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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”***

### **FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2009**

#### **FINANCIAL HIGHLIGHTS**

	<b>2009</b>	2008	<b>Changes</b>
Revenue (HK\$)	<b>2,776,116,529</b>	2,424,044,090	<b>+14.5%</b>
Profit attributable to equity holders			
of the Company (HK\$)	<b>397,799,707</b>	165,911,568	<b>+139.8%</b>
Gross profit margin	<b>34.2%</b>	21.2%	<b>+13.0p.p.</b>
Net profit margin	<b>14.3%</b>	6.8%	<b>+7.5p.p.</b>
Earnings per share (HK\$)	<b>44.0 cents</b>	18.4 cents	<b>+139.1%</b>
Dividend per share(HK\$)	<b>12.0 cents</b>	4.6 cents	<b>+160.9%</b>
- interim dividend (paid) (HK\$)	<b>3.0 cents</b>	Nil	
- final dividend (proposed) (HK\$)	<b>9.0 cents</b>	4.6 cents	
Finished goods turnover	<b>36 days</b>	32 days	
Debtors turnover	<b>39 days</b>	32 days	

## RESULTS

The Board of Vinda International Holdings Limited (“Vinda International” or the “Company”) is pleased to present the annual results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2009 (the “Year”).

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		<b>Audited</b>	
		<b>For the year ended</b>	
		<b>31 December</b>	
	Note	<b>2009</b>	2008
		<i>HK\$</i>	<i>HK\$</i>
<b>Revenue</b>	4	<b>2,776,116,529</b>	2,424,044,090
Cost of sales	5	<b><u>(1,825,317,921)</u></b>	<u>(1,910,939,233)</u>
<b>Gross profit</b>		<b>950,798,608</b>	513,104,857
Selling and marketing costs	5	<b>(281,002,421)</b>	(181,765,469)
Administrative expenses	5	<b>(155,651,477)</b>	(115,367,807)
Other income and gains - net		<b><u>8,601,735</u></b>	<u>4,041,388</u>
<b>Operating profit</b>		<b>522,746,445</b>	220,012,969
Finance income		<b>1,829,438</b>	3,268,001
Finance costs		<b><u>(29,331,701)</u></b>	<u>(28,465,727)</u>
Finance costs - net	6	<b><u>(27,502,263)</u></b>	<u>(25,197,726)</u>
<b>Profit before income tax</b>		<b>495,244,182</b>	194,815,243
Income tax expense	7	<b><u>(97,444,475)</u></b>	<u>(28,903,675)</u>
<b>Profit attributable to equity holders of the Company</b>		<b><u>397,799,707</u></b>	<u>165,911,568</u>
<b>Other comprehensive income</b>			
Currency translation differences		<b>2,494,422</b>	96,467,285
<b>Total comprehensive income attributable to equity holders of the Company</b>		<b><u>400,294,129</u></b>	<u>262,378,853</u>
<b>Earnings per share for profit attributable to the equity holders of the Company during the year</b>			
(expressed in HK\$ per share)			
— basic	8(a)	<b><u>0.440</u></b>	<u>0.184</u>
— diluted	8(b)	<b><u>0.437</u></b>	<u>N/A</u>
<b>Dividend</b>	9	<b><u>108,545,003</u></b>	<u>41,576,718</u>

## CONSOLIDATED BALANCE SHEET

	Note	Audited	
		As at 31 December	
		2009	2008
		HK\$	HK\$
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>1,825,089,896</b>	1,852,374,329
Leasehold land and land use rights		<b>158,910,242</b>	117,294,978
Intangible assets		<b>6,881,218</b>	740,895
Deferred income tax assets		<b>72,909,571</b>	47,508,724
<b>Total non-current assets</b>		<b><u>2,063,790,927</u></b>	<u>2,017,918,926</u>
<b>Current assets</b>			
Inventories		<b>912,068,945</b>	491,755,387
Trade receivables, other receivables and prepayments	10	<b>409,312,796</b>	259,669,018
Due from related parties		<b>5,458,343</b>	5,300,643
Pledged bank deposits		<b>760,931</b>	884,454
Cash and cash equivalents		<b>346,949,107</b>	172,189,258
<b>Total current assets</b>		<b><u>1,674,550,122</u></b>	<u>929,798,760</u>
<b>Total assets</b>		<b><u>3,738,341,049</u></b>	<u>2,947,717,686</u>
<b>EQUITY</b>			
<b>Capital and reserves attributable to the Company's equity holders</b>			
Share capital	12	<b>90,464,169</b>	90,384,169
Share premium	12	<b>838,018,579</b>	834,834,579
Other reserves			
— Proposed final dividend		<b>81,417,752</b>	41,576,718
— Others		<b>1,060,007,903</b>	742,291,177
<b>Total equity</b>		<b><u>2,069,908,403</u></b>	<u>1,709,086,643</u>

**CONSOLIDATED BALANCE SHEET (continued)**

		<b>Audited</b>	
		<b>As at 31 December</b>	
	Note	<b>2009</b>	2008
		<b>HK\$</b>	<b>HK\$</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	13	<b>597,739,324</b>	465,875,506
Deferred government grants		<b>63,467,626</b>	33,127,079
Deferred income tax liabilities		<b>1,794,270</b>	1,556,700
<b>Total non-current liabilities</b>		<b><u>663,001,220</u></b>	<u>500,559,285</u>
<b>Current liabilities</b>			
Trade payables, other payables and accrued expenses	11	<b>680,034,008</b>	429,879,934
Due to a related party		<b>1,054,572</b>	568,205
Borrowings	13	<b>265,483,468</b>	278,411,290
Current income tax liabilities		<b>58,859,378</b>	29,212,329
<b>Total current liabilities</b>		<b><u>1,005,431,426</u></b>	<u>738,071,758</u>
<b>Total liabilities</b>		<b><u>1,668,432,646</u></b>	<u>1,238,631,043</u>
<b>Total equity and liabilities</b>		<b><u>3,738,341,049</u></b>	<u>2,947,717,686</u>
<b>Net current assets</b>		<b><u>669,118,696</u></b>	<u>191,727,002</u>
<b>Total assets less current liabilities</b>		<b><u>2,732,909,623</u></b>	<u>2,209,645,928</u>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		<b>Audited</b>			
		<b>Attributable to equity holders of the Company</b>			
	Note	<b>Share capital <i>HK\$</i></b>	<b>Share premium <i>HK\$</i></b>	<b>Other reserves <i>HK\$</i></b>	<b>Total <i>HK\$</i></b>
<b>Balance at 1 January 2008</b>		90,384,169	834,834,579	541,373,559	1,466,592,307
Profit for the year		—	—	165,911,568	165,911,568
Other comprehensive income					
— currency translation differences		—	—	96,467,285	96,467,285
<b>Total comprehensive income for 2008</b>		—	—	262,378,853	262,378,853
<b>Transaction with owners</b>					
Dividends	9	—	—	(19,884,517)	(19,884,517)
<b>Balance at 31 December 2008</b>		<u>90,384,169</u>	<u>834,834,579</u>	<u>783,867,895</u>	<u>1,709,086,643</u>
<b>Balance at 1 January 2009</b>		90,384,169	834,834,579	783,867,895	1,709,086,643
Profit for the year		—	—	397,799,707	397,799,707
Other comprehensive income					
— currency translation differences		—	—	2,494,422	2,494,422
<b>Total comprehensive income for 2009</b>		—	—	400,294,129	400,294,129
<b>Transaction with owners</b>					
Employees share option scheme					
— value of employee services		—	—	26,866,000	26,866,000
— exercise of share options	12	80,000	3,184,000	(880,000)	2,384,000
Dividends	9	—	—	(68,722,369)	(68,722,369)
<b>Total transaction with owners for 2009</b>		80,000	3,184,000	(42,736,369)	(39,472,369)
<b>Balance at 31 December 2009</b>		<u>90,464,169</u>	<u>838,018,579</u>	<u>1,141,425,655</u>	<u>2,069,908,403</u>

## CONSOLIDATED CASH FLOW STATEMENT

	<b>Audited</b>	
	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2009</b>	<b>2008</b>
	<i>HK\$</i>	<i>HK\$</i>
<b>Cash flows from operating activities</b>		
— cash generated from operations	<b>400,977,436</b>	441,470,967
— interest paid	<b>(30,790,913)</b>	(27,615,337)
— income tax paid	<b>(91,631,155)</b>	(45,884,441)
Net cash generated from operating activities	<b><u>278,555,368</u></b>	<u>367,971,189</u>
<b>Cash flows from investing activities</b>		
— purchase of property, plant and equipment	<b>(107,997,117)</b>	(493,629,296)
— proceeds from disposal of property, plant and equipment	<b>930,358</b>	40,040
— payment for leasehold land and land use rights	<b>(44,663,348)</b>	(19,816,230)
— purchase of intangible assets	<b>(7,031,941)</b>	(95,986)
— interest received	<b>1,829,438</b>	3,268,001
Net cash used in investing activities	<b><u>(156,932,610)</u></b>	<u>(510,233,471)</u>
<b>Cash flows from financing activities</b>		
— proceeds from shares issued	<b>2,384,000</b>	—
— proceeds from borrowings	<b>1,546,453,411</b>	942,707,308
— repayments of borrowings	<b>(1,427,517,415)</b>	(876,963,413)
— decrease in pledged bank deposits	<b>123,523</b>	5,822,081
— dividends paid	<b>(68,722,369)</b>	(19,884,517)
Net cash generated from financing activities	<b><u>52,721,150</u></b>	<u>51,681,459</u>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>174,343,908</b>	(90,580,823)
Effect of foreign exchange rate changes	<b>415,941</b>	10,688,600
<b>Cash and cash equivalents, beginning of the year</b>	<b><u>172,189,258</u></b>	<u>252,081,481</u>
<b>Cash and cash equivalents, end of the year</b>	<b><u><u>346,949,107</u></u></b>	<u><u>172,189,258</u></u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

## 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 services to its subsidiaries. The Company and its subsidiaries are collectively referred to as the “Group”.

The Company’s shares have been listed on the Stock Exchange of Hong Kong Limited (“HKSE”) 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.

These consolidated financial statements are presented in Hong Kong dollar (“HK\$”) unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 7 April 2010.

## 2 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”). The consolidated financial statements have been prepared under the historical cost convention.

## 3 Accounting policies

### (a) New and amended standards adopted by the Group

The Group has adopted the following new and amended HKFRSs as of 1 January 2009:

- HKFRS 7, ‘Financial Instruments — Disclosures’ (amendment) — effective 1 January 2009.
- HKAS 1 (revised), ‘Presentation of financial statements’ — effective 1 January 2009.
- HKFRS 2 (amendment), ‘Share-based payment’ — effective 1 January 2009.
- HKAS 23 (revised), ‘Borrowing costs’ — effective from 1 January 2009.
- HKFRS 8, ‘Operating segments’ — effective 1 January 2009.

- The standards, amendments and interpretations noted below had no impact on the Group's operating results, financial position or comprehensive income.

HKFRS 1 and HKAS 27 Amendment	Cost of an investment in a subsidiary, jointly controlled entity or associate
HKAS 32 Amendment and HKAS 1 Amendment	Puttable Financial Instruments and Obligations Arising on Liquidation
HK (IFRIC) 13	Customer Loyalty Programmes
HK (IFRIC) 15	Agreements for the Construction of Real Estate
HK (IFRIC) 16	Hedges of a Net Investment in a Foreign Operation
HK (IFRIC) 18	Transfers of Assets from Customers (applied for transfers of assets after 1 July 2009)

- (b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2010 or later periods, but the Group has not early adopted them:



Except for the application of HKAS 27 (revised) and HKFRS 3 (revised), amendments and interpretations as mentioned above is not expected to have a material effect on the Group's operating results, financial position or comprehensive income.

(c) Improvements to HKFRS

Amendments that are relevant to the Group include:

- HKAS 1 (amendment), 'Presentation of financial statements'. The Group and Company will apply HKAS 1 (amendment) from 1 January 2010. It is not expected to have a material impact on the Group's or the Company's financial statements.
- HKAS 36, 'Impairment of Assets' (effective from 1 January 2010). The amendment will not result in a material impact on the Group's or the Company's financial statements.
- HKAS 38 (amendment), 'Intangible Assets' (effective from 1 July 2009). The amendment will not result in a material impact on the Group's or the Company's financial statements.

#### 4 Segment information

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

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2009</b>	2008
	<b>HK\$</b>	<b>HK\$</b>
Sales of goods	<b>2,612,936,594</b>	2,283,662,244
Sales of semi-finished goods and other materials	<b><u>163,179,935</u></b>	<u>140,381,846</u>
Total revenue	<b><u>2,776,116,529</u></b>	<u>2,424,044,090</u>

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

Based on these reports, the decision-maker 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 as one business segment with similar risks and returns.

The decision-maker has also determined that no geographical segment information is presented as over 90% of the Group's sales and operating profits are derived within the PRC and over 90% operating assets of the Group are located in the PRC, which is considered as one geographic location with similar risks and returns.

The Company is domiciled in Hong Kong. The result of its revenue from third party customers in Mainland China, Hong Kong and other overseas is HK\$2,398,014,521 (2008: HK\$2,052,042,637), HK\$343,736,896 (2008: HK\$333,897,256), HK\$ 34,365,112 (2008: HK\$38,104,197) respectively.

The total of non-current assets other than deferred tax assets were as follows:

	<b>As at 31 December</b>	
	<b>2009</b>	2008
	<b>HK\$</b>	<b>HK\$</b>
Total non-current assets other than deferred tax assets		
- Mainland China	<b>1,962,321,816</b>	1,940,664,710
- Hong Kong and other overseas	<b>28,559,540</b>	29,745,492
Deferred tax assets	<b><u>72,909,571</u></b>	<u>47,508,724</u>
Total non-current assets	<b><u>2,063,790,927</u></b>	<u>2,017,918,926</u>

## 5 Expenses by nature

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2009</b>	2008
	<b>HK\$</b>	<b>HK\$</b>
Staff costs	<b>207,777,854</b>	157,276,402
Depreciation of property, plant and equipment	<b>114,655,709</b>	93,986,941
Provision for impairment of property, plant and equipment	—	6,973,472
Reversal of write-down of inventories	<b>(44,732)</b>	(252,855)
Provision for impairment of goodwill (Note)	—	2,206,207
Amortisation of intangible assets	<b>902,001</b>	313,545
Amortisation of leasehold land and land use rights	<b>3,269,450</b>	3,953,688
Transportation expenses	<b>111,609,034</b>	89,913,245
Travel and office expenses	<b>17,478,379</b>	13,017,571
Auditor's remuneration	<b>5,923,067</b>	5,993,314
Material costs	<b>1,437,698,791</b>	1,572,555,789
Provision for impairment of receivables	<b>761,257</b>	1,545,851
Utilities	<b>166,045,132</b>	130,823,410
Real estate tax, stamp duty and other taxes	<b>10,885,534</b>	8,194,835
Advertising costs	<b>30,887,191</b>	14,932,332
Promotion expense	<b>76,082,161</b>	29,698,490
Operating lease rental	<b>3,251,358</b>	2,452,474
Bank charges	<b>5,270,587</b>	5,051,059
Other expenses	<b><u>69,519,046</u></b>	<u>69,436,739</u>
Total cost of sales, selling and marketing costs and administrative expenses	<b><u>2,261,971,819</u></b>	<u>2,208,072,509</u>

Note: Impairment test of goodwill

The goodwill arose from acquisition of Vinda Household Paper (Australia) Limited and its subsidiary — Vinda Paper (Australia) Pty Ltd. ("Vinda Paper (Australia)") in 2005.

The impairment charge resulted from the decreased gross margin of Vinda Paper (Australia) in the relevant market. In 2008, the goodwill was fully impaired.

## 6 Finance income and costs

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2009</b>	2008
	<b>HK\$</b>	<b>HK\$</b>
Interest expense		
- bank borrowings	<b>(29,468,838)</b>	<u>(40,969,724)</u>
Less: Amounts capitalised in property, plant and equipment	<u>—</u>	<u>36,866</u>
	<b>(29,468,838)</b>	(40,932,858)
Net foreign exchange transaction gain	<u>137,137</u>	<u>12,467,131</u>
Finance costs	<b>(29,331,701)</b>	(28,465,727)
Finance income		
- interest income on bank deposits	<u>1,829,438</u>	<u>3,268,001</u>
Net finance costs	<b><u>(27,502,263)</u></b>	<b><u>(25,197,726)</u></b>

## 7 Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 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 cities in which the Group operates.

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2009</b>	2008
	<b>HK\$</b>	<b>HK\$</b>
Current income tax		
- Hong Kong profits tax	<b>19,887,094</b>	7,835,238
- PRC enterprise income tax	<b>102,620,516</b>	34,131,874
Deferred income tax	<b><u>(25,063,135)</u></b>	<b><u>(13,063,437)</u></b>
	<b><u>97,444,475</u></b>	<b><u>28,903,675</u></b>

## 8 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 year.

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2009</b>	2008
Profit attributable to equity holders of the Company (HK\$)	<u>397,799,707</u>	<u>165,911,568</u>
Weighted average number of ordinary shares in issue	<u>904,114,563</u>	903,841,686
Basic earnings per share (HK\$ per share)	<u><u>0.440</u></u>	<u><u>0.184</u></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 comprised share options.

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2009</b>	2008
Profit attributable to equity holders of the Company (HK\$)	<u>397,799,707</u>	<u>165,911,568</u>
Weighted average number of ordinary shares in issue	<u>904,114,563</u>	903,841,686
Adjustments for share options	<u>6,074,884</u>	<u>—</u>
Weighted average number of ordinary shares for diluted earnings per share	<u>910,189,447</u>	<u>903,841,686</u>
Diluted earnings per share (HK\$ per share)	<u><u>0.437</u></u>	<u><u>0.184</u></u>

## 9 Dividend

	2009 <i>HK\$</i>	2008 <i>HK\$</i>
Interim dividend paid of HK\$0.03 (2008: nil) per ordinary share	<u>27,127,251</u>	<u>—</u>
Proposed final dividend of HK\$0.09 (2008: HK\$0.046) per ordinary share	<u>81,417,752</u>	<u>41,576,718</u>

At a meeting held on 7 April 2010, the Board of Directors proposed a final dividend in respect of the year ended 31 December 2009 of HK\$0.09 per ordinary share, representing totally HK\$81,417,752. Such dividend is to be approved by the shareholders at the Annual General Meeting of the Company. These financial statements do not reflect this dividend payable.

The dividends paid in 2009 and 2008 were HK\$68,722,369 and HK\$19,884,517 respectively.

## 10 Trade receivables, other receivables and prepayments

	As at 31 December	
	2009 <i>HK\$</i>	2008 <i>HK\$</i>
Trade receivables	<b>363,034,124</b>	216,077,878
Less: Provision for impairment of trade receivables	<u>(5,192,658)</u>	<u>(4,788,288)</u>
Trade receivables, net	<u><b>357,841,466</b></u>	<u>211,289,590</u>
Other receivables		
- deductible input value-added tax ("VAT")	<b>9,336,763</b>	9,390,833
- prepaid income tax recoverable	<b>3,190,924</b>	4,420,330
- purchase rebates	<b>17,404,733</b>	10,390,439
- others	<u><b>10,552,730</b></u>	<u>15,019,571</u>
Other receivables, net	<u><b>40,485,150</b></u>	<u>39,221,173</u>
Trade and other receivables, net	<b>398,326,616</b>	250,510,763
Notes receivable	<b>454,287</b>	2,145,811
Prepayments		
- for purchase of raw materials	<b>6,070,148</b>	4,818,501
- others	<u><b>4,461,745</b></u>	<u>2,193,943</u>
	<u><b>409,312,796</b></u>	<u>259,669,018</u>

The carrying amounts of the trade receivables, other receivables and prepayments are denominated in the following currencies:

	<b>As at 31 December</b>	
	<b>2009</b>	2008
	<i>HK\$</i>	<i>HK\$</i>
RMB	<b>327,211,382</b>	172,972,153
HK\$	<b>56,752,934</b>	70,024,178
US\$	<b>20,000,860</b>	12,406,376
Other currencies	<b><u>5,347,620</u></b>	<u>4,266,311</u>
	<b><u>409,312,796</u></b>	<u>259,669,018</u>

As at 31 December 2009 and 2008, the carrying amounts of the Group's trade and other receivables approximated their fair values due to short duration.

Customers are generally granted with credit terms ranging from 30 to 90 days.

Ageing analyses of trade receivables of the Group based on invoice date as at 31 December 2009 and 2008 are as below:

	<b>As at 31 December</b>	
	<b>2009</b>	2008
	<i>HK\$</i>	<i>HK\$</i>
Within 3 months	<b>343,945,639</b>	203,101,401
4 months to 6 months	<b>14,014,678</b>	8,464,321
7 months to 12 months	<b>1,165,507</b>	1,652,545
Over 1 year	<b><u>3,908,300</u></b>	<u>2,859,611</u>
	<b><u>363,034,124</u></b>	<u>216,077,878</u>

As of 31 December 2009, trade receivables of HK\$13,895,827 (2008:HK\$8,188,189) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	<b>As at 31 December</b>	
	<b>2009</b>	2008
	<i>HK\$</i>	<i>HK\$</i>
4 months to 6 months	<b>13,189,459</b>	7,346,584
7 months to 12 months	<b><u>706,368</u></b>	<u>841,605</u>
	<b><u>13,895,827</u></b>	<u>8,188,189</u>

As at 31 December 2009, trade receivables of HK\$19,088,485 (2008: HK\$12,976,477) were impaired. The amount of provision was HK\$5,192,658 as at 31 December 2009 (2008: HK\$4,788,288). The individually impaired receivables mainly relate to customers with different credit ratings. It was assessed that a portion of the receivables is expected to be recovered. The ageing of these receivables is as follows:

	<b>As at 31 December</b>	
	<b>2009</b>	2008
	<b>HK\$</b>	<b>HK\$</b>
4 months to 6 months	<b>14,014,678</b>	8,464,321
7 months to 12 months	<b>1,165,507</b>	1,652,545
Over 1 year	<b><u>3,908,300</u></b>	<u>2,859,611</u>
	<b><u>19,088,485</u></b>	<u>12,976,477</u>

The Group recognised provision for impairment of trade and other receivables in the administrative expenses in the consolidated statement of comprehensive income.

Movements on the provision for impairment of trade receivables are as follows:

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2009</b>	2008
	<b>HK\$</b>	<b>HK\$</b>
As at 1 January	<b>(4,788,288)</b>	(4,673,758)
Provision for receivable impairment	<b>(761,257)</b>	(1,545,851)
Receivables written off during the year as uncollectible	<b>364,833</b>	1,720,153
Exchange differences	<b><u>(7,946)</u></b>	<u>(288,832)</u>
As at 31 December	<b><u>(5,192,658)</u></b>	<u>(4,788,288)</u>

The maximum exposure to credit risk at the reporting date is the carrying amounts of each category of receivable mentioned above. The Group does not hold any collateral as security.

## 11 Trade payables, other payables and accrued expenses

	As at 31 December	
	2009 HK\$	2008 HK\$
Trade payables	367,053,331	208,576,180
Notes payable	25,234,441	704,697
Other payables		
- salaries payable	28,261,046	19,909,923
- taxes payable other than income tax	20,865,049	19,388,652
- advances from customers	46,740,834	29,759,211
- payables for property, plant and equipment	28,106,189	50,264,390
- others	62,706,521	47,732,078
Accrued expenses		
- promotion fees	41,698,863	23,707,019
- utility charges	14,664,440	11,242,883
- transportation fees	18,515,668	5,795,130
- advertising fee	10,571,357	860,286
- others	15,616,269	11,939,485
	<b><u>680,034,008</u></b>	<b><u>429,879,934</u></b>

As at 31 December 2009 and 2008, the carrying amounts of the Group's trade payables, other payables and accrued expenses approximated their fair values.

The carrying amounts of the trade payables, other payables and accrued expenses are denominated in the following currencies:

	As at 31 December	
	2009 HK\$	2008 HK\$
RMB	353,453,654	310,998,343
US\$	306,065,267	108,634,278
HK\$	15,682,313	3,340,963
Other currencies	4,832,774	6,906,350
	<b><u>680,034,008</u></b>	<b><u>429,879,934</u></b>



The credit period granted by the creditors generally ranged from 30 to 90 days. Ageing analysis of trade payables as at 31 December 2009 and 2008 are as follows:

	<b>As at 31 December</b>	
	<b>2009</b>	2008
	<b>HK\$</b>	<b>HK\$</b>
Within 3 months	<b>327,622,215</b>	181,107,904
4 months to 6 months	<b>18,188,562</b>	15,496,792
7 months to 12 months	<b>15,584,726</b>	2,683,468
1 year to 2 years	<b>3,908,939</b>	7,436,675
2 years to 3 years	<b>1,327,640</b>	99,357
Over 3 years	<b>421,249</b>	1,751,984
	<b><u>367,053,331</u></b>	<b><u>208,576,180</u></b>

## 12 Share capital and share premium

	<b>Number of authorised shares</b>	<b>Number of issued and fully paid shares</b>	<b>Amount</b>		
			<b>Ordinary shares HK\$</b>	<b>Share premium HK\$</b>	<b>Total HK\$</b>
<b>At 1 January 2008 and 31 December 2008</b>	80,000,000,000	903,841,686	90,384,169	834,834,579	925,218,748
Employee share option scheme - exercise of share options	<u>—</u>	<u>800,000</u>	<u>80,000</u>	<u>3,184,000</u>	<u>3,264,000</u>
<b>At 31 December 2009</b>	<b><u>80,000,000,000</u></b>	<b><u>904,641,686</u></b>	<b><u>90,464,169</u></b>	<b><u>838,018,579</u></b>	<b><u>928,482,748</u></b>

As at 31 December 2009 and 2008, the par value of authorised and issued ordinary shares is HK\$0.1 per share.

### 13 Borrowings

	As at 31 December	
	2009 HK\$	2008 HK\$
<b>Non-current</b>		
Bank borrowings		
- Secured (Note (a))	—	113,853,518
- Unsecured	<b>596,791,130</b>	<b>350,621,733</b>
	<b>596,791,130</b>	464,475,251
Unsecured other borrowings (Note (b))	<b>948,194</b>	<b>1,400,255</b>
Total non-current borrowings	<b>597,739,324</b>	<b>465,875,506</b>
<b>Current</b>		
Bank borrowings		
- Secured (Note (a))	—	43,347,885
- Unsecured	<b>265,029,180</b>	<b>234,156,273</b>
	<b>265,029,180</b>	277,504,158
Unsecured other borrowings (Note (b))	<b>454,288</b>	<b>907,132</b>
Total current borrowings	<b>265,483,468</b>	<b>278,411,290</b>
<b>Total borrowings</b>	<b>863,222,792</b>	<b>744,286,796</b>

(a) As at 31 December 2008, bank borrowings of HK\$157,201,403 were pledged by certain property, plant and equipment of the Group.

(b) Other borrowings were granted by PRC local governments and are unsecured and interest-free.

(c) The maturity of borrowings is as follows:

	Bank borrowings		Other borrowings	
	As at 31 December		As at 31 December	
	2009 HK\$	2008 HK\$	2009 HK\$	2008 HK\$
Within 1 year	<b>265,029,180</b>	277,504,158	<b>454,288</b>	907,132
Between 1 and 2 years	<b>300,910,918</b>	81,026,193	—	453,566
Between 2 and 5 years	<b>295,880,212</b>	<b>383,449,058</b>	<b>948,194</b>	<b>946,689</b>
	<b>861,820,310</b>	<b>741,979,409</b>	<b>1,402,482</b>	<b>2,307,387</b>

(d) The effective interest rates at the balance sheet date were as follows:

	<b>Bank borrowings</b>		<b>Other borrowings</b>	
	<b>As at 31 December</b>		<b>As at 31 December</b>	
	<b>2009</b>	2008	<b>2009</b>	2008
HK\$	<b>1.42%-2.99%</b>	3.45%-5.92%	—	—
US\$	<b>1.15%-2.28%</b>	2.77%-6.10%	—	—
RMB	<b><u>4.05%-5.76%</u></b>	<u>4.54%-8.47%</u>	<b><u>0%</u></b>	<u>0%</u>

(e) The fair values of the borrowings approximate their fair values, as the impact of discounting is not significant.

The fair values are based on cash flows discounted using a rate based on the borrowing rate, the effective interest rates (per annum) at the balance sheet date were as follows:

	<b>2009</b>		<b>2008</b>	
	<b>HK\$</b>	<b>RMB</b>	<b>HK\$</b>	<b>RMB</b>
Bank borrowings	<b><u>2.06%</u></b>	<b><u>5.7%</u></b>	<b><u>5.1%</u></b>	<b><u>6.9%</u></b>

(f) The carrying amounts of the borrowings are denominated in the following currencies:

	<b>As at 31 December</b>	
	<b>2009</b>	2008
	<b>HK\$</b>	<b>HK\$</b>
RMB	<b>310,317,871</b>	393,508,203
HK\$	<b>390,652,778</b>	237,625,848
US\$	<b><u>162,252,143</u></b>	<u>113,152,745</u>
	<b><u>863,222,792</u></b>	<u>744,286,796</u>

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **AN ANALYSIS OF THE OPERATING ENVIRONMENT**

Trends of a rapid recovery emerged in the economy of China in 2009 in reaction to the RMB 4 trillion stimulus package promulgated by the Central Government. The country's economy in general maintained relatively high growth, with GDP growing at 8.7% in 2009 from the previous year, while inflation was being kept at low levels. As China accelerates its urbanisation process, consumer spending continues to grow, creating huge potential for the high-quality household paper industry.

Prices of pulp in the international market, which stayed at relatively low levels between the fourth quarter of 2008 and the first quarter of 2009, lowered the production cost for the whole industry. This kept many domestic small-scale paper manufacturers active despite the backdrop of a looming financial crisis. Competition was seen intensifying in the household paper market in China.

In addition, the World Climate Change Summit held in Copenhagen raised the awareness of the public for a “low-carbon lifestyle”, fuelling the impetus and opportunities to the manufacturers of high-end household paper that are capable of achieving low energy consumption and pollution.

### **BUSINESS REVIEW**

2009 was an important year for the Group in the areas of brand enhancement, product structure improvement, market expansion and marketing innovations. During the year, while the global economy was still struggling in the aftermath of the financial crisis of 2008, the Group maintained its growth at double-digit levels. Turnover amounted to HK\$2,776,116,529, representing an increase of 14.5% compared with last year. Toilet roll category has continued to be the biggest driver and contributor of increased sales, posting a growth of 15.1% year-on-year. Individual categories, such as soft-envelope facial tissue, has become increasingly popular and registered a year-on-year growth of 47.9%.

During the year, the gross profit margin of the products of the Group reached 34.2% (2008: 21.2%), up 13 percentage points from last year. The improvement could be attributable to the sales promotion campaigns hosted during the year that helped maintain the selling prices at levels only slightly trimmed from those after our price increase initiatives in 2008, and low pulp costs resulting from the successful execution of our procurement strategy.

During the year, the Group won various accolades, including “Top 30 Pulp and Paper Manufacturing Enterprises in China” (全國製漿造紙企業30強) by China Paper Association. Mr. Li Chao Wang, the Chairman of Vinda International, was named an “Outstanding Entrepreneur in Pulp and Paper Manufacturing Industry in China”. These illustrate the recognition for Vinda International by the society.

## **BUSINESS STRATEGY**

The Group has been adhering to its principle of reinforcing its presence in existing markets while proactively exploring new markets and developing new products to grow hand in hand with business partners. During the year, the Group’s “Dual-Brand” strategy and intensified efforts to expand into second- and third-tier cities, have resulted in notable achievements.

As of 2009 year end, there were a total of 125 sales offices and 715 distributors (2008: 91 sales offices and 559 distributors). The opening of image stores under the “Ten Thousand Shops in Over a Hundred Cities” strategy throughout China strengthened the Group’s distribution network, which in turn drove sales growth and enhanced the brand image.

Riding on the opportunity arisen from an global outbreak of H1N1 Influenza A, the Group successfully launched its personal health care products and hosted a national community campaign carrying the theme “Clean Your Hands and Care For All (「手」護健康、關愛你我)” during the year. Various kinds of wet tissue products were also launched in a timely manner and expanded the Group’s product range. In the second half of the year, the Group obtained rights to use “Pleasant Goat and Big Big Wolf” (喜羊羊與灰太狼), the most popular cartoon characters in China, and successfully launched the “Vinda • Pleasant Goat” tissue paper series targeting little children and young fans of comic strips in November 2009. The launch was well received by consumers and generated remarkable sales, successfully increased the contribution of high-margin products to the total turnover. This launch is expected to help improve the Group’s product mix and helped integrate its distribution channels.

In addition, the Group continued its efforts in research and development, focusing on upgrading of the high-end “Blue-Colored Classic Series”, going for higher quality and more extensive market promotion efforts in order to reinforce and strengthen the leading position of the Vinda brand.

## **GETTING PREPARED FOR PRODUCTION CAPACITY EXPANSION**

With the new paper manufacturing machine in the production base in Jiangmen commencing production, the production capacity of the Group increased to 320,000 tons in March 2009. In August 2009, the Group established Vinda Paper (Liaoning)

Company Limited (維達紙業(遼寧)有限公司) in Anshan, Liaoning. In early December 2009, procedures for application of environment protection certificates and transfers of land ownership were completed, signaling the successful establishment of the seventh production base of the Group in Northeast China. The “Asterisk Layout” of Vinda Paper’s production capacities across the country was since then much improved, making it possible to exploit better economies of scale with further reductions in logistics costs.

The Group plans to further expand its production capacity in 2010. Construction of the fourth phase of the Hubei production base and the first phase of the production base in Anshan, Liaoning commenced in March 2010. When commencing production at the end of 2010, these facilities will add another 50,000 tons of capacity to the Group’s total. These will further enhance the Group’s overall operation efficiency.

### **CONSISTENTLY IMPROVING OPERATION EFFICIENCY**

During the year under review, the Group implemented comprehensive production management for safety, environment protection, quality and cost reduction, with emphasis on quality and efficiency enhancement. The Group consolidated its research and development resources and successfully completed over 150 technology improvements. The Group maintained its high product quality and reliability by adopting a flexible system to keep track of product quality on a regular basis. In the area of production cost control, the Group promulgated a set of very stringent targets to lower wastage by 1%, increase accuracy by 0.1 millimeter, enhance material utilization by 0.1 gram and save idle time by 10 minutes.

The Group reviewed regularly its production process to identify room for further improvement. The Group enhanced the production efficiency significantly by revamping production lines, introducing technologically-advanced equipment and establishing comparable efficiency targets. In respect of environment protection, the Group cut its energy consumption by revamping boilers and adjusting production parameters. In addition, it also re-scheduled its production time to enjoy lower electricity tariffs during off-peak hours.

### **HUMAN RESOURCES AND MANAGEMENT**

The Group adheres to its human resources strategy of attracting and retaining talents to cater for its business development. The Group organises various types of training, industry forums, technology seminars and internal technology exchange activities every year, with a view to keeping its staff abreast of the latest developments in the industry and cutting edge technologies.

As at 31 December 2009, the Group had 5,351 staff members (2008: 4,379). The higher headcount was a result of establishments of more production facilities and increasing business volume. The remuneration packages of staff are subject to market conditions and individual performance and are reviewed from time to time. During the year, the staff costs of the Group grew steadily. The Group also provides welfare coverages to the staff, including medical insurance, retirement pension, unemployment insurance, maternity insurance, accident injury insurance and provident funds, etc. The Group provides discretionary rewards and bonuses to staff members based on their performance, contribution to the Group and the Group's profitability.

Ms. Zhang Dong Fang was appointed Chief Executive Officer of the Company with effect from 22 February 2010. Ms. Zhang has extensive experience in managing multi-national corporations and fast-moving consumer goods businesses. The appointment of Ms. Zhang will reinforce and enhance the Group's business management and add agility to the Group's rapid growth.

#### **FOREIGN EXCHANGE RISK**

The majority of the Group's sales operations and purchase of auxiliary materials are conducted in China and are denominated and settled in RMB, while the majority of key raw materials are imported from overseas and paid in US dollar. As at 31 December 2009, the Group had not entered into any material financial instruments or any contracts for hedging foreign exchange risks.

#### **SHARE-BASED PAYMENT**

As approved by the Board on 24 February 2009, 27,546,000 share options were granted to the directors and certain employees at an exercise price of HK\$2.98 per share. The Group has no legal or constructive obligation to repurchase or settle the options in cash. The options are exercisable during the following periods:

- (i) in respect of the options granted to directors, on or after 24 February 2009;
- (ii) in respect of the options granted to employees,
  - (a) up to 20% on or after 24 February 2010;
  - (b) up to further 50% on or after 24 February 2011;
  - (c) all the remaining options on or after 24 February 2012;

and in each case, not later than 23 February 2019.

The whole year non-cash expense is approximately HK\$26,866,000 in connection with the grant of share options in the first half of 2009.

## **FUTURE PROSPECTS**

In 2010, the Government of China is expected to continue to implement large-scale economic stimulus measures and invest heavily in infrastructure in order to promote domestic consumption. The global economy is expected to continue to recover steadily.

In terms of prices of raw materials, it is expected that the pulp market will hit a record high due to the earthquake in Chile and the recovery of the global economy before retreating modestly. Hence, the Group may face rising pulp prices. The Group will raise the selling prices of its products as needed and improve the operation efficiency to mitigate the impact from the increase in raw material costs.

In 2010, the Group will concentrate on the following areas:

1. To adhere to the overall operation strategy to enhance brand positioning, refine product structure and continue to extend its coverage, strengthening brand building and brand development strategy. Moreover, the Group will focus on adjusting its product structure and intensify the promotion of high-margin products, including tissue, facial tissue, wet tissue, high end toilet tissue paper rolls, in order to increase their contribution to the total turnover. The Group will further expand its distribution channels to penetrate deeper into inner areas. The Group strives to extend its distribution coverage to 80% of the country's rural areas within three years.
2. To develop more environment-friendly products and promote green industry by progressively launching environment-friendly products made from sugarcane pulp and bamboo pulp.
3. To establish targets going for high quality, low consumption and high efficiency and consistently reducing production costs.
4. To intensify efforts in product research and development and engage more resources in product research and development in order to enhance the quality of the Group's products.
5. To invest further in information technology infrastructure, improve business platform and exploit synergies so as to establish an efficient and shared information platform for the management of supply chain, production, sales, finance and logistics.



## **FINAL DIVIDEND**

The Board has resolved to propose to shareholders the distribution of a final dividend for the year ended 31 December 2009 at HK9.0 cents (2008: HK4.6 cents) totaling HK\$81,417,752, subject to approval by shareholders at the annual general meeting (the “AGM”) on 14 May 2010. If so approved by shareholders, it is expected that the final dividend will be paid on or around 14 June 2010 to shareholders whose names appear on the register of member of the Company on 11 May 2010.

## **CLOSE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from 11 May 2010 to 13 May 2010 (both days inclusive), during which period no transfer of shares will be registered. In order to establish entitlement to the final dividend to be approved at the AGM (and payable on or around 14 June 2010), 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 10 May 2010 for registration of transfer.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES**

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company’s shares during the year.

## **CORPORATE GOVERNANCE**

The Company is committed to maintain a high standard of corporate governance practices by emphasizing a quality board of directors, sound internal control, transparency and accountability to all of the shareholders of the Company.

The Company has complied with the Code on Corporate Governance Practices (the “Code”) except for deviations from provision A.2.1 of the Code, which stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Li Chao Wang was both the Chairman of the Board and the Chief Executive Officer for the financial year ended 31 December 2009. On 22 February 2010, Ms. Zhang Dong Fang was appointed as the Chief Executive Officer of the Company.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted 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. The Company has made specific enquiry of all its directors regarding any non-compliance with the Model Code. All the directors of the Company confirmed that they have complied with the required standard set out in the Model Code since the Listing Date.

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 Rules Governing the Listing of Securities on the Stock Exchange as its code for dealing in securities of the Company by the directors of the Company. The Company has made specific enquiry of all its directors regarding any non-compliance with the Model Code. All the directors of the Company confirmed that they have complied with the required standard set out in the Model Code for the year ended 31 December 2009.

## **AUDIT COMMITTEE**

The Company has established an audit committee comprising three independent non-executive directors, namely Mr. Kam Robert and Mr. Hui Chin Tong Godfrey and Mr. Tsui King Fai. The chairman of the audit committee is Mr. Kam Robert.

The Audit Committee reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the audited financial statements for the year ended 31 December 2009.

## **REMUNERATION COMMITTEE**

The Company’s remuneration committee has three members comprising two independent non-executive directors, namely Dr. Cao Zhen Lei and Mr. Tsui King Fai, and a non-executive director Mr. Leung Ping Chung Hermann. The chairman of the remuneration committee is Dr. Cao Zhen Lei. The principal duty of the remuneration committee is to regularly monitor the remuneration 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 suitable, qualified persons to become the directors and is responsible for reviewing the structure, size and composition of the Board on a regular basis.

## **PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT**

This announcement is published on the websites of the Company (<http://www.vindapaper.com>) and The Stock Exchange of Hong Kong Limited (<http://www.hkexnews.hk>). The 2009 annual 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, 7 April 2010

*As at the date of this announcement, the executive Directors are Mr. LI Chao Wang, Ms. YU Yi Fang, Ms. ZHANG DongFang and Mr. DONG Yi Ping; the non-executive Directors are Mr. LEUNG Ping Chung Hermann, Mr. Johann Christoph MICHALSKI and Mr. CHIU Bun; and the independent non-executive Directors are Dr. CAO Zhen Lei, Mr. KAM Robert, Mr. HUI Chin Tong, Godfrey and Mr. TSUI King Fai.*