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Vinda International Holdings Limited

維達國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 3331)

Website: <http://www.hkexnews.hk>

<http://www.vindapaper.com>

“Healthy lifestyle starts from Vinda”

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2009

FINANCIAL HIGHLIGHTS

	2009	2008	Changes
Revenue (HK\$)	1,346,074,193	1,184,801,189	+13.6%
Profit attributable to equity holders of the Company (HK\$)	180,155,245	61,763,884	+191.7%
Gross profit margin	31.8%	18.7%	+13.1p.p.
Net profit margin	13.4%	5.2%	+8.2p.p.
Earnings per share (HK\$)	19.9cents	6.8cents	+191.6%
Stock turnover	93 days	90 days	
Debtors turnover	36 days	32 days	
Interim dividend declared	3 cents	Nil	

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

		Unaudited	
		Six months ended 30 June	
		2009	2008
	<i>Note</i>	<i>HK\$</i>	<i>HK\$</i>
Revenue	4	1,346,074,193	1,184,801,189
Cost of sales		(918,577,460)	(963,005,719)
Gross profit		427,496,733	221,795,470
Selling and marketing costs		(97,686,816)	(81,551,505)
Administrative expenses		(83,222,671)	(49,293,291)
Other income and gains – net		1,178,243	2,281,028
Operating profit	9	247,765,489	93,231,702
Finance income		628,119	1,503,197
Finance costs		(15,488,980)	(10,948,181)
Finance costs – net		(14,860,861)	(9,444,984)
Profit before income tax		232,904,628	83,786,718
Income tax expenses	10	(52,749,383)	(22,022,834)
Profit for the period and attributable to equity holders of the Company		180,155,245	61,763,884
Other comprehensive income			
Currency translation differences	13	(155,126)	99,580,628
Total comprehensive income for the period and attributable to equity holders of the Company		180,000,119	161,344,512
Earnings per share for profit attributable to the equity holders of the Company (expressed in HK\$ per share)			
– basic	11(a)	0.199	0.068
– diluted	11(b)	0.198	0.068
Dividends	12	41,595,118	19,884,517

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

		Unaudited 30 June 2009 HK\$	Audited 31 December 2008 HK\$
ASSETS			
Non-current assets			
Property, plant and equipment		1,853,949,836	1,852,374,329
Leasehold land and land use rights		115,504,664	117,294,978
Intangible assets		5,950,548	740,895
Deferred income tax assets		55,397,049	47,508,724
		2,030,802,097	2,017,918,926
Total non-current assets			
Current assets			
Inventories		456,820,316	491,755,387
Trade receivables, other receivables and prepayments	5	342,018,814	264,969,661
Pledged bank deposits		—	884,454
Cash and cash equivalents		238,686,526	172,189,258
		1,037,525,656	929,798,760
Total current assets			
		3,068,327,753	2,947,717,686
Total assets			
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	6	90,424,169	90,384,169
Share premium	6	835,986,579	834,834,579
Other reserves		947,875,896	783,867,895
		1,874,286,644	1,709,086,643
Total equity			

		Unaudited	Audited
		30 June	31 December
		2009	2008
	<i>Note</i>	HK\$	HK\$
LIABILITIES			
Non-current liabilities			
Borrowings	7	425,904,089	465,875,506
Deferred government grants		31,811,623	33,127,079
Deferred income tax liabilities		1,456,381	1,556,700
Total non-current liabilities		459,172,093	500,559,285
Current liabilities			
Trade payables, other payables and accrued expenses	8	371,876,029	430,448,139
Current income tax liabilities		52,185,527	29,212,329
Borrowings	7	310,807,460	278,411,290
Total current liabilities		734,869,016	738,071,758
Total liabilities		1,194,041,109	1,238,631,043
Total equity and liabilities		3,068,327,753	2,947,717,686
Net current assets		302,656,640	191,727,002
Total assets less current liabilities		2,333,458,737	2,209,645,928

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

	Unaudited			
	Attributable to equity holders			
	of the Company			
	Share capital <i>HK\$</i>	Share premium <i>HK\$</i>	Other reserves <i>HK\$</i>	Total <i>HK\$</i>
Balance as at 1 January 2008	90,384,169	834,834,579	541,373,559	1,466,592,307
Profit for the period	—	—	61,763,884	61,763,884
Other comprehensive income				
– currency translation differences	—	—	99,580,628	99,580,628
	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive income for the six months ended 30 June 2008	—	—	161,344,512	161,344,512
	<hr/>	<hr/>	<hr/>	<hr/>
Dividend	—	—	(19,884,517)	(19,884,517)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance as at 30 June 2008	90,384,169	834,834,579	682,833,554	1,608,052,302
	<hr/>	<hr/>	<hr/>	<hr/>
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)
	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive income for the six months ended 30 June 2009	—	—	180,000,119	180,000,119
	<hr/>	<hr/>	<hr/>	<hr/>
Employees share option scheme				
- value of employee services	—	—	25,603,000	25,603,000
- proceeds from shares issued	40,000	1,152,000	—	1,192,000
Dividend	—	—	(41,595,118)	(41,595,118)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance as at 30 June 2009	90,424,169	835,986,579	947,875,896	1,874,286,644
	<hr/>	<hr/>	<hr/>	<hr/>

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

	Unaudited	
	Six months ended 30 June	
	2009	2008
	<i>HK\$</i>	<i>HK\$</i>
Cash flows from operating activities		
– continuing operations	<u>184,613,474</u>	<u>145,217,695</u>
Cash flows from operating activities - net	<u>184,613,474</u>	<u>145,217,695</u>
Cash flows from investing activities		
– purchases of property, plant and equipment	(66,218,995)	(90,011,983)
– purchases of intangible assets	(5,463,289)	(51,948)
– purchases of leasehold land and land use rights	—	(19,660,529)
– proceeds on disposal of property, plant and equipment	473,800	—
– other investing cash flows - net	<u>628,119</u>	<u>1,503,197</u>
Cash flows used in investing activities - net	<u>(70,580,365)</u>	<u>(108,221,263)</u>
Cash flows from financing activities		
– dividends paid	(41,595,118)	(19,884,517)
– repayments of borrowings	(664,605,767)	(503,114,657)
– proceeds from borrowings	656,691,885	431,049,144
– decrease / (increase) in pledged deposits	884,454	(24,051,048)
– proceeds from shares issued	<u>1,192,000</u>	<u>—</u>
Cash flows used in financing activities - net	<u>(47,432,546)</u>	<u>(116,001,078)</u>
Net increase in cash and cash equivalents		
Cash and cash equivalents at beginning of period	172,189,258	252,081,481
Exchange differences	<u>(103,295)</u>	<u>28,992,092</u>
Cash and cash equivalents at end of period	<u><u>238,686,526</u></u>	<u><u>202,068,927</u></u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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 (“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.

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 4 September 2009.

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 2009 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 2008, which have been prepared in accordance with HKFRSs.

3 Accounting policies

Except as described below, the accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2008, 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.

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2009:

- HKAS 1 (revised), ‘Presentation of financial statements’.
- HKFRS 8, ‘Operating segments’.
- HKAS 23 (Amendment), ‘Borrowing costs’.
- Amendment to HKFRS 7, ‘Financial instruments: disclosures’.

- HKFRS 2 (Amendment), ‘Share-based payment’.

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2009, but are not currently relevant for the Group.

- HKAS 32 (amendment), ‘Financial instruments: presentation’.
- HK(IFRIC) 9 (amendment), ‘Reassessment of embedded derivatives’ and HKAS 39 (amendment), ‘Financial instruments: Recognition and measurement’.
- 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’.
- HKAS 39 (amendment), ‘Financial instruments: Recognition and measurement’.

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1 January 2009 and have not been early adopted:

- Amendment to HKAS 39, ‘Financial instruments: Recognition and measurement’ on eligible hedged items, effective for annual periods beginning on or after 1 July 2009.
- 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’, 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.
- HK(IFRIC) 17, ‘Distributions of non-cash assets to owners’, effective for annual periods beginning on or after 1 July 2009.
- HK(IFRIC) 18, ‘Transfers of assets from customers’, effective for transfer of assets received on or after 1 July 2009.

HKICPA’s improvements to HKFRS published in May 2009:

- Amendment to HKFRS 2 ‘Share-based payments’, effective for periods beginning on or after 1 July 2009.
- Amendment to HKFRS 5 ‘Non-current Assets held for sale and discontinued operations’, effective for periods beginning on or after 1 January 2010.
- Amendment to HKFRS 8 ‘Operating segments’, effective for periods beginning on or after 1 January 2010.
- Amendment to HKAS 1 ‘Presentation of financial statements’, effective for periods beginning on or after 1 January 2010.
- Amendment to HKAS 7 ‘Statement of cash flows’, effective for periods beginning on or after 1 January 2010.

- Amendment to HKAS 17 ‘Leases’, effective for periods beginning on or after 1 January 2010.
- Amendment to HKAS 36 ‘Impairment of assets’, effective for periods beginning on or after 1 January 2010.
- Amendment to HKAS 38 ‘Intangible assets’, effective for periods beginning on or after 1 July 2009.
- Amendment to HKAS 39 ‘Financial instruments: recognition and measurement’, effective for periods beginning on or after 1 January 2010.
- Amendment to HK(IFRIC) 9 ‘Reassessment of embedded derivatives’, effective for periods beginning on or after 1 July 2009.
- Amendment to HK(IFRIC) 16 ‘Hedges of a net investment in a foreign operation’, effective for periods beginning on or after 1 July 2009.

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	
	2009	2008
	HK\$	HK\$
Sales of goods	1,277,490,347	1,114,913,764
Sales of semi-finished goods and other materials	68,583,846	69,887,425
Total revenue	<u>1,346,074,193</u>	<u>1,184,801,189</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 Group is domiciled in Mainland China, Hong Kong and other overseas. The result of its revenue from external customers in Mainland China is HK\$1,155,300,876 (for the six months ended 30 June 2008: HK\$1,038,521,832), in Hong Kong for the six months ended 30 June 2009 is HK\$175,747,703 (for the six months ended 30 June 2008: HK\$128,128,608), and in other overseas is HK\$ 15,025,614 (for the six months ended 30 June 2008: HK\$18,150,749).

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

	As at	
	30 June 2009 Unaudited HK\$	31 December 2008 Audited HK\$
Total non-current assets other than deferred tax assets		
- Mainland China	1,946,378,579	1,940,664,710
- Hong Kong and other overseas	29,026,469	29,745,492
Deferred tax assets	55,397,049	47,508,724
	<u>2,030,802,097</u>	<u>2,017,918,926</u>

5 Trade receivables, other receivables and prepayments

	As at	
	30 June 2009 Unaudited HK\$	31 December 2008 Audited HK\$
Trade receivables	302,436,690	216,590,233
Other receivables	20,205,219	39,221,173
Notes receivable	340,329	2,145,811
Prepayments	19,036,576	7,012,444
	<u>342,018,814</u>	<u>264,969,661</u>

The majority of the Group's sales is with credit terms ranging from 30 to 90 days. Ageing analysis of the trade receivables (including amounts due from related parties of trading in nature) were as follows

	As at	
	30 June 2009 Unaudited	31 December 2008 Audited
Trade receivables		
Within 3 months	284,241,972	208,402,043
4 months to 6 months	15,317,658	7,346,585
7 months to 12 months	2,877,060	841,605
	<u>302,436,690</u>	<u>216,590,233</u>

6 Share capital and share premium

	Number of authorised shares	Number of issued and fully paid shares	Ordinary shares <i>HK\$</i>	Unaudited Amount Share premium <i>HK\$</i>	Total <i>HK\$</i>
Opening balance at 1 January 2008 and 1 January 2009	80,000,000,000	903,841,686	90,384,169	834,834,579	925,218,748
Proceeds from shares issued - employee share option scheme (a)	—	400,000	40,000	1,152,000	1,192,000
At 30 June 2009	<u>80,000,000,000</u>	<u>904,241,686</u>	<u>90,424,169</u>	<u>835,986,579</u>	<u>926,410,748</u>

(a) Employee share option scheme:

As approved by the Board and Shareholders' meeting, the share options were granted to the directors and employees on 24 February 2009, in an aggregate to 27,546,000 shares 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) all the options granted to directors on or after 24 February 2009;
- (ii) up to 20% of the options granted to employees on or after 24 February 2010;
- (iii) up to further 50% of the options granted to employees on or after 24 February 2011;
- (iv) all the remaining options granted to employees on or after 24 February 2012.

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

Options exercised during the period to 30 June 2009 resulted in 400,000 shares being issued with exercise proceeds of HK\$1,192,000.

7 Borrowings

	As at	
	30 June 2009	31 December 2008
	<i>Unaudited</i> <i>HK\$</i>	<i>Audited</i> <i>HK\$</i>
Non-current	425,904,089	465,875,506
Current	310,807,460	278,411,290
	<u>736,711,549</u>	<u>744,286,796</u>

Movements in borrowings are analysed as follows:

	Unaudited <i>HK\$</i>
Six months ended 30 June 2008	
Opening amount as at 1 January 2008	654,175,010
New borrowings	431,049,144
Repayments of borrowings	(503,114,657)
Exchange differences	31,018,637
	<u>613,128,134</u>
Closing amount as at 30 June 2008	<u>613,128,134</u>
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
	<u>736,711,549</u>
Closing amount as at 30 June 2009	<u>736,711,549</u>

Interest expenses on borrowings for the six months ended 30 June 2009 were HK\$ 15,184,416 (six months ended 30 June 2008: HK\$ 28,119,402).

8 Trade payables, other payables and accrued expenses

	As at	
	30 June 2009 Unaudited HK\$	31 December 2008 Audited HK\$
Trade payables	153,650,868	209,144,385
Notes payables	12,629,649	704,697
Other payables	131,971,599	167,054,254
Accrued expenses	73,623,913	53,544,803
	<u>371,876,029</u>	<u>430,448,139</u>

Aging analysis of trade payables and notes payables as at 30 June 2009 and 31 December 2008 (including amounts due to related parties of trading in nature) were as follows:

	As at	
	30 June 2009 Unaudited HK\$	31 December 2008 Audited HK\$
Trade payables and notes payables		
Within 3 months	156,239,842	182,380,806
4 months to 6 months	5,663,117	15,496,792
7 months to 12 months	432,905	2,683,468
1 year to 2 years	3,752,818	7,436,675
2 years to 3 years	81,656	99,357
Over 3 years	110,179	1,751,984
	<u>166,280,517</u>	<u>209,849,082</u>

9 Operating profit

The following items have been charged / (credited) to the operating profit during the six months ended 30 June 2009 and 2008:

	Unaudited	
	Six months ended 30 June	
	2009	2008
	HK\$	HK\$
Government grants for reinvestment (a)	(575,754)	—
Amortisation of deferred government grants	(1,329,221)	(540,981)
Gain on derivative financial instruments	—	(521,627)
Foreign exchange gain, net	(195,373)	(1,950,868)
Provision for impairment of receivables	416,751	789,213
Provision for/(write-back) of impairment of inventories	439,467	(188,180)
Depreciation of property, plant and equipment	54,894,869	45,739,164
Amortisation of intangible assets	254,536	150,463
Amortisation of leasehold land and land use rights	1,843,747	1,487,747
Loss on disposal of property, plant and equipment	915,610	—

(a) In 2009, Vinda Paper (Hubei) Company Limited (“Vinda Hubei”) appropriated dividends to Vinda China with amount of RMB 18,382,621 (equivalent to HK\$15,167,534) and Vinda China reinvested those dividends in Vinda Paper (Xiaogan) Company Limited (“Vinda Xiaogan”). Accordingly, Vinda China received government grants amounting to RMB 507,470 (equivalent to HK\$ 575,754) from People’s Republic of China (PRC) local tax bureau in January 2009.

10 Income taxes

PRC enterprise income tax has been provided at the rates ranging from 12.5% to 25% (six months ended 30 June 2008: 0% to 25%) on the profits generated by PRC incorporated subsidiaries with reference to the existing tax benefit entitlements of some of these subsidiaries. Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2008: 16.5%) on the estimated assessable profit for the year. Taxation on profits derived from overseas 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	
	2009	2008
	HK\$	HK\$
Current income tax		
– Hong Kong profits tax	6,737,240	2,552,966
– PRC enterprise income tax	53,973,012	20,291,119
Deferred income tax	(7,960,869)	(821,251)
	<u>52,749,383</u>	<u>22,022,834</u>

11 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	
	2009	2008
	HK\$	HK\$
Profit attributable to equity holders of the Company (HK\$)	<u>180,155,245</u>	<u>61,763,884</u>
Weighted average number of ordinary shares in issue	<u>903,958,813</u>	<u>903,841,686</u>
Basic earnings per share (HK\$ per share)	<u><u>0.199</u></u>	<u><u>0.068</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.

	Unaudited	
	Six months ended 30 June	
	2009	2008
	HK\$	HK\$
Profit attributable to equity holders of the Company (HK\$)	<u>180,155,245</u>	<u>61,763,884</u>
Adjusted weighted average number of ordinary shares in issue	<u>908,696,204</u>	<u>903,841,686</u>
Diluted earnings per share (HK\$ per share)	<u><u>0.198</u></u>	<u><u>0.068</u></u>

12 Dividends

On 27 May 2008, the Board of Directors proposed a dividend in respect of the year ended 31 December 2007 of HK\$ 19,884,517, representing HK\$ 0.022 per ordinary share. The dividend was paid in June 2008.

On 25 May 2009, the Board of Directors proposed a dividend in respect of the year ended 31 December 2008 of HK\$ 41,595,118, representing HK\$ 0.046 per ordinary share. The dividend was paid in June 2009.

13 Currency translation differences

According to HKAS1 (revised), "Presentation of financial statement", all "non-owner changes in equity" are required to be shown in a performance statement. The other comprehensive income of the Group is mainly composed of currency exchange differences, which were raised from difference functional currency and presentation currency. The currency exchange differences for the six months ended 30 June 2009 were HK\$ 155,126 (six months ended 30 June 2008: HK\$ 99,580,628).

14 Subsequent event

On 6 July, 2009, one of the Group's subsidiaries, Vinda North Paper (Beijing) Company Limited ("Vinda Northern Paper") received a penalty notification from Beijing Municipal Bureau of Land and Resources (the "Beijing Land Bureau") as Vinda Northern Paper built plant on the land without land use right certificate in Pinggu District. As of 4 September 2009, the fine of RMB 243,654 has been settled according to the notification, and the local (where Vinda Northern Paper operates) branch of the Land Bureau has accepted Vinda Northern Paper's application for issuance of the land use right certificate, pending assessment of the relevant land premium.

Vinda Northern Paper has consulted its Chinese lawyer on the penalty notification. According to the legal advice, under "Law of Land Administration of the People's Republic of China", the penalty for illegal occupation of land without approval may include order of return illegally occupied land, the confiscation of newly built buildings and other facilities thereon and a fine. The legal advice is of the opinion that the risk of having its land use rights, buildings and other facilities constructed thereon being confiscated would be low.

MANAGEMENT DISCUSSION AND ANALYSIS

The Board of Vinda International Holding Limited ("Vinda International" or the "Company") is pleased to present the Interim Report of the Company and its subsidiaries (the "Group") for the period ended 30 June 2009 (the "Period").

The global financial crisis adversely affected the real economy and the fast moving consumer goods market. Compared with the same period in the previous year, the GDP growth rate of the People's Republic of China (the "PRC") in the first half of 2009 significantly slowed down to 7.1%. As a result of the slowdown of the economic growth and the growth of consumer purchasing power, competition of household paper products became even more severe. However, armed with our brand equity and thanks to timely action taken by management on reading the market trend, coupled with the reduction in price of woodpulp, our major raw materials, the Group recorded a sustained turnover growth with satisfactory results for the Period.

For the six months ended 30 June 2009, the turnover of the Group reached HK\$1,346,074,193 (2008: HK\$1,184,801,189), representing an increase of 13.6% over the same period last year. Profit attributable to shareholders was HK\$180,155,245 (2008: HK\$61,763,884), representing an increase of 191.7% over the same period last year. Earnings per share were HK\$ 19.9 cents (2008: HK\$6.8cents), an increase of 191.6% over the last corresponding period. These numbers tells of the efficacy of our proactive action taken in the face of against the financial crisis and the effectiveness of our management. The leadership position of the Group in the industry has fortified.

BUSINESS REVIEW

The Group has proclaimed 2009 as the “Year of Innovation”. Despite the global economic downturn, the Group maintained satisfactory results and a sound financial position. In the first half of the year, the total sales of the Group amounted to HK\$ 1,346,074,193, representing an increase of 13.6% over the same period last year. In order to cope with the unfavorable economic conditions, the Group adopted a “Dual Brands” marketing strategy at the beginning of the year. Differentiated consumer clusters are targeted. Our brand resources were restructured, and differentiating marketing policies introduced. These not only ensured our primary-brand products continued to grow in sales, but also elevated our secondary-brand products’ sales to second-and third-tier cities. In the first half of the year, the “Dual Brands” marketing strategy has achieved sound results.

In view of the adverse consumer market conditions, the Group had remained flexible in tuning its marketing strategies according to the regional or local competitive landscape. Market penetration was further improved by pitching appropriate marketing resources. Moreover, the Group uplifted Vinda’s brand image by mass-implementing eye-catching display modules at points of sale through our “Ten Thousand Shops Over Hundred Cities” project.

Our strong capabilities in research and development of new products and marketing innovation are key to the growth of Vinda International. Towards the end of the period under review, the Group launched personal care products - Wet tissues. In light of the threats of H1N1 Influenza A, we made a timely launch and organized a national community campaign of “Clean Your Hands and Care For All (「手」護健康、關愛你我)” and officially launched various kinds of wet tissue products which are new product lines of the Group. A leap forward in our bid to diversify our product offering, optimize our product mix and enhance our profitability. Our wet tissue products have been well received, and sales has progressed as expected.

It is our all-time goal to improve production efficiency and reduce our production costs. Step by step, an IT platform has been erected for knowledge sharing. Locally created technology enhancement programs, production management methodology, logistics management modeling, and knowhow in operating manufacturing equipment that have proven themselves effective and useful can now be employed groupwide at each of our six production bases. Systems approach to management and uniformized strategy in production management have moved forward to the next level, delivering positive results.

Quality is the lifeblood to our Brand. Apart from improving operation efficiency, the Group also emphasizes quality control by upgrading our production control capabilities and enhancing our analytical ability over the trend of product quality and process control during production. This has effectively reduced costs, and improved both yield and control over product quality.

Sustainable development is a social responsibility of all corporate citizens. Protecting the environment is high on the Company's corporate agenda. During production, we would control the COD (Chemical Oxygen Demand) of effluent in compliance with the required standards through real-time online monitoring. Wastes are recycled and treated to minimise their impact to the environment. On procurement, we have introduced environment-friendliness and sustainable development certification as criteria when admitting procurement counterparties. Numerous FSC (Forestry Stewardship Council) or PEFC (Programme for the Endorsement of Forest Certification Schemes) accredited supplier enterprises have been selected as our preferred long term procurement partners for woodpulp sourcing.

BUSINESS STRATEGY

Collaboration and growth with our revenue partners have always been our long term precept. We will continue to seek for innovation in our business model and strengthen our business strategic alliance. We will also maintain close communication with our revenue partners on customer needs to strive for mutual development and benefits. Pursuant to our regional development strategy, we will speed up the development of our presence in second- and third-tier cities and suburbs market. We will expedite our "Ten Thousand Shops Over Hundred Cities" Project for enhancing the value of the Brand and market share. With regard to marketing, sports events sponsorship will be a continued focus to help promote our Vinda Brand and our household tissue paper and our new wet tissue products to meet the increasing demand from customers.

HUMAN RESOURCES AND MANAGEMENT

The Group sees its employees as its most valuable assets and endeavors to build a harmony at the work place, providing employees with ample opportunities for internal promotion and career development, with an aim to nurture and retain a talented and competent workforce. During the Period, in order to enhance the professional knowledge and skillsets of our employees and sharpen their understanding of the development of markets and technology, the Group subsidizes and encourages employees to participate in work-relevant training courses, seminars, trade conference and technology trainings. The Group also organizes extensive campaigns for fostering team spirit so as to strengthen team unity and maintain the vigor of the organization.

Pursuant to the share option scheme adopted on 19 June 2007 by the Group, 27,546,000 share options were granted in February 2009 to certain directors and executives of the Group. A total of 400,000 share options have been exercised to subscribe for shares in the Company during the first half of 2009. As at 30 June 2009, 27,146,000 share options remained outstanding.

As at 30 June 2009, the Group has 4,921 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 remained healthy. As at 30 June 2009, the Group's bank and cash balances amounted to HK\$238,686,526 (31 December 2008: HK\$173,073,712), and short-term and long-term loans in aggregate amounted to HK\$736,711,549 (31 December 2008: HK\$744,286,796). The annual interest rates of bank loans ranged from 0.68% to 7.74%.

As at 30 June 2009, the gross gearing ratio was 39.3% (31 December 2008: 43.5%), 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 bank balances and cash, and restricted deposits as a percentage of the total shareholders' equity, was 26.6% (31 December 2008: 33.5%).

FOREIGN EXCHANGE RISKS

The majority of Group's transactions are settled in RMB, US dollar and HK dollar. A predominant portion of sales revenue and purchases of ancillary materials are made in the PRC, while the majority of key raw materials are imported and paid in US dollar. As at 30 June 2009, the Group had not entered into any foreign exchange contracts. Management will closely monitor foreign exchange risks.

INTERIM DIVIDEND

The Board has resolved to pay in interim dividend for the period ended 30 June 2009 at HK\$ 0.03 (2008: nil) totaling HK\$ 27,127,250.58. The interim dividend will be paid on or about 30 October 2009 to shareholders whose names appear on the register of member of the Company on 15 October 2009.

CLOSE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 15 October 2009 to 19 October 2009 (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 2009 for registration of transfer.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30 June 2009, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

FUTURE PROSPECTS

With the launch of various economic stimulus measures by the central government, the economy at large has recovered and market confidence has been restored. However, the management expects that keen competition in the market of FMCG (Fast Moving Consumer Goods), and in particular, the market of household tissue paper products, might not subside in view of new production capacities coming on steam and strict enforcement of environmental protection regulations.

International woodpulp prices has started its rebound since April. Woodpulp prices are expected to continue an upward trend in the second half of the year. On the other hand, the State policy to focus on environmental protection will push forward. The result:

1. Increasing concentration of production capacity at enterprises which boast advanced equipment that can produce with high quality, consume less energy, is less polluting, and suffer lesser wastage of raw materials;
2. Increasing concentration of market share in a small number of enterprises that command a nationwide brand recognition.

The Group will capitalize upon this opportunity to keep moving forward with a sound expansion plan and strengthen its capability to innovate and consolidate its market position.

In the second half year, opportunities and threats await. Woodpulp price has now turned north, while the PRC economy continues its recovery. The Group will implement the following strategies:

1. integrate further our core strength in production capabilities and management know-how, thereby striking an optimum balance between quality and cost-efficiency;
2. follow-through of our prudent financial management policy;
3. build a competent and effective team in marketing and sales, who will weave and widen our network of distribution channels.

And by these, we strive to build long term value for our shareholders and other stakeholders.

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 2009, 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 is currently both the Chairman of the Board and the Chief Executive Officer. The Board believes that the posts of Chairman and Chief Executive Officer being performed by the

same person would provide the Group with strong and consistent leadership in the development and execution of long-term business strategies and development plans. The Board believes that there is adequate balance between the power and duty.

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. 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 during the six months ended 30 June 2009.

AUDIT COMMITTEE

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

This announcement is published on the websites of Vinda International Holdings Limited (www.vindapaper.com) and The Stock Exchange of Hong Kong Limited (www.hkexnews.hk). The 2009 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, 4 September 2009

As at the date of this announcement, the executive Directors are Mr. LI Chao Wang, Ms. YU Yi 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.