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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)

Website: *http://www.hkexnews.hk*
http://www.vindapaper.com

“Healthy lifestyle starts from Vinda”

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2012

FINANCIAL HIGHLIGHTS

	2012	2011	Changes
Revenue (<i>HK\$</i>)	2,887,493,324	2,194,621,752	+31.6%
Gross profit (<i>HK\$</i>)	903,043,827	607,338,502	+48.7%
Profit attributable to equity holders of the Company (<i>HK\$</i>)	258,045,029	191,066,436	+35.1%
Gross profit margin	31.3%	27.7%	+3.6p.p.
Net profit margin	8.9%	8.7%	
Basic earnings per share (<i>HK\$</i>)	26.7 cents	20.4 cents	+30.9%
Stock turnover	123 days	145 days	
Finished goods turnover	37 days	33 days	
Debtors turnover	47 days	45 days	
Interim dividend declared (<i>HK\$</i>)	4.3 cents	3.3 cents	+30.3%

RESULTS

The Board of Vinda International Holdings Limited (“Vinda International” or the “Company”) is pleased to present the interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2012 (the “Period”).

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Unaudited	
		Six months ended 30 June	
		2012	2011
	Note	HK\$	HK\$
Revenue	4	2,887,493,324	2,194,621,752
Cost of sales		<u>(1,984,449,497)</u>	<u>(1,587,283,250)</u>
Gross profit		903,043,827	607,338,502
Selling and marketing costs		(358,625,693)	(254,251,642)
Administrative expenses		(163,374,933)	(115,266,825)
Other income and gains — net		<u>422,262</u>	<u>10,152,447</u>
Operating profit	5	381,465,463	247,972,482
Interest expense		(26,802,383)	(17,075,118)
Net foreign exchange transaction (loss)/gain		(4,505,803)	19,974,794
Interest income		<u>3,759,257</u>	<u>2,075,679</u>
Finance (costs)/income, net		(27,548,929)	4,975,355
Share of post-tax loss of an associate		<u>(3,136,224)</u>	<u>(825,716)</u>
Profit before income tax		350,780,310	252,122,121
Income tax expense	6	(92,735,281)	(61,055,685)
Profit attributable to equity holders of the Company		258,045,029	191,066,436
Other comprehensive income			
Currency translation differences		(20,536,247)	62,777,166
Hedging reserve		<u>(4,607,295)</u>	<u>—</u>
Total comprehensive income attributable to equity holders of the Company		232,901,487	253,843,602
Earnings per share for profit attributable to the equity holders of the Company	7		
— basic	7(a)	<u>0.267</u>	<u>0.204</u>
— diluted	7(b)	<u>0.264</u>	<u>0.201</u>
Dividends	8	42,994,396	30,935,906

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited 30 June 2012 HK\$	Audited 31 December 2011 HK\$
	<i>Note</i>		
ASSETS			
Non-current assets			
Property, plant and equipment	9	3,205,196,607	3,022,040,685
Investment properties	9	30,218,795	—
Leasehold land and land use rights	9	186,714,324	184,797,092
Intangible assets	9	9,889,080	10,445,847
Deferred income tax assets		139,630,378	115,700,768
Investment in an associate	10	56,597,670	59,800,509
		3,628,246,854	3,392,784,901
Total non-current assets			
Current assets			
Inventories		1,346,261,921	1,372,221,620
Trade receivables, other receivables and prepayments	11	902,738,123	939,353,259
Prepayments to and receivables from related parties		60,871,319	43,273,883
Property held for sale		15,914,409	—
Restricted bank deposits		934,784	1,292,449
Cash and cash equivalents		1,335,846,329	714,611,721
		3,662,566,885	3,070,752,932
Total current assets			
		7,290,813,739	6,463,537,833
Total assets			
EQUITY			
Share capital		99,986,969	93,818,369
Share premium		1,675,209,700	1,119,423,427
Other reserves			
— Proposed dividend		42,994,396	81,621,981
— Others		2,036,196,832	1,843,730,722
		3,854,387,897	3,138,594,499
Total equity			

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (continued)

		Unaudited 30 June 2012 HK\$	Audited 31 December 2011 HK\$
	<i>Note</i>		
LIABILITIES			
Non-current liabilities			
Borrowings	12	994,225,873	1,151,334,272
Deferred government grants		91,709,053	74,289,746
Derivative financial instruments		21,782,276	17,424,745
Deferred income tax liabilities		3,080,953	1,662,617
Total non-current liabilities		1,110,798,155	1,244,711,380
Current liabilities			
Trade payables, other payables and accrued expenses	13	1,080,113,329	1,209,944,172
Due to a related party		267,165	1,779,362
Borrowings	12	1,171,746,491	801,144,261
Current income tax liabilities		73,500,702	67,364,159
Total current liabilities		2,325,627,687	2,080,231,954
Total liabilities		3,436,425,842	3,324,943,334
Total equity and liabilities		7,290,813,739	6,463,537,833
Net current assets		1,336,939,198	990,520,978
Total assets less current liabilities		4,965,186,052	4,383,305,879

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited			
	Attributable to equity holders of the Company			
	Share capital	Share premium	Other reserves	Total
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Balance as at 1 January 2011	93,673,169	1,113,265,875	1,481,216,626	2,688,155,670
Profit for the period	—	—	191,066,436	191,066,436
Other comprehensive income				
— Currency translation differences	—	—	62,777,166	62,777,166
Total comprehensive income for the six months ended 30 June 2011	—	—	253,843,602	253,843,602
Transaction with owners				
Employees share option scheme				
— Value of employee services	—	—	17,165,042	17,165,042
— Exercise of options	72,000	2,822,720	(749,120)	2,145,600
Dividends	—	—	(81,553,425)	(81,553,425)
Transaction with owners	72,000	2,822,720	(65,137,503)	(62,242,783)
Balance as at 30 June 2011	<u>93,745,169</u>	<u>1,116,088,595</u>	<u>1,669,922,725</u>	<u>2,879,756,489</u>
Balance as at 1 January 2012	93,818,369	1,119,423,427	1,925,352,703	3,138,594,499
Profit for the period	—	—	258,045,029	258,045,029
Other comprehensive income				
— Currency translation differences	—	—	(20,536,247)	(20,536,247)
— Hedging reserve	—	—	(4,607,295)	(4,607,295)
Total comprehensive income for the six months ended 30 June 2012	—	—	232,901,487	232,901,487
Transaction with owners				
Employees share option scheme				
— Value of employee services	—	—	32,006,667	32,006,667
— Exercise of options	1,968,600	87,073,794	(24,080,966)	64,961,428
Allotment of shares	4,200,000	468,712,479	—	472,912,479
Dividends	—	—	(86,988,663)	(86,988,663)
Transaction with owners	6,168,600	555,786,273	(79,062,962)	482,891,911
Balance as at 30 June 2012	<u>99,986,969</u>	<u>1,675,209,700</u>	<u>2,079,191,228</u>	<u>3,854,387,897</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited	
	Six months ended 30 June	
	2012	2011
	<i>HK\$</i>	<i>HK\$</i>
Cash flows from operating activities:		
— continuing operations	303,239,144	260,182,517
Cash flows from investing activities:		
— purchases of property, plant and equipment	(331,171,051)	(345,665,717)
— purchases of intangible assets	(1,250,437)	(1,882,324)
— purchases of leasehold land and land use rights	(20,921,268)	—
— proceeds on disposal of property, plant and equipment	2,833,442	729,773
— investment in an unlisted associate	—	(61,500,000)
— other investing cash flows — net	3,759,257	2,075,679
Cash flows used in investing activities	(346,750,057)	(406,242,589)
Cash flows from financing activities:		
— dividends paid	(86,988,663)	(81,553,425)
— repayments of borrowings	(410,029,982)	(544,124,524)
— proceeds from borrowings	627,015,618	907,968,832
— proceeds from shares issued	537,873,907	2,145,600
Cash flows generated from financing activities	667,870,880	284,436,483
Net increase in cash and cash equivalents	624,359,967	138,376,411
Cash and cash equivalents at beginning of the period	714,611,721	389,551,782
Exchange differences	(3,125,359)	2,033,355
Cash and cash equivalents at end of the period	<u>1,335,846,329</u>	<u>529,961,548</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2012

1 General Information

Vinda International Holdings Limited (the “Company”) was incorporated on 17 August 1999 in the Cayman Islands with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

The Company acts as an investment holding company and provides management and financing services to its subsidiaries. The Company and its subsidiaries are collectively referred to as the “Group”. The principal activities of the Group are the manufacture and sale of household consumable paper.

The Company’s shares have been listed on The Stock Exchange of Hong Kong Limited since 10 July 2007.

The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

This condensed consolidated interim financial information is presented in HK dollars, unless otherwise stated. This condensed consolidated interim financial information was approved for issue on 29 August 2012.

This condensed consolidated interim financial information has not been audited.

2 Basis of preparation

These condensed consolidated interim financial information for the six months ended 30 June 2012 have been prepared in accordance with HKAS 34 “Interim financial reporting”. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2011, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

3 Accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2011, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

(a) New and amended standards adopted by the Group

The following amendments to standards are mandatory for the first time for the financial year beginning 1 January 2012:

Amendment to HKFRS 7 “Disclosures — Transfers of financial assets” is effective for annual periods beginning on or after 1 July 2011. This amendment will promote transparency in the reporting of transfer transactions and improve users’ understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity’s financial position, particularly those involving securitisation of financial assets. The adoption of this amendment will result in additional disclosures where necessary.

(b) *Standards, amendments and interpretations to existing standards effective in 2012 but not relevant to the Group*

HKFRS 1 (Amendment)	Severe hyperinflation and removal of fixed dates for first-time adopters
HKFRS 12 (Amendment)	Deferred tax: Recovery of underlying assets

(c) *The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning on 1 January 2012 and have not been early adopted*

		Effective for annual periods beginning on or after
HKAS 1 (Amendment)	Presentation of financial statements	1 July 2012
HKFRS 10	Consolidated financial statements	1 January 2013
HKAS 27 (Revised 2011)	Separate financial statements	1 January 2013
HKFRS 11	Joint arrangements	1 January 2013
HKAS 28 (Revised 2011)	Associates and joint ventures	1 January 2013
HKFRS 12	Disclosure of interests in other Entities	1 January 2013
HKFRS 13	Fair value measurements	1 January 2013
HKAS 19 (Amendment)	Employee benefits	1 January 2013
HKFRS 7 (Amendment)	Financial instruments: Disclosures — Offsetting financial assets and financial liabilities	1 January 2013
HKFRIC 20	Stripping costs in the production phase of a surface mine	1 January 2013
HKAS 32 (Amendment)	Financial instruments: Presentation — Offsetting financial assets and financial liabilities	1 January 2014
HKFRS 9	Financial Instruments	1 January 2015
HKFRS 7 and HKFRS 9 (Amendments)	Mandatory effective date and transition disclosures	1 January 2015

4 SEGMENT INFORMATION

The Group is principally engaged in the manufacture and sales of household consumable paper. Revenue is analysed as follows:

	Unaudited	
	Six months ended 30 June	
	2012	2011
	HK\$	HK\$
Sales of goods	2,831,958,459	2,116,354,861
Sales of semi-finished goods and other materials	51,816,336	76,708,125
Processing trade	3,039,566	1,558,766
Sales commission	678,963	—
Total revenue	<u>2,887,493,324</u>	<u>2,194,621,752</u>

The chief operating decision-maker has been identified as the executive committee, which comprises all executive directors and top management. The executive committee reviews the Group's internal reporting in order to assess performance and allocate resources.

Based on these reports, the executive committee has determined that no business segment information is presented as over 90% of the Group's sales and operating profits are derived from the sales of paper products, which is considered one business segment with similar risks and returns.

The executive committee has determined that no geographical segment information is presented as over 90% of the Group's sales are derived within the People's Republic of China ("PRC") and over 90% operating assets of the Group are located in the PRC, which is considered one geographic location with similar risks and returns.

The Company is domiciled in Hong Kong. The result of its revenue from external customers in Mainland China, Hong Kong and overseas for the six months ended 30 June 2012 is HK\$2,640,414,634 (for the six months ended 30 June 2011: HK\$1,964,513,405), HK\$237,090,446 (for the six months ended 30 June 2011: HK\$212,994,838), HK\$9,988,244 (for the six months ended 30 June 2011: HK\$17,113,509).

The total non-current assets are analysed as follows:

	As at	
	30 June 2012 Unaudited HK\$	31 December 2011 Audited HK\$
Total non-current assets other than deferred tax assets and investment in an associate		
— Mainland China	3,312,329,153	3,148,109,528
— Hong Kong and overseas	119,689,653	69,174,096
Deferred tax assets	139,630,378	115,700,768
Investment in an associate	56,597,670	59,800,509
	<u>3,628,246,854</u>	<u>3,392,784,901</u>

5 Operating profit

The following items have been (credited)/charged to the operating profit during the six months ended 30 June 2012 and 2011:

	Unaudited	
	Six months ended 30 June	
	2012 HK\$	2011 HK\$
Amortisation of deferred government grants	(1,323,175)	(2,518,594)
Foreign exchange loss/(gain), net	4,044,988	(2,828,294)
(Write-back)/provision for impairment of receivables	(585,866)	6,765,073
Write-back for impairment of inventories	—	(195,368)
Amortisation of share option	32,006,667	17,165,042
Depreciation of property, plant and equipment	95,351,317	71,365,918
Depreciation of investment properties	206,834	—
Amortisation of intangible assets	1,751,006	1,476,697
Amortisation of leasehold land and land use rights	2,014,247	2,378,987
Loss on disposal of property, plant and equipment	1,379,953	1,128,235

6 Income taxes

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2011: 16.5%) on the estimated assessable profit for the year. Taxation on profits outside Hong Kong has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries or regions in which the Group operates.

	Unaudited	
	Six months ended 30 June	
	2012	2011
	HK\$	HK\$
Current income tax		
— Hong Kong profits tax	9,925,677	6,413,740
— PRC enterprise income tax	106,019,903	56,704,473
Deferred income tax	(23,210,299)	(2,062,528)
	<u>92,735,281</u>	<u>61,055,685</u>

Income tax expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the six months ended 30 June 2012 is 26.4% (the estimated tax rate for the six months ended 30 June 2011 was 24.2%).

7 Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average numbers of ordinary shares in issue during the period.

	Unaudited	
	Six months ended 30 June	
	2012	2011
Profit attributable to equity holders of the Company (HK\$)	<u>258,045,029</u>	<u>191,066,436</u>
Weighted average number of ordinary shares in issue	<u>966,438,818</u>	<u>936,930,935</u>
Basic earnings per share (HK\$ per share)	<u>0.267</u>	<u>0.204</u>

(b) *Diluted*

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all diluted potential ordinary sharers. The Company's potentially dilutive ordinary shares are comprised of share options.

	Unaudited	
	Six months ended 30 June	
	2012	2011
Profit attributable to equity holders of the Company (<i>HK\$</i>)	<u>258,045,029</u>	191,066,436
Weighted average number of ordinary shares in issue	<u>966,438,818</u>	936,930,935
Adjustments for share options	<u>11,917,995</u>	15,946,777
Weighted average number of ordinary shares for diluted earnings per share	<u>978,356,813</u>	952,877,712
Diluted earnings per share (<i>HK\$ per share</i>)	<u><u>0.264</u></u>	<u>0.201</u>

8 Dividends

On 27 March 2012, the Board of Directors proposed a final dividend in respect of the year ended 31 December 2011 of HK\$ 86,988,663, representing HK\$0.087 per ordinary share. The dividend was paid in June 2012.

In addition, an interim dividend of HK\$0.043 per share (2011: HK\$0.033 per share) was declared by the Board of Directors on 29 August 2012. This interim dividend, amounting to HK\$42,994,396 (2011: HK\$30,935,906), has not been recognised as a liability in this interim financial information. It will be recognised in shareholders' equity in the year ending 31 December 2012.

9 Capital expenditure

	Unaudited			
	Property, plant and equipment	Investment properties	Leasehold land and land use rights	Intangible assets
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Six months ended 30 June 2011				
Opening net book amount as at 1 January 2011	2,272,640,034	—	160,496,665	11,085,320
Additions	373,254,254	—	—	1,882,324
Disposals	(1,858,008)	—	—	—
Depreciation and amortisation (<i>Note 5</i>)	(71,365,918)	—	(2,378,987)	(1,476,697)
Exchange differences	55,365,772	—	3,839,114	260,815
Closing net book amount as at 30 June 2011	<u>2,628,036,134</u>	<u>—</u>	<u>161,956,792</u>	<u>11,751,762</u>
Six months ended 30 June 2012				
Opening net book amount as at 1 January 2012	3,022,040,685	—	184,797,092	10,445,847
Additions	330,944,949	—	20,921,268	1,250,437
Reclassification	(30,522,319)	30,522,319	(15,914,409)	—
Disposals	(4,213,395)	—	—	—
Depreciation and amortisation (<i>Note 5</i>)	(95,351,317)	(206,834)	(2,014,247)	(1,751,006)
Exchange differences	(17,701,996)	(96,690)	(1,075,380)	(56,198)
Closing net book amount as at 30 June 2012	<u>3,205,196,607</u>	<u>30,218,795</u>	<u>186,714,324</u>	<u>9,889,080</u>

During the period, the Group has capitalized borrowing costs amounting to HK\$4,548,232 (2011: nil) on qualifying assets. Borrowing costs were capitalized at the weighted average rate of its general borrowings of 3.43%.

On 1 March 2012, the Group entered into a contract with V-Care (China) Limited (a subsidiary of V-Care Holdings Limited, the Group's associate) for the lease of plant. The lease term is 3 years starting from 1 March 2012 to 28 February 2015 with a monthly rental of RMB 138,000. Accordingly, the Group transferred the leased plant from property, plant and equipment to investment property and has accounted for that investment property using cost method.

10 Investment in an associate

	Unaudited Six months ended 30 June HK\$
Beginning of the period	59,800,509
Share of post-tax results of an associate	(3,136,224)
Exchange differences	(66,615)
	<u>56,597,670</u>

The information of the unlisted associated company at 30 June 2012 is as follows:

Name	Place and date of incorporation	Percentage of equity interest attributable to the Group	Assets	Liabilities	Revenues	Net loss
			HK\$	HK\$	HK\$	HK\$
V-Care Holdings Limited ("V-Care")	British Virgin Islands 2 July 2009	41%	151,537,655	13,494,557	13,304,473	(7,649,328)

11 Trade receivables, other receivables and prepayments

	As at	
	30 June 2012 Unaudited HK\$	31 December 2011 Audited HK\$
Trade receivables	746,812,861	723,534,882
Other receivables	131,087,626	181,939,392
Notes receivable	3,568,522	902,002
Prepayments	21,269,114	32,976,983
	<u>902,738,123</u>	<u>939,353,259</u>

The majority of the Group's sales is with credit terms ranging from 30 to 90 days. At 30 June 2012 and 31 December 2011, the ageing analysis of the trade and notes receivables based on invoice date were as follows:

	As at	
	30 June 2012 Unaudited HK\$	31 December 2011 Audited HK\$
Within 3 months	705,104,330	686,762,019
4 months to 6 months	40,441,183	37,079,956
7 months to 12 months	3,825,278	6,215,517
Over 1 year	1,010,592	4,311,821
	<u>750,381,383</u>	<u>734,369,313</u>

12 Borrowings

	As at	
	30 June 2012 Unaudited HK\$	31 December 2011 Audited HK\$
Non-current	994,225,873	1,151,334,272
Current	1,171,746,491	801,144,261
	<u>2,165,972,364</u>	<u>1,952,478,533</u>

Movements in borrowings are analysed as follows:

	Unaudited HK\$
Six months ended 30 June 2011	
Opening amount as at 1 January 2011	1,087,677,371
New borrowings	907,968,832
Repayments of borrowings	(544,124,524)
Exchange differences	6,093,174
Closing amount as at 30 June 2011	<u>1,457,614,853</u>
Six months ended 30 June 2012	
Opening amount as at 1 January 2012	1,952,478,533
New borrowings	627,015,618
Repayments of borrowings	(410,029,982)
Exchange differences	(3,491,805)
Closing amount as at 30 June 2012	<u>2,165,972,364</u>

Interest expenses on borrowings for the six months ended 30 June 2012 were HK\$30,696,044 (six months ended 30 June 2011: HK\$17,075,118) including HK\$3,893,661 capitalised in the construction progress (six months ended 30 June 2011: nil).

13 Trade payables, other payables and accrued expenses

	As at	
	30 June 2012 Unaudited HK\$	31 December 2011 Audited HK\$
Trade payables	574,398,787	702,658,382
Notes payables	23,016,282	18,048,167
Other payables	267,411,139	314,627,585
Accrued expenses	215,287,121	174,610,038
	<u>1,080,113,329</u>	<u>1,209,944,172</u>

Ageing analysis of trade payables and notes payables as at 30 June 2012 and 31 December 2011 were as follows:

	As at	
	30 June 2012 Unaudited HK\$	31 December 2011 Audited HK\$
Within 3 months	564,574,509	702,436,164
4 months to 6 months	23,678,965	11,652,403
7 months to 12 months	3,477,094	3,059,233
1 year to 2 years	2,535,889	2,988,304
2 years to 3 years	3,148,612	570,445
	<u>597,415,069</u>	<u>720,706,549</u>

MANAGEMENT DISCUSSION AND ANALYSIS

The escalating European debt crisis has exerted unprecedented pressure on the global economy during the first half of 2012. Despite China's economic growth slowdown and weakening export amidst uncertainty in global markets, steady development was seen in China's household paper industry. According to the China National Household Paper Industry Association, China's household paper market achieved double-digit growth year-on-year in 2011 for both sales revenue and volume, which is a solid reflection of the huge and increasing demand for household paper. Further urbanization and rising income per capita also bolstered the growth in demand for quality tissue paper.

Business Review

2012 marks the beginning of the Group's 6th five-year plan. To cope with the unstable external environment and severe competition within the industry, the Group has continued to carry on its development plan pragmatically, and has made substantial progress in its brand enhancement, product innovation, sales network development, production capacity expansion, production efficiency improvement, as well as the expansion of its business scope.

For the six months ended 30 June 2012, the Group's turnover achieved remarkable growth and rose by 31.6% year-on-year to reach HK\$2,887,493,324. In particular, the performance of softpack products was exceptional with sales increasing by 82.2%. During the period under review, gross profit surged by 48.7% to HK\$903,043,827 and the gross profit margin was up by 3.6 percentage points to 31.3% as raw materials prices eased back. Profit attributable to shareholders grew by 35.1% to HK\$258,045,029 while earnings per share amounted to 26.7HK cents.

In appreciation of shareholders' support, the board of directors has recommended the payment of an interim dividend of 4.3 HK cents (1H2011: 3.3 HK cents) per share for the six months ended 30 June 2012 to shareholders.

Upholding Brand Position by Extending Product Lines

The "Vinda" brand is one of the Group's core assets, and upholding the quality of the products under this brand has always been of paramount importance to its success. During the period, the Group focused on the promotion of "Star Products" and enlarging sales and market share of certain product lines in a bid to optimize its product portfolio and profit margin.

The Group reassessed the loyalty and aspiration value of the "Vinda" brand with consumer research studies conducted with the support of renowned professional market research agencies. Capitalizing on the findings from these studies, as well as our proprietary market insights, the Group successfully launched the ground-breaking "Ultra Strong" series featuring box tissues and softpacks with 3-ply-paper. Coupled with the slogan "韌在維達，樂在全家" and comprehensive marketing campaigns, "Ultra Strong" successfully extended the Group's product lines and reinforced Vinda's brand position.

The Group's successful brand strategy has helped it to obtain numerous honors, including the "Consumer's Most Trusted Brand 2011 (2011年度消費者最信賴品牌)" and "Champion of National Best-selling Household Paper Product (生活用衛生紙類全國市場銷量第一名)" awarded by China Industrial Information Issuing Center (中國行業企業資訊發佈中心) in March, as well as the "Best Breakthrough Supplier 2011 — Consumables (2011年度快速消費品部最佳突破獎)" presented by Wal-Mart, a renowned and leading retailer, in February 2012.

By leveraging its effective cartoon marketing strategy, Vinda successfully captured a core customer group in recent years, namely families with children. Following the success of the “Pleasant Goat and Big Big Wolf” and “Kung Fu Panda” series, the Group has made further efforts by joining forces with 20th Century Fox Film Corporation (“Fox Film”), a Hollywood film studio in the United States. The Group collaborated with Fox Film to promote the movie — “Ice Age: Continental Drift”, via the launch of its “Ice Age” products. This project infused new impetus to the image of Vinda brand.

Heightening Efficiency of Sales & Marketing Management

A well-established and extensive sales network is another one of Vinda’s core competencies. As at 30 June 2012, Vinda has 176 sales offices (31 December 2011: 155) and 1,295 distributors (31 December 2011: 1,174). In addition to the extensive traditional sales network, the rapidly expanding modern channels offer a highly efficient platform for FMCG companies to enlarge its sales and build their brand image. In fact, sales from modern channels have consistently commanded a larger split of the Group’s overall sales year-on-year. As one of the leading household paper brands in China, the Group proactively maintains its good relationships with hypermarkets in order to secure the best shelf space at every point of sales. Apart from extending points of sales network, Vinda is also dedicated to cultivating its direct B2B channels which are of great importance as they generate stable income.

Proficient sales team management not only improves the sales efficiency, but also effectively enhances the market coverage. With a view to laying a solid foundation for penetrating into existing market and fostering new footholds, the Group has restructured the regional sales and marketing team by redefining the scope of work for each sales region during the period.

Expanding Capacity Steadily by Improving Production Technology

Production capacity expansion has always played a vital role in Vinda International’s course of development. On account of the enormous, growing market demand for quality household paper, the Group has developed a solid and pragmatic capacity expansion plan at the beginning of the year which aims to increase the current total annual production capacity of 470,000 tons by 150,000 tons. In particular, the Group plans to increase capacity by 80,000 tons at the new Sanjiang plant in Jiangmen, Guangdong Province; 30,000 tons at the Anshan plant in Liaoning Province; and 40,000 tons at the Xiaogan plant in Hubei Province. Total production capacity will reach 620,000 tons by 2012 year end. The Group targets to boost the production capacity to 1 million tons by 2015 to achieve even greater economies of scale while reducing logistic costs.

In tandem with capacity expansion, the Group will also focus on improving production efficiency and product quality. Besides introducing more highly-automated machineries and equipment to enhance processing and logistical efficiency, the Group has also imported numerous advanced European-made paper-making machines with an aim to reduce energy consumption, enhance efficiency and bring product quality up another level.

Improving Procurement Flexibility

Wood pulp is the major raw material used to produce household paper products. From the second half of 2011 to the first half of 2012, wood pulp prices began to ease as a result of the weakening demand in Europe and the United States. Consequently, the Group has adopted a flexible and proactive procurement strategy of increasing the wood pulp procurement volume whenever prices hit a relatively low level, while preserving healthy cash flow for the Group. Successful application of such a strategy has helped the Group to secure its gross profit margin to a certain extent.

The Group organized its first international suppliers' conference during the period whereat we showcased Vinda's roadmap of future developments to long-standing suppliers as a way to create common goals and strengthen alliances.

Developing the Personal Care Products Business

In respect of the personal care products business, V-Care Holdings Limited ("V-Care"), an associate of the Group, was executing plans at full swing for the in-house production of baby diapers during the period, which involves setting up three production lines plus a quality inspection center in the Xiaogan plant in Hubei. Riding on the pilot sale results gained from last year, V-Care innovated and upgraded Babifit™ baby diaper products to diversify its product offering and attract more consumers. In the second half of the year, a full-fledged roll-out of Babifit™ products will be staged to market them through distributors, hypermarkets and other specialty outlets. Meanwhile, comprehensive marketing campaigns will be used to establish consumers' interest and cultivate loyalty towards the Babifit™ brand to help build another runway for the Group's long-term growth and ascension.

Adhering to Sustainable Development Principles

As a responsible household paper manufacturer guided by sustainable development principles, the Group always adheres to its commitment to environmental protection and to sustaining the ecological system. The Group is committed to operating in accordance with the central government's carbon reduction policy, and collaborates with suppliers that share the same aspiration. The Group also chooses environmental-friendly coal fuel with low sulfur content as its energy source. Moreover, the Group has effectively cut emissions of sulfur dioxide in its production processes by introducing advanced sulfur and dust filters. Meanwhile the Group improved its water recycling rate from 80% last year to over 90% by upgrading the equipment, thereby killing two birds with one stone: saving energy and resources while improving production efficiency.

The Group is equally devoted to the protection of the patents and results of its technological upgrades. During the period, the Group obtained 14 new patents, 5 software patents and 1 innovation patent in respect of energy saving and waste reduction. As at 30 June 2012, the Group had a total of 66 patents.

Nurturing Human Resources and Strengthening Corporate Governance

Employees of high caliber are the key to the Group's competitiveness and value creation. During the period, the Group has persistently enriched its human resources management system, through various actions including a revision of the performance management procedures and a reorganization of job positions and duties, with an aim of aligning it to international standards. The Group also started the second crop of its management trainee program in order to recruit young and hopeful university graduates from all over China to become a force behind Vinda's future development.

As at 30 June 2012, the Group had a total of 7,476 employees. Employee remuneration packages are reviewed regularly, with reference to local market conditions, as well as staff work experience and performance, to ensure the competitiveness of the Group's remuneration policy. Furthermore, the Group also maintains a share option scheme to attract and retain talent. During the period, the Group granted 16,771,000 share options to its directors and employees under its share option scheme.

The Group firmly believes that sound corporate governance is a cornerstone of every successful company and is fundamental to business development and shareholders' value. During the period under review, the Group organized corporate governance training to our directors and senior management in order to ensure their compliance with the latest listing rules and knowledge of best practice. The Group also reviewed the disclosure systems so as to improve transparency. The Group then reinforced internal control measures through continuous review and optimization of the code of practice for each functional department.

Liquidity, Financial Resources and Bank Loans

The Group's financial position remained healthy. As at 30 June 2012, the Group's bank and cash balances amounted to HK\$1,335,846,329 (31 December 2011: HK\$714,611,721), and short-term and long-term loans in aggregate amounted to HK\$2,165,972,364 (31 December 2011: HK\$1,952,478,533). The annual interest rates of bank loans ranged from 1.51% to 6.90%.

As at 30 June 2012, the gross gearing ratio was 56.2% (31 December 2011: 62.2%), which was calculated on the basis of the amount of total borrowings as a percentage of the total shareholders' equity. The net gearing ratio, which was calculated on the basis of the amount of total borrowings less bank balances and cash, and restricted deposits as a percentage of the total shareholders' equity, was 21.5% (31 December 2011: 39.4%).

As at 30 June 2012, unutilized credit facilities amounted to approximately HK\$4.38 billion.

Foreign Exchange and Fair Value Interest Rate risk

The majority of the Group's assets and sales business are located in the PRC and Hong Kong. Most of our transactions are denominated and settled in Renminbi while most of the key raw materials are imported from overseas and denominated and paid in US dollar. The Group also borrows most of the long term loans and the short term loans denominated in HKD or USD.

Borrowings obtained at variable rates expose the Group to cash flow interest-rate risk. As at 30 June 2012, the Group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates.

Future Prospects

The continuous growth of the Chinese economy year after year has created enormous room for the development of the household paper market and has driven the expansion in production capacity across the industry. Meanwhile, the central government has redoubled its efforts in eliminating outdated manufacturers, which will intensify consolidation in the industry. Therefore, the Group expects competition among leading players in the industry to heat up. In respect of wood pulp prices, the Group anticipates that the price trend to stabilize in the second half of the year due to the impacts of the volatile global economy on the international demand for wood pulp, and new wood pulp production capacity coming to the market.

Facing such challenges, the Group is confident in outperforming its peers. In 2012, the Group will focus on the following tasks:

1. Fortify the “Vinda” brand and its sales network, and optimize its product portfolio actively;
2. Foster the personal care products business and develop Babifit™ SKUs and dedicated sales channels aggressively;
3. Expand production capacity systematically, while emphasizing production safety, to reach a target capacity of 1 million tons by 2015;
4. Monitor raw materials market closely and employ a flexible and proactive procurement strategy;
5. Adhere to environmental principles and perfect its environmental protection projects; and
6. Further digitalize procedures and implement management information systems.

Looking ahead, the Group will adhere to and build on its strategy based on a solid brand image and first-in-class product quality so as to strengthen its market leadership and enlarge its market share.

Interim Dividend

The Board has resolved to declare an interim dividend of HK\$0.043 per share for the period ended 30 June 2012 (2011: HK\$0.033) totaling approximately HK\$42,994,396. The interim dividend will be paid on or about 31 October 2012 to shareholders whose names appear on the register of members of the Company on 19 October 2012.

Close of Register of Members

The register of members of the Company will be closed from 17 October 2012 to 19 October 2012 (both days inclusive), during which period no transfer of shares will be registered. In order to establish entitlement to the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company’s share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, not later than 4:30 pm on 16 October 2012 for registration of transfer.

Purchase, Sale or Redemption of the Company’s Listed Securities

During the six months ended 30 June 2012, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

Corporate Governance

The Company is committed to maintaining a high standard of corporate governance practices by emphasizing a quality board of directors, sound internal control, transparency and accountability to all the shareholders of the Company. For the six months ended 30 June 2012, the Company has complied with all the code provisions set out in the Code on Corporate Governance Practices (effective until 31 March 2012) and Corporate Governance Code (effective from 1 April 2012) as stated in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transaction by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules as its code for dealing in securities of the Company by the directors of the Company. Having made specific enquiry with all the directors of the Company, all of them confirmed that they have complied with the required standard set out in the Model Code during the six months ended 30 June 2012.

Audit Committee

The audit committee of the Company has three members of independent non-executive directors, namely Mr. Kam Robert, Mr. Hui Chin Tong, Godfrey and Mr. Tsui King Fai. The chairman of the audit committee is Mr. Kam Robert. The audit committee is accountable to the Board and the principal duties of the audit committee include the reviews and supervision of the financial reporting process. It also reviews the effectiveness of internal audit, internal controls and risk evaluation, including the interim report for the six months ended 30 June 2012.

Remuneration Committee

The Company’s remuneration committee comprises Dr. Cao Zhen Lei, Mr. Tsui King Fai and Mr. Hui Chin Tong, Godfrey. The chairman of the remuneration committee is Dr. Cao Zhen Lei. The principal duty of the remuneration committee is to regularly monitor the remuneration and other benefits of all the directors and senior management to ensure that levels of their remuneration and compensation are appropriate.

Nomination Committee

The Company’s nomination committee has three members comprising two independent non-executive directors, namely, Mr. Hui Chin Tong, Godfrey and Mr. Tsui King Fai and an executive director, Mr. Li Chao Wang. The chairman of the nomination committee is Mr. Hui Chin Tong, Godfrey. The principal duty of the nomination committee is to consider and recommend to the Board suitably qualified persons to be appointed directors and is responsible for reviewing the structure, size and composition of the Board on a regular basis.

Publication of Results Announcement and Interim Report

This announcement is published on the websites of the Company (www.vindapaper.com) and the Stock Exchange (www.hkexnews.hk). The 2012 interim report of the Company will be dispatched to the shareholders and available on the same websites in due course.

Acknowledgement

On behalf of the Board, I extend my gratitude to all our staff for their hard work and dedication.

By Order of the Board
Vinda International Holdings Limited
Li Chao Wang
Chairman

Hong Kong, 29 August 2012

As at the date of this announcement, the executive directors are Mr. Li Chao Wang, Ms. Yu Yi Fang, Ms. Zhang Dong Fang and Mr. Dong Yi Ping; the non-executive directors are Mr. Johann Christoph Michalski, Mr. Ulf Olof Lennart Soderstrom and Mr. Chiu Bun (as alternate to Mr. Michalski and Mr. Soderstrom); and the independent non-executive directors are Dr. Cao Zhen Lei, Mr. Kam Robert, Mr. Hui Chin Tong, Godfrey and Mr. Tsui King Fai.