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 2011

FINANCIAL HIGHLIGHTS

	2011	2010	**Changes**
Revenue *(HK$)*	**4,765,299,413**	3,602,168,770	**+32.3%**
Gross profit *(HK$)*	**1,296,507,669**	1,062,037,455	**+22.1%**
Profit attributable to equity holders of the Company *(HK$)*	**405,714,390**	368,946,107	**+10.0%**
Gross profit margin	**27.2%**	29.5%	
Net profit margin	**8.5%**	10.2%	
Earnings per share *(HK$)* — basic	**43.3 cents**	40.4 cents	**+7.2%**
Dividend per share *(HK$)*	**12.0 cents**	12.0 cents	
— interim dividend (paid) *(HK$)*	**3.3 cents**	3.3 cents	
— final dividend (proposed) *(HK$)*	**8.7 cents**	8.7 cents	
Finished goods turnover	**33 days**	32 days	
Debtors turnover	**48 days**	43 days	

RESULTS

The Board of Vinda International Holdings Limited ("Vinda International" or the "Company") is pleased to present the annual audited results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2011 (the "Year").

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	For the year ended 31 December 2011 HK$	2010 HK$
Revenue	4	**4,765,299,413**	3,602,168,770
Cost of sales	5	**(3,468,791,744)**	(2,540,131,315)
Gross profit		**1,296,507,669**	1,062,037,455
Selling and marketing costs	5	**(574,773,574)**	(444,985,005)
Administrative expenses	5	**(238,878,433)**	(181,352,062)
Other income and gains — net		**22,786,442**	27,769,484
Operating profit		**505,642,104**	463,469,872
Interest income		**4,816,589**	2,700,957
Foreign exchange gain, net		**57,812,949**	21,664,322
Finance costs		**(43,982,615)**	(27,653,957)
Finance income/(costs), net	6	**18,646,923**	(3,288,678)
Share of post-tax loss of an associate		**(2,358,175)**	—
Profit before income tax		**521,930,852**	460,181,194
Income tax expense	7	**(116,216,462)**	(91,235,087)
Profit attributable to equity holders of the Company		**405,714,390**	368,946,107
Other comprehensive income:			
Currency translation differences		**137,951,695**	80,850,222
Hedging reserve		**(3,586,084)**	—
Total comprehensive income attributable to equity holders of the Company		**540,080,001**	449,796,329
Earnings per share for profit attributable to the equity holders of the Company for the year *(expressed in HK$ per share)*			
— basic	8(a)	**0.433**	0.404
— diluted	8(b)	**0.426**	0.398
Dividends	9	**112,559,768**	112,376,123

CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2011	2010
	Note	***HK$***	*HK$*
ASSETS			
Non-current assets			
Property, plant and equipment		**3,022,040,685**	2,272,640,034
Leasehold land and land use rights		**184,797,092**	160,496,665
Intangible assets		**10,445,847**	11,085,320
Deferred income tax assets		**115,700,768**	87,688,594
Investment in an associate	11	**59,800,509**	—
		3,392,784,901	2,531,910,613
Current assets			
Inventories		**1,372,221,620**	1,321,689,469
Trade receivables, other receivables and prepayments	10	**939,353,259**	647,011,913
Prepayments to and receivables from related parties		**43,273,883**	1,100,830
Restricted bank deposits		**1,292,449**	45,689
Cash and cash equivalents		**714,611,721**	389,551,782
		3,070,752,932	2,359,399,683
Total assets		**6,463,537,833**	4,891,310,296
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	13	**93,818,369**	93,673,169
Share premium	13	**1,119,423,427**	1,113,265,875
Other reserves			
— Proposed final dividend		**81,621,981**	81,495,657
— Others		**1,843,730,722**	1,399,720,969
Total equity		**3,138,594,499**	2,688,155,670

CONSOLIDATED BALANCE SHEET (continued)

		As at 31 December	
		2011	2010
	Note	***HK$***	*HK$*
LIABILITIES			
Non-current liabilities			
Borrowings	14	**1,151,334,272**	530,262,883
Deferred government grants		**74,289,746**	69,980,811
Derivative financial instruments	15	**17,424,745**	—
Deferred income tax liabilities		**1,662,617**	1,713,636
		1,244,711,380	601,957,330
Current liabilities			
Trade payables, other payables and accrued expenses	12	**1,209,944,172**	980,263,434
Borrowings	14	**801,144,261**	557,414,488
Due to related parties		**1,779,362**	—
Current income tax liabilities		**67,364,159**	63,519,374
		2,080,231,954	1,601,197,296
Total liabilities		**3,324,943,334**	2,203,154,626
Total equity and liabilities		**6,463,537,833**	4,891,310,296
Net current assets		**990,520,978**	758,202,387
Total assets less current liabilities		**4,383,305,879**	3,290,113,000

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to equity holders of the Company			
		Share capital	**Share premium**	**Other reserves**	**Total**
	Note	*HK$*	*HK$*	*HK$*	*HK$*
Balance at 1 January 2010		90,464,169	838,018,579	1,141,425,655	2,069,908,403
Profit for the year		—	—	368,946,107	368,946,107
Other comprehensive income					
— Currency translation differences		—	—	80,850,222	80,850,222
Total comprehensive income for 2010		—	—	449,796,329	449,796,329
Transaction with owners					
Employees share option scheme					
— Value of employee services		—	—	6,136,000	6,136,000
— Exercise of share options	13	359,000	14,182,340	(3,843,140)	10,698,200
Allotment of shares	13	2,850,000	261,064,956	—	263,914,956
Dividends	9	—	—	(112,298,218)	(112,298,218)
Transaction with owners		3,209,000	275,247,296	(110,005,358)	168,450,938
Balance at 31 December 2010		93,673,169	1,113,265,875	1,481,216,626	2,688,155,670
Balance at 1 January 2011		**93,673,169**	**1,113,265,875**	**1,481,216,626**	**2,688,155,670**
Profit for the year		**—**	**—**	**405,714,390**	**405,714,390**
Other comprehensive income					
— Currency translation differences		**—**	**—**	**137,951,695**	**137,951,695**
— Hedging reserve		**—**	**—**	**(3,586,084)**	**(3,586,084)**
Total comprehensive income for 2011		**—**	**—**	**540,080,001**	**540,080,001**
Transaction with owners					
Employees share option scheme					
— Value of employee services		**—**	**—**	**18,183,000**	**18,183,000**
— Exercise of share options	13	**145,200**	**6,157,552**	**(1,635,712)**	**4,667,040**
Dividends	9	**—**	**—**	**(112,491,212)**	**(112,491,212)**
Transaction with owners		**145,200**	**6,157,552**	**(95,943,924)**	**(89,641,172)**
Balance at 31 December 2011		**93,818,369**	**1,119,423,427**	**1,925,352,703**	**3,138,594,499**

CONSOLIDATED CASH FLOW STATEMENT

	For the year ended 31 December	
	2011	2010
	HK$	*HK$*
Cash flows from operating activities		
Cash generated from operations	**489,872,661**	248,904,350
Interest paid	**(36,272,218)**	(25,348,718)
Income tax paid	**(131,759,793)**	(100,389,688)
Net cash generated from operating activities	**321,840,650**	123,165,944
Cash flows from investing activities		
Investment in an unlisted associate	**(61,500,000)**	—
Purchase of property, plant and equipment	**(748,840,772)**	(451,687,914)
Proceeds from disposal of property, plant and equipment	**7,468,948**	886,643
Payment for leasehold land and land use rights	**(20,791,090)**	(14,339,216)
Purchase of intangible assets	**(2,056,201)**	(6,530,307)
Interest received	**4,816,589**	2,700,957
Net cash used in investing activities	**(820,902,526)**	(468,969,837)
Cash flows from financing activities		
Proceeds from shares issued	**4,667,040**	274,613,156
Proceeds from borrowings	**2,304,597,210**	1,513,082,436
Repayments of borrowings	**(1,383,974,240)**	(1,288,627,857)
Dividends paid	**(112,491,212)**	(112,298,218)
Net cash generated from financing activities	**812,798,798**	386,769,517
Net increase in cash and cash equivalents	**313,736,922**	40,965,624
Effect of foreign exchange rate changes	**11,323,017**	1,637,051
Cash and cash equivalents, beginning of the year	**389,551,782**	346,949,107
Cash and cash equivalents, end of the year	**714,611,721**	389,551,782

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

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 27 March 2012.

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, as modified by financial liabilities (including derivative instruments) at fair value through consolidated statement of comprehensive income.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

3 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

(a) Amended standards adopted by the Group

The following amendments to standards are mandatory for the first time for the financial year beginning 1 January 2011.

HKAS 24 (Revised), "Related Party Disclosures" is effective for annual period beginning on or after January 2011. It introduces an exemption from all of the disclosure requirements of HKAS 24 for transactions among government related entities and the government. Those disclosures are replaced with a requirement to disclose:

(i) The name of the government and the nature of their relationship;

(ii) The nature and amount of any individually significant transactions; and

(iii) The extent of any collectively-significant transactions qualitatively or quantitatively.

It also clarifies and simplifies the definition of a related party.

(b) New and amended standards have been issued but are not effective for the financial year beginning 1 January 2011 and have not been early adopted.

		Effective for accounting period beginning on or after
HKAS 12 (Amendment)	Deferred tax: Recovery of underlying assets	1 January 2012
HKAS 1 (Amendment)	Presentation of financial statements	1 July 2012
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
HKAS 19 (Amendment)	Employee benefits	1 January 2013
HKAS 32 (Amendment)	Offsetting financial assets and financial liabilities	1 January 2014
HKFRS 7 and HKFRS 9 (Amendment)	Mandatory effective date and transition disclosures	1 January 2015
HKFRS 9	Financial instruments	1 January 2015
HKFRS 10	Consolidated financial statements	1 January 2013
HKFRS 12	Disclosures of interests in other entities	1 January 2013
HKFRS 13	Fair value measurement	1 January 2013

The Group is in the process of making assessment of the impact of these new or revised HKFRSs upon initial adoption, while it is not expected that the adoption of these new or revised HKFRSs will have a significant impact on the Group 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:

	For the year ended 31 December	
	2011	2010
	HK$	*HK$*
Sales of goods	**4,599,009,257**	3,430,021,577
Sales of semi-finished goods and other materials	**161,117,318**	171,860,715
Processing trade	**3,913,466**	286,478
Sales commission	**1,259,372**	—
Total revenue	**4,765,299,413**	3,602,168,770

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.

The executive committee has determined that no business segment information is presented as over 97% of the Group's sales and operating profits are derived from the sales of paper products, which is considered one business segment with similar economic characteristics.

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

The Company is domiciled in Hong Kong. The amount of its revenue from external customers in Mainland China, Hong Kong and overseas is HK$4,315,161,411, (2010: HK$3,186,738,815), HK$418,420,353 (2010: HK$392,717,315), HK$31,717,649 (2010: HK$22,712,640) respectively.

The total non-current assets are analysed as follows:

	As at 31 December 2011 HK$	2010 HK$
Total non-current assets other than deferred tax assets and investment in an associate		
— Mainland China	**3,150,109,528**	2,414,232,192
— Hong Kong and overseas	**69,174,096**	29,989,827
Deferred tax assets	**115,700,768**	87,688,594
Investment in an associate	**57,800,509**	—
Total non-current assets	**3,392,784,901**	2,531,910,613

5 EXPENSES BY NATURE

	For the year ended 31 December 2011 HK$	2010 HK$
Material costs	**2,729,260,066**	2,054,048,057
Staff costs	**398,843,794**	247,416,104
Utilities	**346,041,168**	229,096,542
Transportation expenses	**198,781,200**	172,341,940
Promotion expenses	**213,927,598**	129,772,745
Depreciation of property, plant and equipment	**152,323,987**	123,094,342
Advertising costs	**29,906,962**	41,522,948
Travel and office expenses	**29,679,166**	26,213,130
Real estate tax, stamp duty and other taxes	**17,291,351**	11,378,515
Operating lease rental	**16,470,468**	11,076,360
Bank charges	**6,946,156**	6,409,086
Provision for impairment of receivables *(Note 10)*	**2,787,019**	6,025,451
Auditor's remuneration	**5,918,589**	5,627,010
Amortisation of leasehold land and land use rights	**4,595,187**	4,480,906
Amortisation of intangible assets	**3,201,389**	2,553,924
(Reversal of)/provision for write-down of inventories	**(119,746)**	111,104
Other expenses	**126,589,397**	95,300,218
Total cost of sales, selling and marketing costs and administrative expenses	**4,282,443,751**	3,166,468,382

6 FINANCE INCOME/(COSTS)

	For the year ended 31 December 2011 HK$	2010 HK$
Interest expense		
— bank borrowings (a)	**(43,982,615)**	(27,653,957)
Foreign exchange gain, net	**57,812,949**	21,664,322
Interest income		
— bank deposits	**4,816,589**	2,700,957
Net finance income/(costs)	**18,646,923**	(3,288,678)

(a) During the year, the Group has capitalized borrowing costs amounting to HK$1,418,684 (2010: nil) on qualifying assets. Borrowing costs were capitalized at the weighted average rate of its general borrowings of 3.26%.

7 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 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.

	For the year ended 31 December 2011 HK$	2010 HK$
Current income tax		
— Hong Kong profits tax	**9,306,262**	22,743,200
— PRC enterprise income tax	**130,158,980**	80,642,432
Deferred income tax	**(23,248,780)**	(12,150,545)
	116,216,462	91,235,087

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.

	For the year ended 31 December	
	2011	2010
Profit attributable to equity holders of the Company *(HK$)*	**405,714,390**	368,946,107
Weighted average number of ordinary shares in issue	**937,275,733**	912,749,023
Basic earnings per share *(HK$ per share)*	**0.433**	0.404

(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 shares. The Company's potentially dilutive ordinary shares comprised share options.

	For the year ended 31 December	
	2011	2010
Profit attributable to equity holders of the Company *(HK$)*	**405,714,390**	368,946,107
Weighted average number of ordinary shares in issue	**937,275,733**	912,749,023
Adjustments for share options	**15,769,809**	14,283,848
Weighted average number of ordinary shares for diluted earnings per share	**953,045,542**	927,032,871
Diluted earnings per share *(HK$ per share)*	**0.426**	0.398

9 DIVIDENDS

	2011	2010
	HK$	*HK$*
Interim dividend paid of HK$0.033 (2010: HK$0.033) per ordinary share	**30,937,787**	30,880,466
Proposed final dividend of HK$0.087 (2010: HK$0.087) per ordinary share	**81,621,981**	81,495,657

On 27 March 2012, the Board of Directors proposed a dividend in respect of the year ended 31 December 2011 of HK$81,621,981, representing HK$0.087 per ordinary share. 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 2011 and 2010 were HK$112,491,212 and HK$112,298,218 respectively.

10 TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

	As at 31 December	
	2011	2010
	HK$	*HK$*
Trade receivables	**734,369,313**	495,091,581
Less: Provision for impairment of trade receivables	**(10,834,431)**	(8,646,148)
Trade receivables, net	**723,534,882**	486,445,433
Other receivables		
— deductible input VAT	**143,966,986**	107,164,616
— prepaid income tax recoverable	**8,715,640**	4,854,976
— purchase rebates	**15,631,760**	25,174,909
— others	**13,625,006**	11,637,873
Other receivables	**181,939,392**	148,832,374
Trade and other receivables, net	**905,474,274**	635,277,807
Notes receivable	**902,002**	1,714,439
Prepayments		
— purchase of raw materials	**7,277,991**	5,331,184
— prepayment of utility fee	**18,883,572**	—
— others	**2,599,867**	158,055
	28,761,430	5,489,239
Prepaid expenses	**4,215,553**	4,530,428
	939,353,259	647,011,913

As at 31 December 2011 and 2010, 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 2011 and 2010 are as below:

	As at 31 December	
	2011	2010
	HK$	*HK$*
Within 3 months	**686,762,019**	453,144,930
4 months to 6 months	**37,079,956**	32,171,746
7 months to 12 months	**6,215,517**	7,605,866
Over 1 year	**4,311,821**	2,169,039
	734,369,313	495,091,581

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

	For the year ended 31 December	
	2011	2010
	HK$	*HK$*
As at 1 January	**(8,646,148)**	(5,192,658)
Provision for impairment of receivables *(Note 5)*	**(2,787,019)**	(6,025,451)
Receivables written off as uncollectible during the year	**1,085,750**	2,827,390
Exchange differences	**(487,014)**	(255,429)
As at 31 December	**(10,834,431)**	(8,646,148)

The maximum exposure to credit risk at the reporting date is the carrying amounts of each category of receivable mentioned above.

11 INVESTMENT IN AN ASSOCIATE

	2011
	HK$
1 January 2011	—
Investment in an unlisted associate (i)	**61,500,000**
Share of post-tax loss of an associate	**(2,358,175)**
Exchange differences	**658,684**
31 December 2011	**59,800,509**

(i) On 16 December 2010, the Company entered into the Investment and Shareholders' Agreement with Fu An International Company Limited (a substantial shareholder of the Company, "Fu An"), Dynasty Fortune Partners, L.P. ("Dynasty Fortune"), a related party on which a director of the Company has significant influence, Cathay Capital Holdings II, L.P. ("Cathay Capital"), an independent third party, and V-Care Holdings Limited ("V-Care"), pursuant to which, the Company, Fu An, Dynasty Fortune and Cathay Capital have agreed to invest an aggregate sum of HK$300,000,000 into V-Care by way of subscription of new shares of V-Care. Upon completion of the subscription, V-Care will be held as to 41% by the Company, 39% by Fu An, 7% by Dynasty Fortune and 13% by Cathay Capital.

As of 31 December 2011, the Company has paid HK$61,500,000 in cash for the subscription of the new shares issued by V-Care, and held 41% of V-Care's share capital then outstanding.

The Group's share of the results of its principal associate, and its aggregated assets and liabilities, are as follows:

Name	Place of incorporation	Percentage of equity interest attributable to the Group	Assets	Liabilities	Revenues	Net loss
			HK$	*HK$*	*HK$*	*HK$*
V-Care	British Virgin Islands	41%	163,537,635	17,682,734	23,545,831	(5,751,647)

12 TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES

	As at 31 December	
	2011	2010
	HK$	*HK$*
Trade payables	**702,658,382**	580,094,715
Notes payable	**18,048,167**	23,891,598
Other payables		
— salaries payable	**52,156,181**	34,963,157
— taxes payable other than income tax	**24,651,661**	16,444,173
— advances from customers	**46,254,981**	56,330,544
— payables for property, plant and equipment	**99,291,083**	62,868,556
— others	**92,273,679**	81,117,915
Accrued expenses		
— promotion fees	**88,936,554**	59,284,038
— utility charges	**23,236,311**	17,088,829
— transportation fees	**34,254,343**	24,820,773
— advertising fee	**5,169,777**	13,316,029
— accrued interest	**10,417,535**	5,766,426
— others	**12,595,518**	4,276,681
	1,209,944,172	980,263,434

As at 31 December 2011 and 2010, the carrying amounts of the Group's trade payables and other payables approximated their fair values.

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

	As at 31 December	
	2011	2010
	HK$	*HK$*
RMB	**556,162,513**	519,711,025
US$	**465,551,451**	312,935,747
HK$	**10,075,582**	13,759,678
Other currencies	**3,544,588**	9,304,208
	1,035,334,134	855,710,658

The credit period granted by the creditors generally ranged from 30 to 90 days. Ageing analysis of trade and notes payables as at 31 December 2011 and 2010 are as follows:

	As at 31 December	
	2011	2010
	HK$	*HK$*
Within 3 months	**702,436,164**	586,867,970
4 months to 6 months	**11,652,403**	8,844,268
7 months to 12 months	**3,059,233**	2,462,446
1 year to 2 years	**2,988,304**	4,015,199
2 years to 3 years	**570,445**	1,363,730
Over 3 years	**—**	432,700
	720,706,549	603,986,313

13 SHARE CAPITAL AND SHARE PREMIUM

	Group & Company				
			Amount		
	Number of authorised shares	**Number of issued and fully paid shares**	**Ordinary shares** *HK$*	**Share premium** *HK$*	**Total** *HK$*
At 1 January 2010	80,000,000,000	904,641,686	90,464,169	838,018,579	928,482,748
Employee share option scheme					
— Exercise of share options	—	3,590,000	359,000	14,182,340	14,541,340
— Allotment of shares (i)	—	28,500,000	2,850,000	261,064,956	263,914,956
At 31 December 2010	80,000,000,000	936,731,686	93,673,169	1,113,265,875	1,206,939,044
Employee share option scheme					
— Exercise of share options	—	1,452,000	145,200	6,157,552	6,302,752
At 31 December 2011	80,000,000,000	938,183,686	93,818,369	1,119,423,427	1,213,241,796

(i) On 27 September 2010, the Company, Fu An and Li Chao Wang (a director of the Company) (together, "the Vendors") and the Placing Agent entered into an agreement. Pursuant to which, the Placing Agent agreed to place 32,500,000 existing shares then owned by the Vendors, to independent investors, at the placing price of HK$9.50 per share.

After the placing was completed, the Company issued 28,500,000 new shares on 8 October 2010 (3.0% of the total share capital issued then outstanding) to Fu An. The shares issued have the same rights as the other shares in issue. The fair value of the shares issued amounted to HK$270,750,000 (HK$9.50 per share). The related transaction costs of HK$6,835,044 have been netted off with the actual proceeds.

(ii) As at 31 December 2011 and 2010, the par value of authorised and issued ordinary shares is HK$0.1 per share.

14 BORROWINGS

	As at 31 December	
	2011	2010
	HK$	*HK$*
Non-current		
Unsecured bank borrowings	**1,129,729,628**	501,405,338
Unsecured other borrowings *(Note (a))*	**21,604,644**	28,857,545
Total non-current borrowings	**1,151,334,272**	530,262,883
Current		
Portion of loans from banks due for repayment within one year		
— Unsecured	**645,400,860**	471,444,398
Portion of loans from banks due for repayment after one year which contain a repayment on demand clause		
— Unsecured	**155,250,000**	85,500,000
Unsecured other borrowings *(Note (a))*	**493,401**	470,090
Total current borrowings	**801,144,261**	557,414,488
Total borrowings	**1,952,478,533**	1,087,677,371

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

(b) In June 2011, the Company obtained a syndicated loan facility of HK$750 million with an interest of HIBOR plus 2.35% per annum to finance the construction of the plant and purchase of production equipment. The loan facility is of a 3-year term with an option to extend for 1 more year. The Company will repay the loan on a quarterly basis in the period from December 2012 to June 2014. As at 31 December 2011, all of the loan has been drawn down under this syndicated loan facility.

(c) The maturity of borrowings is as follows:

	Bank borrowings		Other borrowings	
	As at 31 December		As at 31 December	
	2011	2010	**2011**	2010
	HK$	*HK$*	***HK$***	*HK$*
Portion of loans due for repayment within 1 year	**645,400,860**	471,444,398	**493,401**	470,090
Loans due for repayment after 1 year *(Note 1)*				
Between 1 and 2 years	**522,336,704**	357,655,338	**536,431**	511,088
Between 2 and 5 years	**762,642,924**	229,250,000	**21,068,213**	28,346,457
	1,930,380,488	1,058,349,736	**22,098,045**	29,327,635

Note 1: The above amounts due are based on the scheduled repayment dates set out in the loan agreements and ignore the effect of any repayment on demand clause.

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

	Bank borrowings As at 31 December		Other borrowings As at 31 December	
	2011	2010	**2011**	2010
HK$	**1.70–2.78%**	1.70%–2.11%	**—**	—
US$	**1.11–3.49%**	1.29%–2.69%	**—**	—
RMB	**4.86–6.65%**	4.86%–5.76%	**—**	—
AU$	**1.70–2.78%**	—	**—**	—

(e) The carrying 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:

	Bank borrowings As at 31 December	
	2011	2010
HK$	**2.24%**	2.05%
US$	**2.07%**	1.97%
RMB	**4.95%**	5.10%
AU$	**2.24%**	—

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

	As at 31 December	
	2011	2010
	HK$	*HK$*
RMB	**271,462,792**	249,094,942
HK$	**1,366,916,926**	629,327,863
US$	**176,208,700**	209,254,566
AU$	**137,890,115**	—
	1,952,478,533	1,087,677,371

(g) Most of the banking facilities are subject to the fulfilment of covenants relating to certain of the Group's balance sheet ratios. If the Group were to breach the covenants, the drawn down facilities would become repayable on demand. In addition, certain of the Group's term loan agreements contain clauses which give the lender the right at its sole discretion to demand immediate repayment at any time irrespective of whether the Group has complied with the covenants and met the scheduled repayment obligations.

The Group regularly monitors its compliance with these covenants, is up to date with the scheduled repayments of the loans and does not consider it probable that the bank will exercise its discretion to demand repayment for so long as the Group continues to meet these requirements.

15 DERIVATIVE FINANCIAL INSTRUMENTS

	As at 31 December	
	2011	2010
	HK$	*HK$*
Cross currency swap *(Note (a))*	**13,762,577**	—
Interest rate swap *(Note (b))*		
— cash flow hedge	**3,662,168**	—
	17,424,745	—

The full fair value of a derivative financial instrument is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and, as a current asset or liability, if the maturity of the hedged item is less than 12 months.

(a) The cross currency swap is an agreement entered into by the Group and Australia and New Zealand Banking Group Limited ("ANZ Bank") whereby the Group would receive AU$ floating interest and principal amounts while the Group would be obligated to pay HK$ floating interest and principal. The principal receivable amounts to AU$17,441,455 while the aggregate principal payable by the Group amounts to HK$150,000,000. The swap also entitles the Group to receive AU$ floating interest rate at 3 month Bank Bill Swap Rates of Australia plus a certain spread while the Group is obligated to pay interest at 3 month HIBOR plus a certain spread, respectively by reference to initial notional principal amounts of AU$17,441,455 and HK$150,000,000, both declining over the term of three years. The schedule of principal and interest exchanges are synchronized with the AU$ 3-year term loan include under non-current bank borrowing described under Note 14 above.

(b) The interest rate swaps are entered into between the Group and various banks whereby the payment of fixed interest is exchanged for the receipt of floating interest. The notional principal amount of the outstanding interest rate swap contract at 31 December 2011 was HK$1,017,000,000. At 31 December 2011, the fixed interest rate was from 0.58% to 1.28% per annum and the floating rate was with reference to the 1 month/3 month HIBOR.

MANAGEMENT DISCUSSION AND ANALYSIS

China's annual per capita consumption of household paper was rising steadily, escalating from 2.7 kilograms in 2007 to 3.48 kilograms in 2010. Nevertheless, China's paper usage level is still insignificant compared with the world average of 4.18 kilograms and Asia's other well-developed countries and cities (e.g. 14.57 kilograms in Japan, 18.11 kilograms in Hong Kong), indicating strong growth potential of China's household paper market.

Strengthening Brand Building through Creative Marketing

Given such immense development potential in market, Vinda International relentlessly strives to achieve the best results. In 2011, the Group's overall revenue grew 32.3%, in particular, the growth rate for sales revenue of softpack reached an impressive 66.5%.

Regarding our sales and marketing approach, the Group will emphasize the promotion of "Star Products" in the coming years. During the year, we employed three waves of creative marketing campaigns targeted at different consumer groups to effectively improve brand loyalty, enhance the brand's youthful image and sharpen the competitive edge for each product. Firstly, we introduced the "維達柔韌有功夫" marketing campaign to co-launch the "Kung Fu Panda" series in cooperation with DreamWorks Inc., a renowned animation company from the United States. This campaign enticed adults with high purchasing power as well as fans of animation, and as a result, propelled the sales of the non-toilet roll products in our blue classics line. In the second wave, we promoted the "FEEL" series under the "維達幸福最有FEEL" campaign, which bolstered our interaction with the youth consumer segment such as university students. The third wave of creative marketing was the "維達與您幸福過新年" campaign, under which we advertised for the "Pleasant Goat and Big Big Wolf" to build our rapport amongst families with children. In the future, the Group will continue to adopt diversified as well as innovative marketing and promotional tactics, not only to secure the market share of the core segment, but also to increase the proportion of sales for high-profit-margin products, so as to defend the Group's profitability.

Sales Network Extended to New Markets

Vinda International's greatest asset is our extensive and efficient sales network. The Group continued to deepen our foothold in existing markets and solidify our leading position in southern and central China, Beijing and Hong Kong. At the same time, the Group stepped up efforts to cultivate our presence in eastern, western and northeastern China. The Group also expanded the proportion of sales via modern channels, in accordance to the rapid development of supermarket chains in China. By the end of 2011, the number of Vinda International's sales offices reached 155 (31 December 2010: 141) while the number of distributors reached 1,174 (31 December 2010: 856), building a national sales network of 260,000 points of sales, and further broadening market coverage.

Adopting Flexible Procurement Strategy

With regard to cost of sales structure, wood pulp is the key raw material used in manufacturing household paper products. A wood pulp supply shortage occurred during the first half of 2011 resulted in a spike in wood pulp prices which peaked in the middle of 2011. During the second half, various external circumstances caused the demand from Europe and the United States for wood pulp to ease, while suppliers' inventory level also exceeded normal levels at one point, leading to the steady decline of wood pulp prices. Facing the volatile wood pulp prices, the Group adopted a flexible procurement strategy and increased the procurement of wood pulp in the second half of 2011 as wood pulp prices were relatively low, while preserving healthy cash flow for the Group.

Technological Upgrades Rapidly Boosting Production Capacity

Production capacity expansion has always played a vital role in the path of development for Vinda International. During the year, the new production capacity totaled 100,000 tons: 50,000 tons by the production base in Longyou County, Zhejiang Province; 25,000 tons by the production base in Anshan City, Liaoning Province; 25,000 tons by the production base in Deyang City, Sichuan. The total production capacity ramped up to 470,000 tons, while sales volume increased 18.9% year-on-year to 335,044 tons.

In view of the market's increasing demand for quality household paper products, the Group will accelerate the pace of expansion with an aim to reach the mid-term goal of 700,000 tons of production ahead of schedule, and setting the new target at 1,000,000 tons. The Group plans to increase production capacity in the fourth quarter of 2012 by 80,000 tons by the new plant in Sanjiang Town, Xinhui District, Guangdong Province; 30,000 tons by the Anshan plant in Liaoning Province, and 40,000 tons by Xiaogan plant in Hubei Province. Separately, the construction plan of our new plant in Laiwu City, Shandong Province had passed the environmental assessment and is expected to commence production by 2013. In addition to increasing production capacity, this new plant will effectively help trim down logistical expenses for the Group.

To complement the Group's plan to rapidly expand production capacity, further enhance product quality and production efficiency as well as amplify the advantage of economies of scale, the Group plans to upgrade the technology of its existing paper-making machines and also introducing a number of paper-making machines from Italy. Each Italian paper-making machine is designed for a production capacity of 20,000 tons a year, with superior capabilities in reducing energy consumption on top of elevating paper quality.

Developing Personal Care Products Business

In 2010, V-Care Holdings Limited was established by the Group as an associate for the development of personal care products business. V-Care launched 24 baby diaper SKUs among three product lines of its own "Babifit" brand, distinctly targeting customers from the mid- to up-market, the mid-market and the low-end market in 2011. V-Care's plant in central China will commence operations in 2012, and three newly acquired production lines for baby diapers will also progressively begin to operate. The Group expects that once self-production is initiated, the V-Care team will be able to strengthen research and development of new products and improve gross margins. For the coming year, V-Care will allocate more resources to establish sales channels for its personal care products, beyond Vinda's existing distribution network, such as using supermarket chains and exclusive channels for baby products, including maternity hospitals, maternity stores. The Group strives to boost market coverage in efforts to improve our long-term profitability.

Implementing Low Wastage, High Efficiency Management

Over the years, the Group has always adhered to the production management philosophy of "high quality, low wastage and high efficiency" and strived to achieve "safety, environmental protection, quality and cost reduction" as the production objective. This year, the Group greatly enhanced the environmentally friendly facilities to help achieve the carbon emissions reduction target as set in the Central Government's "12th Five-Year Plan" — through technology upgrades and optimization of the sewage treatment system and effectively lowering water consumption per ton of paper. The Group also effectively reduced energy consumption by optimizing the incoming water temperature control of boilers and employing steam reuse technique. In addition, by improving packaging efficiency, the Group enhanced production efficiency. Meanwhile, the Group obtained 36 utility model patents and one invention patent during the year. In particular, 17 of the utility model patents and the one invention patent were used for environmental protection and energy conservation, so as to promote effective plant management and increase productivity.

Human Resources and Management

Employees of high caliber are the key to the Group's competitiveness and value creation. During the year, the Human Resources Department proactively recruited talented employees to cater to expansion needs of the Group and optimized various human resources schemes for talent retention, including a professional assessment system, reorganization of job positions, revision of the performance management procedures, and remuneration and welfare policies, etc. Furthermore, the Group perpetuated its management trainee programme to groom talents for Vinda's future development. As of 31 December 2011, the Group had 6,633 employees.

Employee remuneration packages are reviewed regularly — taking into account local market conditions, working experience and performance of individual employees — to ensure the competiveness of the Group's remuneration policy in the industry. The Group also uses a share option scheme to attract and retain talent. During the year, the Group granted 4,837,000 share options to its employees and directors pursuant to its share option scheme, with relevant fair value costs amounting to HK$15,538,000.

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 31 December 2011,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. The effective portion of changes in the fair value of interest rate swaps that are designated and qualified as cash flow hedge is recognised in equity.

Share-Based Payment

As approved by the Board meeting 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 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.

In February 2009, all the directors and employees accepted the share options.

On 15 April 2010, 3,000,000 share options were granted to a director at an exercise price of HK$5.42 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:

(a) up to 33% on or after 15 April 2010;

(b) up to 67% on or after 15 April 2011;

(c) all the remaining options on or after 15 April 2012;

and in each case, not later than 14 April 2020.

In April 2010, the director accepted the share options.

On 15 April 2011, 4,837,000 share options were granted to the directors and certain employees at an exercise price of HK$8.648 per share. The Group has no legal or constructive obligation to repurchase or settle the options in cash. The options are exercisable on or after 15 April 2011 and no later than 14 April 2021.

In April 2011, all the directors and employees accepted the share options.

Future Prospects

Looking ahead in 2012, China's macro economy will maintain stable growth, while the Central Government will continue to implement stringent environmental protection policies which will eliminate smaller and non-compliant paper manufacturers. Unrest will persist for external economies; subsequently, volatility in raw material prices will also persist.

In 2012, we will focus on the following:

1. Strengthen control at points of sale within the sales and distribution network, increase the distribution rate for each product, optimize the product mix and cultivate the personal care product business;

2. Accelerate the pace of production capacity expansion and implement production safety standards, working towards a new annual production capacity target of 1,000,000 tons;

3. Diligently monitor the raw materials prices to enhance risk control of the procurement process;

4. Commit to environmental protection, and augment environmental protection projects;

5. Optimize the information management system.

Liquidity, Financial Resources and Bank Loans

The Group's financial position remained healthy. As at 31 December 2011, the Group's bank and cash balances (including restricted bank deposits of HK$1,292,449 (31 December 2010: HK$45,689)) amounted to HK$715,904,170 (31 December 2010: HK$389,597,471), and short-term and long-term loans amounted to HK$1,952,478,533 (31 December 2010: HK$1,087,677,371). 59.0% of the bank borrowings are medium- to long- term (2010: 48.8%). The annual interest rates of bank loans ranged from 1.11% to 6.65%.

As at 31 December 2011, the gearing ratio was 62.2% (31 December 2010: 40.5%), 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 cash and cash equivalents as a percentage of the total shareholders' equity, was 39.4% (31 December 2010: 26.0%). The gearing ratio increased due to newly increased borrowings.

Final Dividend

The Board has resolved to propose to shareholders the distribution of a final dividend for the year ended 31 December 2011 at HK8.7 cents (2010: HK8.7 cents) totaling HK$81,621,981, subject to approval by shareholders at the annual general meeting (the "AGM") on 23 May 2012. If so approved by shareholders, it is expected that the final dividend will be paid on or about 25 June 2012 to shareholders whose names appear on the register of member of the Company on 6 June 2012.

Closure of Register of Members

The register of members of the Company will be closed from 18 May 2012 to 23 May 2012, both dates inclusive, during which period no transfer of shares will be registered in order to ascertain shareholders' eligibility to attend and vote at the AGM, all transfers documents 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 for registration not later than 4:30 p.m. on 17 May 2012.

In addition, the register of members of the Company will be closed from 6 June 2012 to 8 June 2012, both dates inclusive, during which period no transfer of shares will be registered in order to ascertain shareholders' entitlement to the proposed final dividend, all transfers documents 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 for registration not later than 4:30 p.m. on 5 June 2012.

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

During the year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed shares.

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. For the year ended 31 December 2011, the Company has complied with all the code provisions set out in the Code on Corporate Governance Practices contained 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. The Company has made specific enquiry with all the directors of the Company, and all of them confirmed that they have complied with the required standard set out in the Model Code during the year ended 31 December 2011.

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 audited financial statement of the Group for the year ended 31 December 2011.

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 Annual Report

This announcement is published on the websites of (www.vindapaper.com) and the Stock Exchange (www.hkexnews.hk). The 2011 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, 27 March 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.