers.

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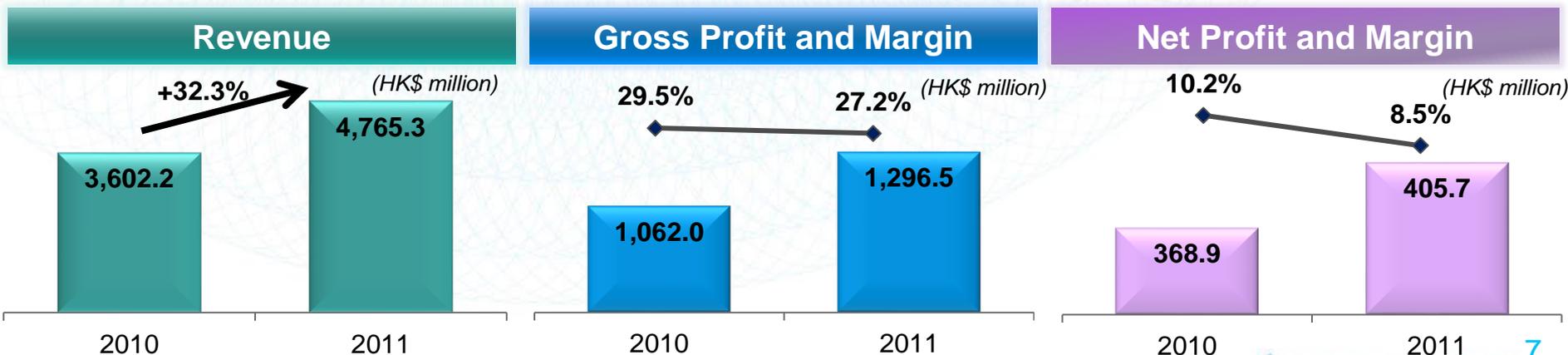
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# Financial Performance

(HK\$ million)	For the year ended 31 December		
	2011	2010	Change
Revenue	4,765.3	3,602.2	↑ 32.3%
Cost of sales	(3,468.8)	(2,540.1)	↑ 36.6%
Gross profit	1,296.5	1,062.0	↑ 22.1%
Operating profit	505.6	463.5	↑ 9.1%
EBITDA	726.0	618.0	↑ 17.5%
Profit before income tax	521.9	460.2	↑ 13.4%
Profit attributable to equity holders of the Company	405.7	368.9	↑ 10.0%
Basic earnings per share (HK cents)	43.3	40.4	↑ 7.2%
Dividend per share (HK cents)	12.0	12.0	-

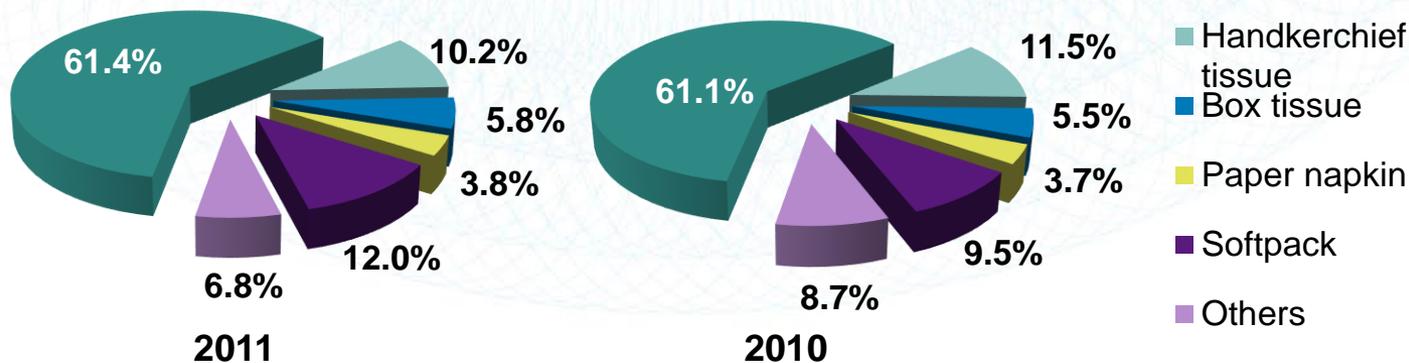


# Strong Growth Across All Products

For the year ended 31 December

(HK\$ million)	2011	2010	Change
Toilet roll	2,926.5	2,199.5	↑ 33.1%
Handkerchief tissue	485.1	414.6	↑ 17.0%
Box tissue	277.9	198.8	↑ 39.8%
Softpack	571.0	343.0	↑ 66.5%
Paper napkin	182.2	132.6	↑ 37.4%
Others	322.6	313.6	↑ 2.9%

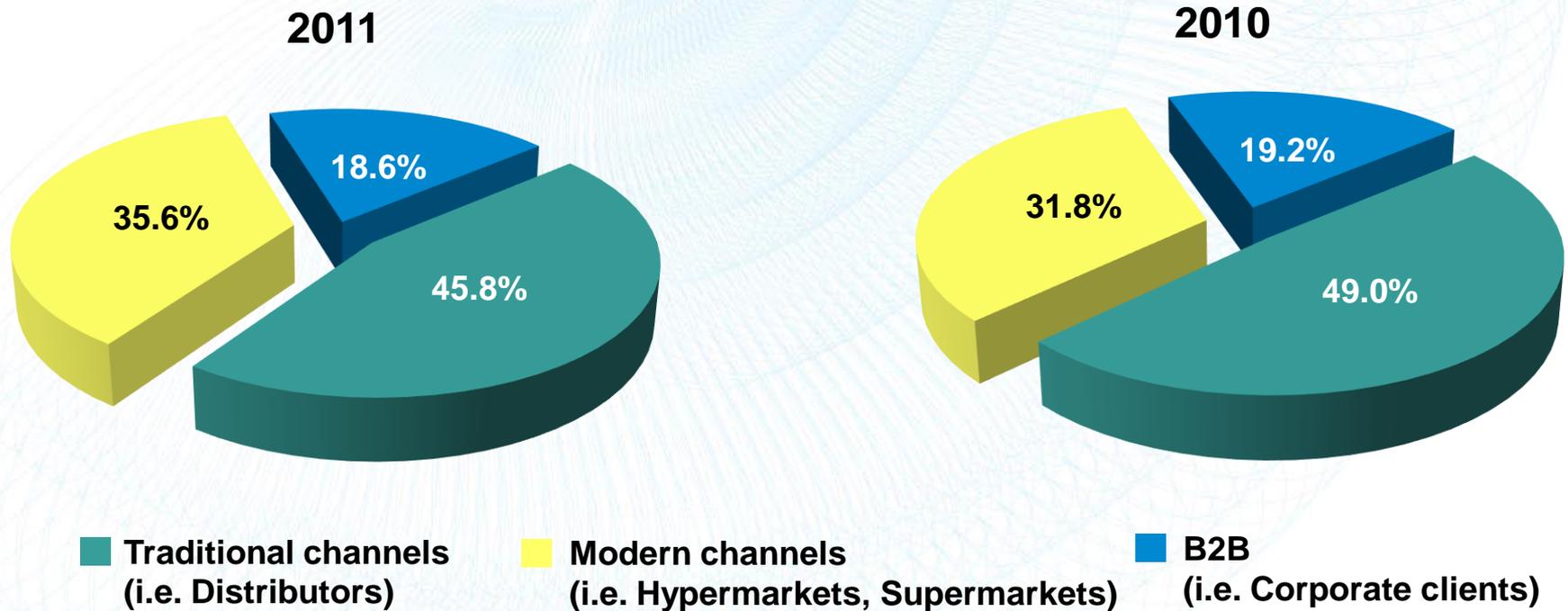
Product Mix % of Sales



- Softpack is the key growth driver, recording 66.5% yoy increase in revenue.
- Average selling price was approx. HK\$14,223 per ton, up by 11.1% yoy.

# Diversification of Distribution Channels

Distribution Channel Split by Revenue

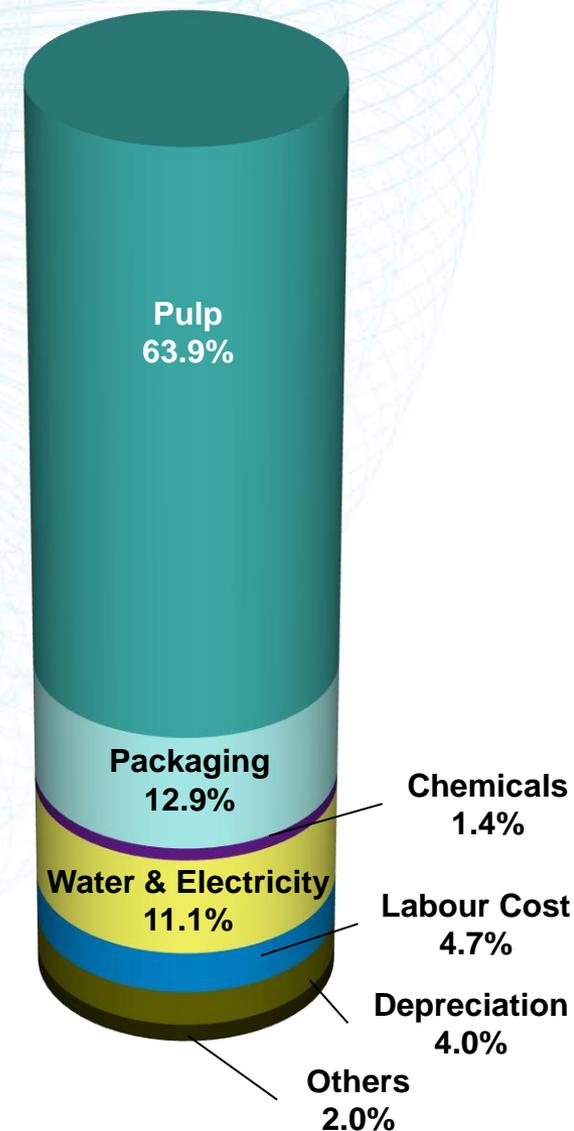


- Modern channels are rapidly gaining importance for sales and distribution in the PRC.
- The Group aims to strike a healthy balance between different distribution channels.

# Cost of Sales Overview

(HK\$ million)	For the year ended 31 December		
	2011	2010	Change
Pulp	46.5%	43.3%	↑ 3.2 p.p.
Packaging	9.4%	10.2%	↓ 0.8 p.p.
Chemicals	1.0%	1.0%	-
Water & electricity	8.1%	8.0%	↑ 0.1 p.p.
Labour cost	3.4%	3.2%	↑ 0.2 p.p.
Depreciation	2.9%	3.2%	↓ 0.3 p.p.
Others	1.5%	1.5%	-
<b>TOTAL COGS</b>	<b>72.8%</b>	<b>70.4%</b>	<b>↑ 2.4 p.p.</b>

- Total COGS increased by 36.6% yoy, this was mainly attributable to rising pulp cost on a per ton basis during 1H2011.



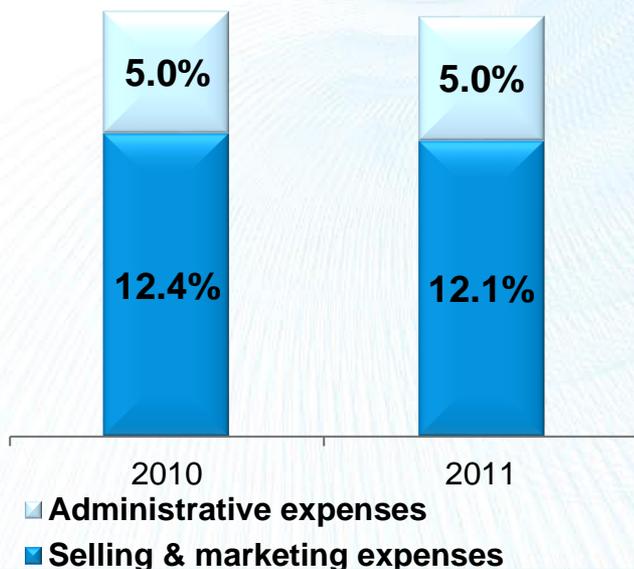
# Gross Margin Overview

	<i>For the year ended 31 December</i>		
	2011	2010	Change
Toilet roll	26.5%	27.9%	↓ 1.4 p.p.
Handkerchief tissue	32.1%	35.8%	↓ 3.7 p.p.
Box tissue	30.2%	34.4%	↓ 4.2 p.p.
Softpack	29.0%	30.8%	↓ 1.8 p.p.
Paper napkin	24.3%	32.4%	↓ 8.1 p.p.
Others	23.3%	26.2%	↓ 2.9 p.p.
<b>OVERALL</b>	<b>27.2%</b>	<b>29.5%</b>	<b>↓ 2.3 p.p.</b>

- Gross profit margin in 2011 was maintained at 27.2%, representing a slight decrease of 2.3 p.p. as compared to 2010, mainly due to:
  - New introduction of construction tax and education surge tax.
- Pulp price has since returned to a downward trend in 2H2011, the margin expansion reflecting the lower priced pulp inventory will be seen in 1H2012.

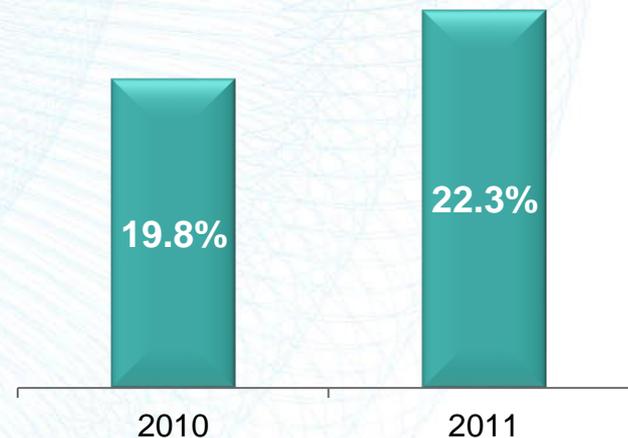
# Increase Selling Cost for Long-Term Branding Investment

## Operating Expenditure as % of Sales



- Administrative expenses included HK\$18.2m of share options expenses. Excluding such amount, administrative expense as a % of sales for 2011 was 4.6%.
- Selling and marketing expenses decreased by 0.3 p.p. to 12.1%:
  - Sales expense: (i.e. shelf listing fees, entrance fees, promoter fee) spent to build the modern channel increased by 1.03 p.p. as % of sales.
  - Marketing expense: decreased by 0.52 p.p. as of % of sales.
  - Logistics cost decreased by 0.47 p.p. as % of sales

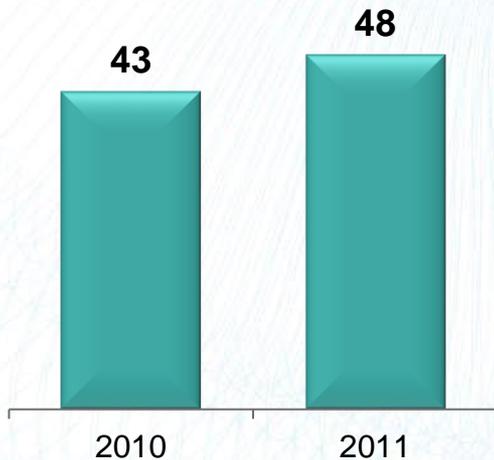
## Effective Tax Rate



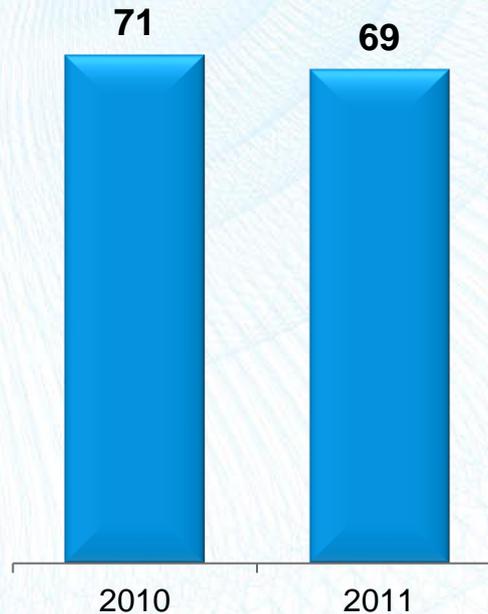
- Effective tax rate rose 2.5 p.p. to 22.3% in 2011, as the tax holiday for certain subsidiaries came to an end.

# Working Capital Management

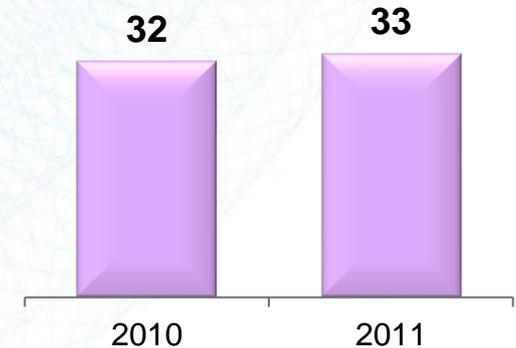
## Receivable Turnover Days



## Payable Turnover Days



## Finished Goods Turnover Days



- The Group maintained good working capital management during the year under review. As a result, receivable turnover days, payable turnover days and finished goods turn over days all stood at a healthy level.

# Key Leverage Indicators

<i>(HK\$ million)</i>	<b>2011 As at Dec 31</b>	<b>2011 As at June 30</b>
<b>Short-term debt</b>	<b>801.1</b>	807.7
<b>Long-term debt</b>	<b>1,151.3</b>	649.9
<b>Total debt</b>	<b>1,952.4</b>	1,457.6
<b>Cash and cash equivalents</b>	<b>714.6</b>	530.0
<b>Net gearing ratio* (%)</b>	<b>39.4</b>	32.2
<b>EBITDA/Net interest (%)</b>	<b>18.5</b>	23.0

- Solid financial resources for capital expansion and potential investment plans
  - Successfully obtained a committed syndicated loan facility of HK\$750 million in June 2011.
  - As at 31 December 2011, unutilized credit facilities amounted to approximately HK\$3.3 billion.
- Adopted a prudent and consistent financing policy
  - Net gearing ratio was 39.4%.
  - 79% of total borrowings were denominated in HKD and USD.
  - Interest coverage was 12.9 times..

\*Calculation of net gearing ratio: Total borrowings less bank balances and cash and restricted deposits / total shareholders' equity

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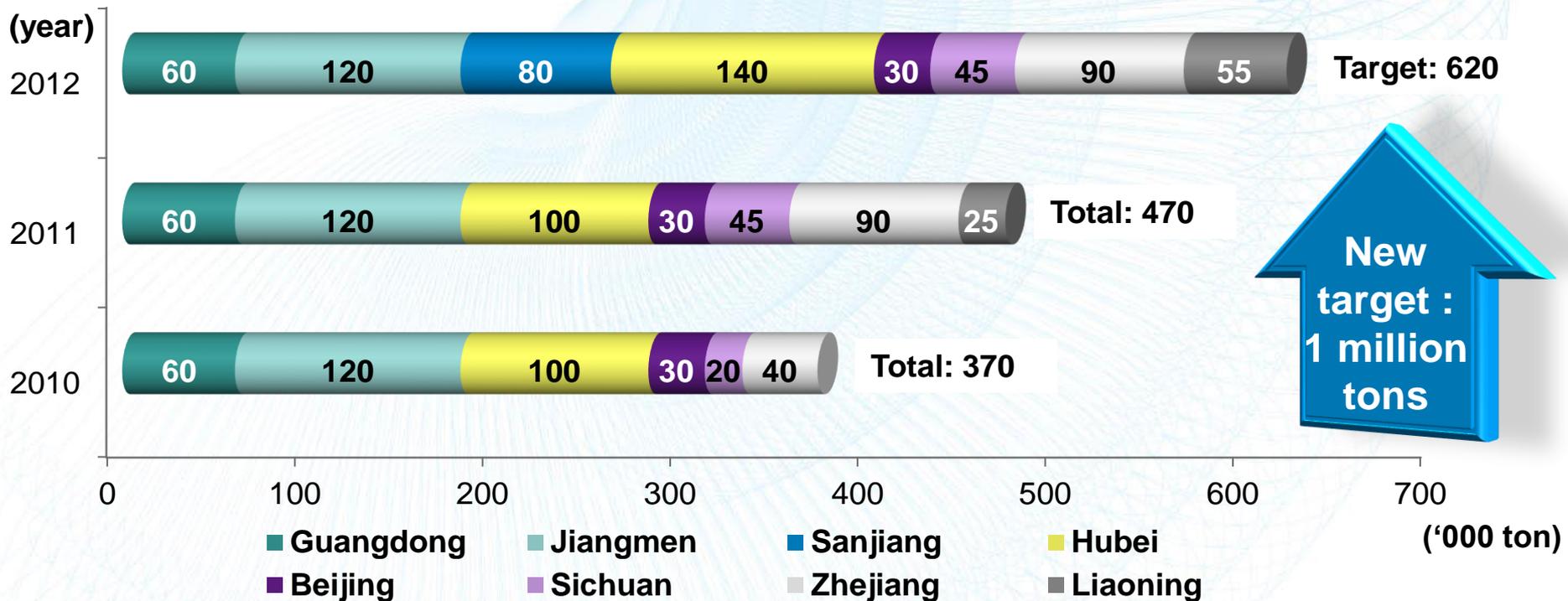
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# Production Capacity



- In 2011, aggregate annual production capacity ramped up to 470,000 tons with satisfactory utilization rate.
- In order to satisfy increasing market demand, the Group targets to reach 700,000 tons of annual production capacity ahead of our original schedule and speed up the capacity expansion plan to a new goal of 1 million tons in coming years.
- A total of 150,000 tons of new production capacity is expected to commence production by 3Q & 4Q 2012.

# Well-Balanced Geographical Coverage

- The Group expanded its production capacity in Guangdong by leasing the Sanjiang plant, which has an aggregate annual production capacity of 80,000 tons its first phase and 50,000 tons in its second phase.
- The plan to build a plant in Laiwu, Shandong Province has passed environmental assessment and is expected to commence production in 2013.
- Vinda will also introduce a number of Italian paper-making machines with superior capabilities in reducing energy consumption on top of elevating paper quality.



# Extensive Sales Network

- Continuously expanded our sales network to penetrate various regions and cities.
- First-ever National Distributor Conference was hosted in May 2011.
- As of 31 December 2011, Vinda extended its national sales network to about 260,000 points-of-sales with 155 sales offices and 1,174 distributors.
- Supported V-Care business with Vinda's extensive distribution network while expanding into sales channels dedicated to the distribution of baby diapers.



# Comprehensive Marketing & Promotion Campaign

- Concentrated efforts in promoting “Star-products”.
- Utilized three waves of creative marketing campaigns to target different consumer segments by respectively promoting “Kung Fu Panda” Series, “FEEL” Series and “Pleasant Goat and Big Big Wolf” series.
- Put strong emphases on point-of-sales promotions and field marketing activities including creative roadshows and point-of-sales display competition.
- Engaged other medium such as outdoor advertisements, internet, electronic and print media interviews etc.
- Renewed license for “Pleasant Goat and Big Big Wolf” which will expire by 2013 year end.



# Personal Care Business

- V-care launched 24 SKUs of baby diaper products under the brand of “Babifit” in 2011.
- 3 new production lines are expected to begin operations in the Hubei Plant by 2012.
- GP margin is expected to widen by Q3 2012 when all products become 100% self-manufactured.
- Maternity stores, hospital and supermarkets will be the three main distribution channels.



# Improved Operational Efficiency and Green Management

- Constantly introduced technological upgrades as environmental requirements in China tighten.
- Technology upgrades and optimization of the sewage treatment system which effectively lowered the water consumption per ton of paper.
- Obtained 36 new utility patents; of which 17 utility model patents and 1 invention patent were used for environmental protection and energy conservation.



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# Outlook of Operating Environment

## Economic Environment

- Benefit from the rising per capita income and the market's increasing demand for quality personal daily hygiene products.
- As urbanization continues, per capita consumption of household paper will climb steadily.
- Global economy will remain unstable but China will maintain steady growth trend.
- RMB appreciation will be relatively flat.



## Industry Environment

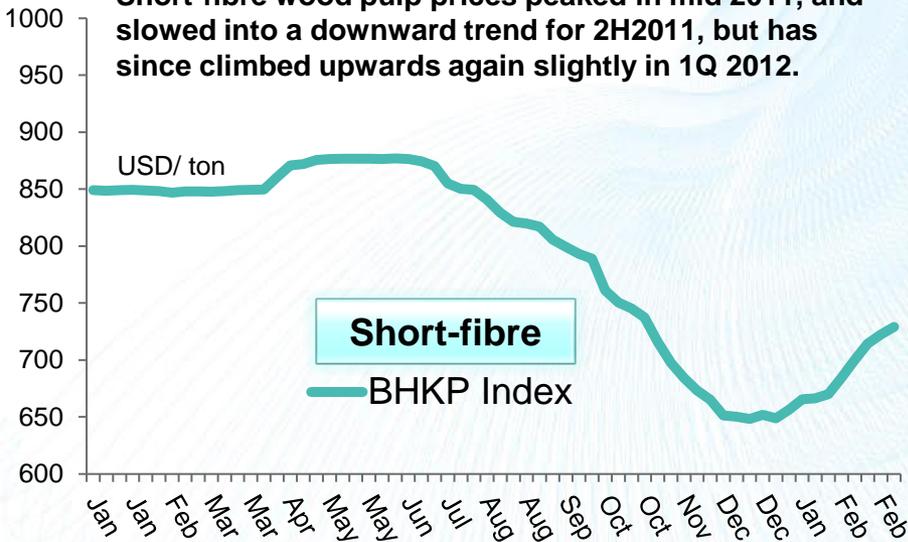
- Overall production capacity will increase while market consolidation will intensify, as the Central Government implements tighter control in environmental protection policies with determination to phase out the small factories that failed to comply with regulations under its 12th Five-Year Plan.

## Wood Pulp Price Trend

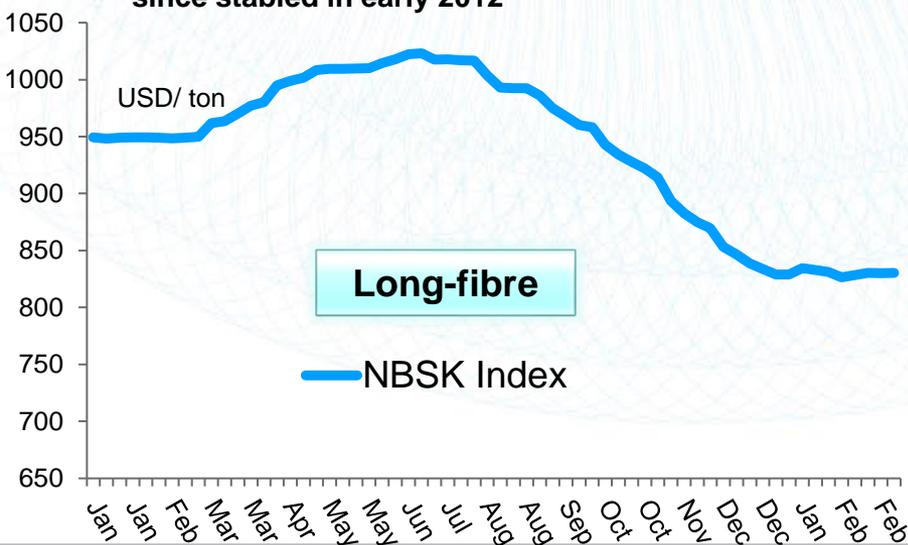
- International pulp price saw a downward adjustment since 2H 2011, which alleviated the Group's raw material costs, and is expected that inventory carried forth will positively impact the profit margin in 1H2012.
- Pulp prices are expected to remain volatile in 2012.

# Strategies in response to Volatile Wood Pulp Prices

Short-fibre wood pulp prices peaked in mid 2011, and slowed into a downward trend for 2H2011, but has since climbed upwards again slightly in 1Q 2012.



Long-fibre wood pulp prices also peaked mid 2011, and fell into a steady decline in 2H2011, the pulp price has since stabled in early 2012



## Vinda's strategies

- Constantly keep track of market situation & adopt a flexible procurement strategy.
- Closely monitor and evaluate the wood pulp quality from domestic suppliers so as to allow a greater flexibility in choosing raw materials without risking Vinda's quality.
- Strengthen our well-established, strategic partnership with existing suppliers and explore new alliances.
- Enhance cost control effectiveness and lower wastage.
- Enhance production efficiency through technological upgrades.
- Adopt excellent production management and outstanding manufacturing know-how.

# Future Strategies – 6<sup>th</sup> Five-year Plan

## Production Capacity & Distribution Network Expansion

- Speed up our production capacity expansion to meet demand, with a new goal to reach 1 million tons of annual production capacity.
- Strengthen control at points of sales and distribution network, increasing the distribution rate for each product, with a target to reach 400,000 points-of sales in three years, while optimizing sales channel mix



## Branding and Product Development

- Optimize product mix and improve sales proportion of higher margin products.
- Nurture two to three “Star-products” per annum.
- Acquire licenses to brand products with popular animations.
- Intensify marketing efforts to build strong brand equity.

# Future Strategies – 6<sup>th</sup> Five-year Plan

## Personal Care Product Business

- Strengthen new personal care product business by investing diapers business in branding, production and research and development.
- Continue seeking acquisition & joint venture opportunities with an aim to capture a share of the high profit margin markets such as adult diapers, female hygiene products markets, in order to alleviate the impact of price fluctuation due to reliance of a single raw material.



## Efficiency & Effectiveness

- Reorganize the marketing structure and management strategies for the north and south.
- Continue innovating new technologies for energy and conservation in order to reduce wastage.
- Actively obtain new patents and invention patents related to sustainability technology.



# Q&A

