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 2010

FINANCIAL HIGHLIGHTS

	2010	2009	**Changes**
Revenue (HK$)	**1,682,163,641**	1,346,074,193	**+25.0%**
Profit attributable to equity holders of the Company (HK$)	**198,363,839**	180,155,245	**+10.1%**
Gross profit margin	**32.0%**	31.8%	**+0.2p.p.**
Net profit margin	**11.8%**	13.4%	**-1.6p.p.**
Basic earnings per share (HK$)	**21.9 cents**	19.9 cents	**+10.1%**
Stock turnover	**154 days**	93 days	
Finished goods turnover	**32 days**	35 days	
Debtors turnover	**46 days**	36 days	
Interim dividend declared (HK$)	**3.3 cents**	3 cents	

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 2010 (the "Period").

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Unaudited Six months ended 30 June	
		2010	2009
	Note	***HK$***	*HK$*
Revenue	4	**1,682,163,641**	1,346,074,193
Cost of sales		**(1,143,697,909)**	(918,577,460)
Gross profit		**538,465,732**	427,496,733
Selling and marketing costs		**(189,210,966)**	(97,686,816)
Administrative expenses		**(88,540,721)**	(83,222,671)
Other income and gains - net		**3,838,608**	1,178,243
Operating profit	5	**264,552,653**	247,765,489
Finance income		**1,220,578**	628,119
Finance costs		**(8,975,825)**	(15,488,980)
Finance costs - net		**(7,755,247)**	(14,860,861)
Profit before income tax		**256,797,406**	232,904,628
Income tax expenses	6	**(58,433,567)**	(52,749,383)
Profit attributable to equity holders of the Company		**198,363,839**	180,155,245
Other comprehensive income			
Currency translation differences		**20,436,037**	(155,126)
Total comprehensive income attributable to equity holders of the Company		**218,799,876**	180,000,119
Earnings per share for profit attributable to the equity holders of the Company	7		
– basic	7(a)	**0.219**	0.199
– diluted	7(b)	**0.216**	0.198
Dividends	8	**29,915,282**	27,127,251

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	**Unaudited 30 June 2010** *HK$*	Audited 31 December 2009 *HK$*
ASSETS			
Non-current assets			
Property, plant and equipment	9	**1,923,388,342**	1,825,089,896
Leasehold land and land use rights	9	**172,452,474**	158,910,242
Intangible assets	9	**8,772,285**	6,881,218
Deferred income tax assets		**74,094,290**	72,909,571
Total non-current assets		**2,178,707,391**	2,063,790,927
Current assets			
Inventories		**1,041,579,389**	912,068,945
Trade receivables, other receivables and prepayments	10	**536,161,142**	409,312,796
Due from related parties		**9,288,563**	5,458,343
Pledged bank deposits		**85,139**	760,931
Cash and cash equivalents		**332,531,484**	346,949,107
Total current assets		**1,919,645,717**	1,674,550,122
Total assets		**4,098,353,108**	3,738,341,049
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		**90,652,369**	90,464,169
Share premium		**845,471,151**	838,018,579
Other reserves		**1,280,432,628**	1,141,425,655
Total equity		**2,216,556,148**	2,069,908,403

CONDENSED CONSOLIDATED BALANCE SHEET (continued)

	Note	Unaudited 30 June 2010 HK$	Audited 31 December 2009 HK$
LIABILITIES			
Non-current liabilities			
Borrowings	11	529,933,407	597,739,324
Deferred government grants		70,460,244	63,467,626
Deferred income tax liabilities		1,725,456	1,794,270
Total non-current liabilities		602,119,107	663,001,220
Current liabilities			
Trade payables, other payables and accrued expenses	12	820,607,957	680,034,008
Due to a related party		—	1,054,572
Borrowings	11	389,210,443	265,483,468
Current income tax liabilities		69,859,453	58,859,378
Total current liabilities		1,279,677,853	1,005,431,426
Total liabilities		1,881,796,960	1,668,432,646
Total equity and liabilities		4,098,353,108	3,738,341,049
Net current assets		639,967,864	669,118,696
Total assets less current liabilities		2,818,675,255	2,732,909,623

CONDENSE CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited Attributable to equity holders of the Company			
	Share capital *HK$*	**Share premium** *HK$*	**Other reserves** *HK$*	**Total** *HK$*
Balance as at 1 January 2009	90,384,169	834,834,579	783,867,895	1,709,086,643
Profit for the period	—	—	180,155,245	180,155,245
Other comprehensive income				
- currency translation differences	—	—	(155,126)	(155,126)
Total comprehensive income for the six months ended 30 June 2009	—	—	180,000,119	180,000,119
Transaction with owners				
Employees share option scheme				
- Value of employee services	—	—	25,603,000	25,603,000
- Exercise of options	40,000	1,152,000	—	1,192,000
Dividends	—	—	(41,595,118)	(41,595,118)
Transaction with owners	40,000	1,152,000	(15,992,118)	(14,800,118)
Balance as at 30 June 2009	90,424,169	835,986,579	947,875,896	1,874,286,644
Balance as at 1 January 2010	**90,464,169**	**838,018,579**	**1,141,425,655**	**2,069,908,403**
Profit for the period	**—**	**—**	**198,363,839**	**198,363,839**
Other comprehensive income				
- currency translation differences	**—**	**—**	**20,436,037**	**20,436,037**
Total comprehensive income for the six months ended 30 June 2010	**—**	**—**	**218,799,876**	**218,799,876**
Transaction with owners				
Employees share option scheme				
- Value of employee services	**—**	**—**	**3,657,261**	**3,657,261**
- Exercise of options	**188,200**	**7,452,572**	**(2,032,412)**	**5,608,360**
Dividends	**—**	**—**	**(81,417,752)**	**(81,417,752)**
Transaction with owners	**188,200**	**7,452,572**	**(79,792,903)**	**(72,152,131)**
Balance as at 30 June 2010	**90,652,369**	**845,471,151**	**1,280,432,628**	**2,216,556,148**

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited	
	Six months ended 30 June	
	2010	2009
	HK$	*HK$*
Cash flows from operating activities		
- continuing operations	**162,508,393**	184,613,474
Cash flows from investing activities		
- purchases of property, plant and equipment	**(136,760,184)**	(66,218,995)
- purchases of intangible assets	**(2,777,239)**	(5,463,289)
- purchases of leasehold land and land use rights	**(14,443,188)**	—
- proceeds on disposal of property, plant and equipment	**120,748**	473,800
- other investing cash flows - net	**1,220,578**	628,119
Cash flows used in investing activities - net	**(152,639,285)**	(70,580,365)
Cash flows from financing activities		
- dividends paid	**(81,417,752)**	(41,595,118)
- repayments of borrowings	**(439,138,499)**	(664,605,767)
- proceeds from borrowings	**486,767,240**	656,691,885
- decrease in pledged deposits	**675,792**	884,454
- proceeds from shares issued	**5,608,360**	1,192,000
Cash flows used in financing activities - net	**(27,504,859)**	(47,432,546)
Net (decrease)/increase in cash and cash equivalents	**(17,635,751)**	66,600,563
Cash and cash equivalents at beginning of the period	**346,949,107**	172,189,258
Exchange differences	**3,218,128**	(103,295)
Cash and cash equivalents at end of the period	**332,531,484**	238,686,526

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2010

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 principal activities of the Group are mainly 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 27 August 2010.

This condensed consolidated interim financial information has not been audited.

2 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2010 has 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 2009, 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 2009, 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) Standards, amendments and interpretations to existing standards effective in 2010 but not relevant to the Group

- HKFRS 3 (revised), 'Business combinations', and consequential amendments to HKAS 27, 'Consolidated and separate financial statements', HKAS 28, 'Investments in associates', and HKAS 31, 'Interests in joint ventures', are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. This standard does not have any impact on the Group's condensed consolidated interim financial information, as the Group has not incurred any business combination during the period for the six months ended 30 June 2010.

- HKAS 17 (amendment), 'Leases', deletes specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. The Group has reassessed the classification of unexpired leasehold land and land use rights as at 1 January 2010 on the basis of information existing at the inception of those leases, and considered this amendment did not have any impact to the Group as all the leases of land should still be classified as operating lease under the HKAS 17 (amendment).

- HK(IFRIC)-Int 17, 'Distributions of non-cash assets to owners' is effective for annual periods beginning on or after 1 July 2009. This is not currently applicable to the Group, as it has not made any distributions of non-cash assets to owners.

- 'Additional exemptions for first-time adopters' (Amendment to HKFRS 1) is effective for annual reporting periods beginning on or after 1 January 2010. This is not relevant to the Group, as it is an existing HKFRS preparer.

- HKAS 39 (Amendment), 'Eligible hedged items' is effective for annual reporting period on or after 1 July 2009. That is not currently applicable to the Group, as it has no hedging.

- HKFRS 2 (Amendment), 'Group cash-settled share-based payment transaction' is effective for annual reporting periods beginning on or after 1 January 2010. This is not currently applicable to the Group, as it has no such cash-settled share-based payment transactions.

- First improvements to International Financial Reporting Standards (2008) were issued in May 2008 by the IASB and October 2008 by the HKICPA. The improvement related to HKFRS 5 "Non-current assets held for sale and discontinued operations" is effective for annual reporting periods on or after 1 July 2009. This is not currently applicable to the Group, as it has no non-current assets held for sale or discontinued operations for the six months ended 30 June 2010.

- Second improvements to International Financial Reporting Standards (2009) were issued in April 2009 by IASB and May 2009 by the HKICPA. All improvements are effective in the financial year of 2010, but not currently applicable to the Group for the six months ended 30 June 2010.

(b) The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 January 2010 and have not been early adopted

Standards	**Amendments**	**Effective date**
HKFRS 9	Financial instruments: Classification and measurement of financial assets	1 January 2013
HKAS 24 (Revised)	Related party disclosures	1 January 2011
HKAS 32(Amendment)	Classification of rights issues	1 February 2010
HK (IFRIC)-lnt-14	Prepayments of a minimum Funding requirement	1 January 2011
HK (IFRIC)-Int-19	Extinguishing financial liabilities with equity instruments	1 July 2010
HKFRS 1	Limited exemption from comparative HKFRS 7 disclosures for first-time adopters	1 July 2010

- Third improvements to International Financial Reporting Standards (2010) were issued in May 2010, by both IASB and the HKICPA. All improvements are effective in the financial year of 2011.

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	
	2010	2009
	HK$	*HK$*
Sales of goods	**1,580,054,468**	1,277,490,347
Sales of semi-finished goods and other materials	**102,109,173**	68,583,846
Total revenue	**1,682,163,641**	1,346,074,193

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 about 90% of the Group's sales and operating profits are derived within Mainland China and over 90% operating assets of the Group are located in Mainland China, 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 external customers in Mainland China, Hong Kong and overseas for the six months ended 30 June 2010 and 2009 were as follows:

	Unaudited Six months ended 30 June	
	2010	2009
	HK$	*HK$*
Mainland China	**1,465,171,205**	1,155,300,876
Hong Kong	**204,971,065**	175,747,703
Overseas	**12,021,371**	15,025,614
	1,682,163,641	1,346,074,193

The total of non-current assets were as follows:

	As at	
	30 June	31 December
	2010	2009
	Unaudited	Audited
	HK$	*HK$*
Total non-current assets other than deferred tax assets		
- Mainland China	**2,077,027,907**	1,962,321,816
- Hong Kong and overseas	**27,585,194**	28,559,540
Deferred tax assets	**74,094,290**	72,909,571
Total non-current assets	**2,178,707,391**	2,063,790,927

5 **Operating profit**

The following items have been (credited) /charged to the operating profit during the six months ended 30 June 2010 and 2009:

	Unaudited	
	Six months ended 30 June	
	2010	2009
	HK$	*HK$*
Government grants for reinvestment	**—**	(575,754)
Amortisation of deferred government grants	**(2,445,878)**	(1,329,221)
Foreign exchange loss/(gain), net	**3,463,602**	(195,373)
Provision for impairment of receivables	**6,269,778**	416,751
(Write-back)/provision for impairment of inventories	**(223,085)**	439,467
Amortisation of share option	**3,657,261**	25,603,000
Depreciation of property, plant and equipment	**59,647,638**	54,894,869
Amortisation of intangible assets	**984,525**	254,536
Amortisation of leasehold land and land use rights	**2,446,299**	1,843,747
Loss on disposal of property, plant and equipment	**337,816**	915,610

6 **Income taxes**

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2009: 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	
	2010	2009
	HK$	*HK$*
Current income tax		
- Hong Kong profits tax	**11,897,301**	6,737,240
- PRC enterprise income tax	**46,784,912**	53,973,012
Deferred income tax	**(248,646)**	(7,960,869)
	58,433,567	52,749,383

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 2010 is 23.4% (the estimated tax rate for the six months ended 30 June 2009 was 24.3%). The change is caused by the changes in profitability of the Group’s subsidiaries with different applicable tax rates.

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 **2010**	2009
Profit attributable to equity holders of the Company (HK$)	**198,363,839**	180,155,245
Weighted average number of ordinary shares in issue	**905,133,012**	903,958,813
Basic earnings per share (HK$ per share)	**0.219**	0.199

(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.

	Unaudited Six months ended 30 June **2010**	2009
Profit attributable to equity holders of the Company (HK$)	**198,363,839**	180,155,245
Weighted average number of ordinary shares in issue	**905,133,012**	903,958,813
Adjustments for share options	**12,135,334**	4,737,391
Weighted average number of ordinary shares for diluted earning per share	**917,268,346**	908,696,204
Diluted earnings per share (HK$ per share)	**0.216**	0.198

8 **Dividends**

On 7 April 2010, the Board of Directors proposed a dividend in respect of the year ended 31 December 2009 of HK$ 81,417,752, representing HK$0.090 per ordinary share. The dividend was paid in June 2010.

In addition, an interim dividend of HK$0.033 per share (2009: HK$0.03 per share) was proposed by the board of directors on 27 August 2010. This interim dividend, amounting to HK$29,915,282 (2009: HK$27,127,251), 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 2010.

9 **Capital expenditure**

		Unaudited	
	Property, plant and equipment *HK$*	**Leasehold land and land use rights** *HK$*	**Intangible assets** *HK$*
Six months ended 30 June 2009			
Opening net book amount 1 January 2009	1,852,374,329	117,294,978	740,895
Additions	56,075,629	—	5,463,289
Disposals	(1,389,410)	—	—
Depreciation and amortisation (Note 5)	(54,894,869)	(1,843,747)	(254,536)
Exchange differences	1,784,157	53,433	900
Closing net book amount 30 June 2009	1,853,949,836	115,504,664	5,950,548
Six months ended 30 June 2010			
Opening net book amount 1 January 2010	**1,825,089,896**	**158,910,242**	**6,881,218**
Additions	**142,081,641**	**14,443,188**	**2,777,239**
Disposals	**(458,564)**	**—**	**—**
Depreciation and amortisation (Note 5)	**(59,647,638)**	**(2,446,299)**	**(984,525)**
Exchange differences	**16,323,007**	**1,545,343**	**98,353**
Closing net book amount 30 June 2010	**1,923,388,342**	**172,452,474**	**8,772,285**

10 **Trade receivables, other receivables and prepayments**

	30 June 2010 Unaudited *HK$*	As at 31 December 2009 Audited *HK$*
Trade receivables	**475,739,378**	357,841,466
Other receivables	**53,170,191**	40,485,150
Notes receivable	**744,182**	454,287
Prepayments	**6,507,391**	10,531,893
	536,161,142	409,312,796

The majority of the Group's sales is with credit terms ranging from 30 to 90 days. At 30 June 2010 and 31 December 2009, the ageing analysis of the trade and notes receivables (including amounts due from related parties of trading in nature) based on invoice date were as follows:

	30 June 2010 Unaudited *HK$*	As at 31 December 2009 Audited *HK$*
Trade receivables, notes receivables and amounts due from related parties		
Within 3 months	**450,504,734**	349,858,269
4 months to 6 months	**31,190,617**	13,189,459
7 months to 12 months	**4,076,772**	706,368
	485,772,123	363,754,096

11 **Borrowings**

	30 June 2010 Unaudited *HK$*	As at 31 December 2009 Audited *HK$*
Non-current	**529,933,407**	597,739,324
Current	**389,210,443**	265,483,468
	919,143,850	863,222,792

Movements in borrowings are analysed as follows:

	Unaudited
	HK$
Six months ended 30 June 2009	
Opening amount as at 1 January 2009	744,286,796
New borrowings	656,691,885
Repayments of borrowings	(664,605,767)
Exchange differences	338,635
Closing amount as at 30 June 2009	736,711,549
Six months ended 30 June 2010	
Opening amount as at 1 January 2010	**863,222,792**
New borrowings	**486,767,240**
Repayments of borrowings	**(439,138,499)**
Exchange differences	**8,292,317**
Closing amount as at 30 June 2010	**919,143,850**

Interest expenses on borrowings for the six months ended 30 June 2010 were HK$ 12,268,987 (six months ended 30 June 2009: HK$15,184,416).

12 Trade payables, other payables and accrued expenses

	As at	
	30 June 2010	31 December 2009
	Unaudited	Audited
	HK$	*HK$*
Trade payables	**468,700,226**	367,053,331
Notes payables	**24,479,006**	25,234,441
Other payables	**236,360,037**	186,679,639
Accrued expenses	**91,068,688**	101,066,597
	820,607,957	680,034,008

Aging analysis of trade payables and notes payables as at 30 June 2010 and 31 December 2009 (including amount due to a related party of trading in nature) were as follows:

	As at	
	30 June	31 December
	2010	2009
	Unaudited	Audited
	HK$	*HK$*
Trade payables, notes payables and amount due to a related party		
Within 3 months	**461,698,437**	353,911,228
4 months to 6 months	**16,180,770**	18,188,562
7 months to 12 months	**9,021,487**	15,584,726
1 year to 2 years	**4,588,690**	3,908,939
2 years to 3 years	**1,287,843**	1,327,640
Over 3 years	**402,005**	421,249
	493,179,232	393,342,344

MANAGEMENT DISCUSSION AND ANALYSIS

Operating environment:

In the first half of 2010, China's economy continued its growth momentum despite uncertainties over the sovereign debt crisis in Europe and the opaque economic situation in the US. China continued to play a vital role in the world's economic recovery, with a staggering 11.1% GDP growth year on year. Whereas exports remain crucial to China's economy, domestic consumption has evolved as an increasingly important component in driving the country's economy.

Household consumption continued to grow hand in hand with urban and rural disposable income. Per capita disposable income of urban residents and rural residents increased by approximately 10.2% and 12.6% to reach RMB9,757 and RMB3,708 respectively in the first half of 2010.

With a backdrop of continued urbanization and improving living standard, consumers in China have developed more sophisticated consumption habits. This will continue to fuel the demand for high quality household paper product which in turn provides a favourable environment for Vinda International.

However, price of commodity also increased sharply together with the revival of global economy. Wood pulp is the major raw material for household paper products. Chile and Finland, two sizeable wood pulp sources accounting for approximately 10% of the world's pulp market production capacity, have respectively experienced supply disruptions due to an earthquake and strikes during the period under review. This has further pushed wood pulp prices to a historical high. One positive outcome that increasing pulp price may have brought about, however, is industry consolidation which resulted from closure of small players which cannot handle the escalating raw material costs.

For the six months ended 30 June 2010, turnover of the Group reached HK$1,682,163,641 (for the six months ended 30 June 2009: HK$1,346,074,193), representing an increase of 25% over the same period last year. Profit attributable to shareholders amounted to HK$198,363,839 (for the six months ended 30 June 2009: HK$180,155,245), representing an increase of 10% half-on-half. Earnings per share were HK$21.9 cents (for the six months ended 30 June 2009: HK$19.9 cents), an increase of 10 per cent over the last corresponding period.

Business Review

2010 is a remarkable year for Vinda International as this marks our 25th anniversary. 25 years of rapid development has seen the Vinda brand becoming an accomplished leader in household paper in China. Taking this opportunity, the Group will further strengthen the brand equity by adding new essence to the brand. Products with new marketing concept will be rolled out in the second half of the year and a series of marketing campaign including TV commercials and nationwide marketing events will follow.

The Group has continued to drive business growth through product mix optimization and production technology advancement. In order to capture the growing demand for premium products, with ongoing efforts in research and development, the Group has successfully upgraded our flagship product, the Blue Classics Series. Products with packaging of popular cartoon icons "Pleasant Goat and Big Big Wolf" received favourable market response. Meanwhile, in order to offer diverse choices for price-sensitive consumers in second- and third-tier cities and to promote the low carbon and environment-friendly mindset, the Group has also launched the "Rewoo" brand, a tissue paper brand using sugar cane pulp as major raw material. All these product enhancement and differentiation initiatives have echoed with our "Dual Brand" marketing strategy so as to cater for the preferences of different consumer clusters.

In view of the strong momentum of market demand, the Group continued to expand our production capacity. Capacity enhancement program at the existing plants in XiaoGan, HuBei in Central China is underway, followed hard on the heels by the greenfield project at AnShan, LiaoNing in Northeast China. Completion of the two expansion plans will not only enhance the "Asterisk Layout" of Vinda International production capacities across the country, but also help the Group exploit better economies of scale with further reductions in logistics costs. Further capacity build-out went full steam ahead, which would see a total of approximately 150,000 tpa (ton per annum) of new capacity being added by 2011 year end, with an estimated 50,000 tpa of it commencing production towards the end of the current year. Meanwhile, utilization rate of the plants and machinery of our six existing plants have been maintained at a high level since last year end and continued throughout the period under review.

The escalation of woodpulp costs since mid-2009 have been well managed by the Group, with timely and pre-emptive action taken early in the second half of 2009. More recently we are seeing signs of stabilization if not outright downward pressure on international as well as local woodpulp prices. We have moderately reduced the stock level of woodpulp as a result. In a bid to help alleviate the pressure on profit margins posed by the rising of woodpulp costs, we have initiated a number of pricing adjustments, including reduction of promotional bundled sales, and, towards the end of the 2nd quarter, the increase of ex-factory prices of our tissue sales have become effective.

Business Strategy

On the front of distribution channel, mega-markets will be a key focus which the Group will work on in the coming future. Our senior executives are tirelessly exploring bigger scale collaboration opportunities with supermarket chains, which should command an increasing share of consumer spending in future. As at 30 June 2010, there were a total of 140 sales offices and 837 distributors (31 December 2009: 125 sales offices and 715 distributors). The opening of image stores under the "Ten Thousand Shops in Over a Hundred Cities" strategy throughout China have resulted in notable achievements, which not only strengthened the Group's distribution network, and also drove sales growth and enhanced the brand image.

With our geographical presence and new production capacity now extending to the Northeast China markets, we are well positioned to tap the demand there with improved operation efficiency and faster response time.

Brand building remains the focus of the Group's business. The Group has been reshaping itself in tune with our increased focus on sales and marketing, and we have established our trading corporation on the mainland to help manage the sales and distribution with enhanced focus. This trading corporation and its branches established all over China will spearhead local, regional and national sales drives more effectively, while our various manufacturing subsidiaries back them up with products of consistent and high quality.

Human Resources and Management

The Group continues to recruit, train and retain our all-important human capital. The operations in our various subsidiaries have always enjoyed good labor relations and a stable workforce. Infusion of new blood, especially at the management and executive level, is considered a determinant for the corporate's long term success and so a program of young management and executives recruitment and development is taking shape. This would allow us to identify rising stars to support the Company's growth and outperform our competition.

During the first half year, we have the pleasure and honor of our CEO, Ms. Zhang Dong Fang, joining us and leading us to scale new heights. Ms. Zhang was granted a total of 3,000,000 share options under the Company's Share Option Scheme. Together with the grants previously made, there are a total of 27,750,000 share options remaining outstanding as at 30 June 2010.

As at mid-year, we have 5,699 full time staff. In determining staff remuneration and benefit policies, the Group primarily takes into account the nature of positions and performance of the relevant staff with reference to prevailing market rates.

Liquidity, Financial Resources and Bank Loans

The Group's financial position remains healthy. As at 30 June 2010, the Group's bank and cash balances amounted to HK$332,616,623 (31 December 2009: HK$347,710,038), and short-term and long-term loans in aggregate amounted to HK$919,143,850 (31 December 2009: HK$863,222,792). The annual interest rates of bank loans ranged from 1.0513% to 5.7600%.

As at 30 June 2010, the gross gearing ratio was 41.5% (31 December 2009: 41.7%), 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 26.5% (31 December 2009: 24.9%).

Foreign Exchange Risks

The majority of the Group's business transactions are invoiced and settled in RMB, and a significant portion in US dollars and HK dollars.

A predominant portion of sales revenue and purchases of ancillary production materials and services are made in the PRC, while the predominant portion of key raw materials, wood-pulp, are imported and payable in US dollars. Neither during the period nor as at 30 June 2010, had the Group entered into any forward foreign exchange contracts. Management will closely monitor foreign exchange risks. Action will be taken as appropriate to reduce unfavorable exposure to currency movements.

Future Prospects

Looking forward, domestic consumption is expected to escalate further and play an increasingly important role in driving the country's economy. Thus, the fast-moving consumer goods industry in which the Group operates will benefit. The People's Bank of China's recent decision to deepen the reform of Renminbi exchange regime, making the Renminbi exchange rate more flexible, is set to bring multiple benefits to China economy, including job creation, easing of imported inflation, and stimulus to boost the sluggish Chinese stock market. All these developments will benefit the Group's business in serving the increasing demand for high quality daily necessities.

Recently, wood-pulp price in the mainland has shown signs of weakening, and the international pulp price outlook has turned dovish. Major industry analysts believe that the abrupt rise in wood-pulp prices has now come to an end, with possible movements in the short term being range-bound and capped by the recent peak. As a result, the margin pressure resulting from wood-pulp price hike has been dampened.

The management believes the Group's ambitious capacity expansion plan puts it in good stead to capture growth opportunities in a prudent yet proactive manner. With the great relationship established with international and local banks in Hong Kong as well as major commercial banks in China, we are pleased that the tenor of our term financing has recently been increased to 5 years, with the entry of global banks acting as lender. Liquidity facility limits have been upped by these banks, and this supports our increased volume of trading well.

In conclusion, the Group's growing brand equity, diversified product mix and innovative marketing strategies will help us advance in the market, and seize opportunities brought forth by the growing middle class and the rise in disposable income and purchasing power in China. In the second half year, the Group will continue to capitalize on our core strengths to strive for further and sustainable growth. Persistent efforts will be made to refine and strengthen the Group's existing operations. The management will continue to explore lucrative opportunities that benefit the Group's growth strategy, with a view to generating maximum returns for shareholders.

Interim Dividend

The Board has resolved to declare an interim dividend of HK$0.033 per share for the period ended 30 June 2010 (2009: HK$0.03) totaling HK$29,915,282. The interim dividend will be paid on or about 30 October 2010 to shareholders whose names appear on the register of member of the Company on 15 October 2010.

Close of Register of Members

The register of members of the Company will be closed from 15 October 2010 to 19 October 2010 (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 1712-1726, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 pm on 14 October 2010 for registration of transfer.

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

During the six months ended 30 June 2010, 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 2010, the Company has complied with the Code on Corporate Governance Practices (the "Code") except for deviation 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. Compliance with this Code has been achieved since the appointment of Ms. Zhang Dong Fang as chief executive officer of the Company on 22 February 2010.

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 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. 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 2010.

Audit Committee

The audit committee of the Company comprises of three 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 2010.

Remuneration Committee

The Company's remuneration committee comprises of two independent non-executive directors, namely Dr. Cao Zhen Lei and Mr. Tsui King Fai, and one non-executive director, namely 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 and other benefits of all the directors and senior management to ensure that the levels of their remuneration and compensation are appropriate.

Nomination Committee

The Company's nomination committee comprises of two independent non-executive directors, namly Mr. Hui Chin Tong, Godfrey and Mr. Tsui King Fai, and one executive director, namely 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 become directors and to review 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 Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk). The 2010 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, 27 August 2010

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. 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.