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 2010

FINANCIAL HIGHLIGHTS

	2010	2009	**Changes**
Revenue *(HK$)*	**3,602,168,770**	2,776,116,529	**+29.8%**
Profit attributable to equity holders of the Company *(HK$)*	**368,946,107**	397,799,707	**–7.3%**
Gross profit margin	**29.5%**	34.2%	**–4.7p.p.**
Net profit margin	**10.2%**	14.3%	**–4.1p.p.**
Earnings per share *(HK$)* — basic	**40.4 cents**	44.0 cents	**–8.2%**
Dividend per share *(HK$)*	**12.0 cents**	12.0 cents	
— interim dividend (paid) *(HK$)*	**3.3 cents**	3.0 cents	
— final dividend (proposed) *(HK$)*	**8.7 cents**	9.0 cents	
Finished goods turnover	**32 days**	36 days	
Debtors turnover	**43 days**	39 days	

RESULTS

The board of directors (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 2010 (the "Year").

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		For the year ended 31 December	
		2010	2009
	Note	***HK$***	*HK$*
Revenue	4	**3,602,168,770**	2,776,116,529
Cost of sales	5	**(2,540,131,315)**	(1,825,317,921)
Gross profit		**1,062,037,455**	950,798,608
Selling and marketing costs	5	**(444,985,005)**	(281,002,421)
Administrative expenses	5	**(181,352,062)**	(155,651,477)
Other income and gains — net		**27,769,484**	8,601,735
Operating profit		**463,469,872**	522,746,445
Finance income		**2,700,957**	1,829,438
Finance costs		**(5,989,635)**	(29,331,701)
Finance costs — net	6	**(3,288,678)**	(27,502,263)
Profit before income tax		**460,181,194**	495,244,182
Income tax expense	7	**(91,235,087)**	(97,444,475)
Profit attributable to equity holders of the Company		**368,946,107**	397,799,707
Other comprehensive income			
Currency translation differences		**80,850,222**	2,494,422
Total comprehensive income attributable to equity holders of the Company		**449,796,329**	400,294,129
Earnings per share for profit attributable to the equity holders of the Company for the year *(expressed in HK$ per share)*			
— basic	8(a)	**0.404**	0.440
— diluted	8(b)	**0.398**	0.437
Dividends	9	**112,376,123**	108,545,003

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December **2010** *HK$*	2009 *HK$* (restated)	As at 1 January 2009 *HK$* (restated)
ASSETS				
Non-current assets				
Property, plant and equipment		**2,272,640,034**	1,838,591,852	1,866,288,172
Leasehold land and land use rights		**160,496,665**	145,408,286	103,381,135
Intangible assets		**11,085,320**	6,881,218	740,895
Deferred income tax assets		**87,688,594**	72,909,571	47,508,724
Total non-current assets		**2,531,910,613**	2,063,790,927	2,017,918,926
Current assets				
Inventories		**1,321,689,469**	912,068,945	491,755,387
Trade receivables, other receivables and prepayments	10	**647,011,913**	409,312,796	259,669,018
Due from related parties		**1,100,830**	5,458,343	5,300,643
Pledged bank deposits		**45,689**	760,931	884,454
Cash and cash equivalents		**389,551,782**	346,949,107	172,189,258
Total current assets		**2,359,399,683**	1,674,550,122	929,798,760
Total assets		**4,891,310,296**	3,738,341,049	2,947,717,686
EQUITY				
Capital and reserves attributable to the Company's equity holders				
Share capital	12	**93,673,169**	90,464,169	90,384,169
Share premium	12	**1,113,265,875**	838,018,579	834,834,579
Other reserves				
— Proposed final dividend		**81,495,657**	81,417,752	41,576,718
— Others		**1,399,720,969**	1,060,007,903	742,291,177
Total equity		**2,688,155,670**	2,069,908,403	1,709,086,643

	Note	As at 31 December 2010 HK$	2009 HK$ (restated)	As at 1 January 2009 HK$ (restated)
LIABILITIES				
Non-current liabilities				
Borrowings	13	**530,262,883**	350,394,107	308,019,393
Deferred government grants		**69,980,811**	63,467,626	33,127,079
Deferred income tax liabilities		**1,713,636**	1,794,270	1,556,700
Total non-current liabilities		**601,957,330**	415,656,003	342,703,172
Current liabilities				
Trade payables, other payables and accrued expenses	11	**980,263,434**	680,034,008	429,879,934
Due to a related party		—	1,054,572	568,205
Borrowings	13	**557,414,488**	512,828,685	436,267,403
Current income tax liabilities		**63,519,374**	58,859,378	29,212,329
Total current liabilities		**1,601,197,296**	1,252,776,643	895,927,871
Total liabilities		**2,203,154,626**	1,668,432,646	1,238,631,043
Total equity and liabilities		**4,891,310,296**	3,738,341,049	2,947,717,686
Net current assets		**758,202,387**	421,773,479	33,870,889
Total assets less current liabilities		**3,290,113,000**	2,485,564,406	2,051,789,815

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 2009		90,384,169	834,834,579	783,867,895	1,709,086,643
Profit for the year		—	—	397,799,707	397,799,707
Other comprehensive income					
— currency translation differences		—	—	2,494,422	2,494,422
Total comprehensive income for 2009		—	—	400,294,129	400,294,129
Transaction with owners					
Employees share option scheme					
— Value of employee services		—	—	26,866,000	26,866,000
— Exercise of options	12	80,000	3,184,000	(880,000)	2,384,000
Dividends	9	—	—	(68,722,369)	(68,722,369)
Transaction with owners		80,000	3,184,000	(42,736,369)	(39,472,369)
Balance at 31 December 2009		90,464,169	838,018,579	1,141,425,655	2,069,908,403
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 options	12	**359,000**	**14,182,340**	**(3,843,140)**	**10,698,200**
— Allotment of shares	12	**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**

CONSOLIDATED CASH FLOW STATEMENT

	For the year ended 31 December	
	2010	2009
	HK$	*HK$*
Cash flows from operating activities		
— cash generated from operations	**248,189,108**	400,977,436
— interest paid	**(25,348,718)**	(30,790,913)
— income tax paid	**(100,389,688)**	(91,631,155)
Net cash generated from operating activities	**122,450,702**	278,555,368
Cash flows from investing activities		
— purchase of property, plant and equipment	**(451,687,914)**	(107,997,117)
— proceeds from disposal of property, plant and equipment	**886,643**	930,358
— payment for leasehold land and land use rights	**(14,339,216)**	(44,663,348)
— purchase of intangible assets	**(6,530,307)**	(7,031,941)
— interest received	**2,700,957**	1,829,438
Net cash used in investing activities	**(468,969,837)**	(156,932,610)
Cash flows from financing activities		
— proceeds from shares issued	**274,613,156**	2,384,000
— proceeds from borrowings	**1,513,082,436**	1,546,453,411
— repayments of borrowings	**(1,288,627,857)**	(1,427,517,415)
— decrease in pledged bank deposits	**715,242**	123,523
— dividends paid	**(112,298,218)**	(68,722,369)
Net cash generated from financing activities	**387,484,759**	52,721,150
Net increase in cash and cash equivalents	**40,965,624**	174,343,908
Effect of foreign exchange rate changes	**1,637,051**	415,941
Cash and cash equivalents, beginning of the year	**346,949,107**	172,189,258
Cash and cash equivalents, end of the year	**389,551,782**	346,949,107

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 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 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 30 March 2011.

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.

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) Prior year adjustment — changes in accounting policies

In November 2010 the HKICPA issued Hong Kong Interpretation 5 "Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause". The Interpretation is effective immediately and is a clarification of an existing standard of the HKICPA that a term loan which contains a clause which gives the lender the unconditional right to demand repayment at any time shall be classified as a current liability in accordance with paragraph 69(d) of HKAS 1 irrespective of the probability that the lender will invoke the clause without cause.

In order to comply with the requirements of Hong Kong Interpretation 5, the Group has changed its accounting policy on the classification of term loans that contain a repayment on demand clause. Under the new policy, term loans with clauses which give the lender the unconditional right to call the loan at any time are classified as current liabilities in the balance sheet. Previously such term loans were classified in accordance with the agreed repayment schedule unless the Group had reason to believe that the lender would invoke its rights under the immediate repayment clause within the foreseeable future.

The new accounting policy has been applied retrospectively by re-presenting the opening balances at 1 January 2009, with consequential reclassification adjustments to the comparatives for the year ended 31 December 2009. The reclassification has had no effect on reported profit or loss, total comprehensive income or equity for any period presented.

Effect of adoption of Hong Kong Interpretation 5 on the balance sheet

	As at 31 December 2010 *HK$*	As at 31 December 2009 *HK$*	As at 1 January 2009 *HK$*
Increase/(decrease) in			
Current liabilities			
Bank borrowings	**85,500,000**	247,345,217	157,856,113
Non-current liabilities			
Bank borrowings	**(85,500,000)**	(247,345,217)	(157,856,113)

(b) New and amended standards adopted by the Group

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2010.

- 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.

- HKAS 27 (Revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. HKAS 27 (revised) has had no impact on the current period, as none of the non-controlling interests have a deficit balance; there have been no transactions whereby an interest in an entity is retained after the loss of control of that entity, and there have been no transactions with non-controlling interests.

- 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. As a result, leases of land should be classified as either finance or operating lease using the general principles of HKAS 17, i.e. whether the lease transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Prior to the amendment, land interest which title is not expected to pass to the Group by the end of the lease term was classified as operating lease under "Leasehold land and land use rights", and amortised over the lease term.

  HKAS 17 (Amendment) has been applied retrospectively for annual periods beginning 1 January 2010 in accordance with the effective date and transitional provisions of the amendment. 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 recognised the leasehold land in Hong Kong as finance lease retrospectively. As a result of the reassessment, the Group has reclassified certain leasehold land from operating lease to finance lease.

  The land interest of the Group that is held for own use is accounted for as property, plant and equipment and is depreciated from the land interest available for its intended use over the shorter of the useful life of the asset and the lease term.

The reclassification has had no effect on reported profit or loss, total comprehensive income or equity for any period presented. The effect of the adoption of this amendment on the balance sheet is as below:

	As at 31 December 2010	As at 31 December 2009	As at 1 January 2009
	HK$	*HK$*	*HK$*
(Decrease)/Increase in Leasehold land and land use rights	**(13,577,053)**	(13,501,956)	(13,913,843)
Property, plant and equipment	**13,577,053**	13,501,956	13,913,843

(c) New and amended standards, and interpretations mandatory for the first time for the financial year beginning 1 January 2010 but not currently relevant to the Group (although they may affect the accounting for future transactions and events)

HK(IFRIC) 17	Distribution of non-cash assets to owners
HK(IFRIC) 18	Transfers of assets from customers
HK(IFRIC) 9	Reassessment of embedded derivatives and HKAS 39, Financial instruments: Recognition and measurement
HK(IFRIC) 16	Hedges of a net investment in a foreign operation
HKAS 1 (Amendment)	Presentation of financial statements
HKAS 36 (Amendment)	Impairment of assets
HKFRS 2 (Amendment)	Group cash-settled share-based payment transactions
HKFRS 5 (Amendment)	Non-current assets held for sale and discontinued operations

(d) New standards, amendments and interpretations have been issued but are not effective for the financial year beginning 1 January 2010 and have not been early adopted.

		Effective date
HKAS 12 (Amendment)	Income tax	1 January 2012
HKAS 24 (Revised)	Related Party Disclosures	1 January 2011
HKAS 32 (Amendment)	Classification of rights issues	1 January 2011
HKFRS 9	Financial Instruments: Classification and measurement	1 January 2013
HK (IFRIC) 14	Prepayments of a Minimum Funding Requirement	1 January 2011
HK (IFRIC) 19	Extinguishing Financial Liabilities with Equity Instruments	1 January 2011

Amendments and interpretations as mentioned above are not expected to have a material effect on the Group's operating results, financial position or comprehensive income.

Apart from the above, the HKICPA has issued the third annual improvements project (2010) in May 2010 which sets out amendments to a number of HKFRSs primarily with a view to remove inconsistencies and to clarify wordings. The Group has not applied the following revised HKFRSs published in the third annual improvements project.

		Effective date
HKFRS 3 (Revised)	Business combinations	1 January 2011
HKFRS 1	First-time Adoption of Hong Kong Financial Reporting Standards	1 January 2011
HKFRS 7	Financial Instruments: Disclosures	1 January 2011
HKAS 1	Presentation of Financial Statements	1 January 2011
HKAS 34	Interim financial reporting	1 January 2011
HK (IFRIC) — Int 13	Customer loyalty programmes	1 January 2011
HKAS 27	Consolidated and separate financial statements	1 July 2011

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	
	2010	2009
	HK$	*HK$*
Sales of goods	**3,430,308,055**	2,612,936,594
Sales of semi-finished goods and other materials	**171,860,715**	163,179,935
Total revenue	**3,602,168,770**	2,776,116,529

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

The executive committee has also determined that no geographical segment information is presented as about 88% of the Group's sales are derived within the People's Republic of China (the "PRC") and over 90% operating assets of the Group are located in the PRC, which is considered one geographic location with similar risks and returns.

The Company is domiciled in Hong Kong. The result of its revenue from external customers in Mainland China, Hong Kong and other overseas is HK$3,186,738,815 (2009: HK$2,398,014,521), HK$392,717,315 (2009: HK$343,736,896), HK$22,712,640 (2009: HK$34,365,112) respectively.

The total non-current assets are analysed as follows:

	As at 31 December	
	2010	2009
	HK$	*HK$*
Total non-current assets other than deferred tax assets		
— Mainland China	**2,414,232,192**	1,962,321,816
— Hong Kong and other overseas	**29,989,827**	28,559,540
Deferred tax assets	**87,688,594**	72,909,571
Total non-current assets	**2,531,910,613**	2,063,790,927

5 EXPENSES BY NATURE

	For the year ended 31 December	
	2010	2009
	HK$	*HK$*
		(restated)
Material costs	**2,054,048,057**	1,437,698,791
Staff costs	**247,416,104**	207,777,854
Utilities	**229,096,542**	166,045,132
Transportation expenses	**172,341,940**	111,609,034
Promotion expenses	**129,772,745**	76,082,161
Depreciation of property, plant and equipment	**123,094,342**	115,089,374
Other expenses	**95,300,218**	69,881,514
Advertising costs	**41,522,948**	30,887,191
Travel and office expenses	**26,213,130**	17,478,379
Real estate tax, stamp duty and other taxes	**11,378,515**	10,885,534
Operating lease rental	**11,076,360**	3,251,358
Bank charges	**6,409,086**	5,270,587
Provision for impairment of receivables *(Note 10)*	**6,025,451**	761,257
Auditor's remuneration	**5,627,010**	5,560,599
Amortisation of leasehold land and land use rights	**4,480,906**	2,835,785
Amortisation of intangible assets	**2,553,924**	902,001
Provision for/(reversal of) write-down of inventories (a)	**111,104**	(44,732)
Total cost of sales, selling and marketing costs and administrative expenses	**3,166,468,382**	2,261,971,819

(a) The reversal of the provision for write-down of inventories for the year ended 31 December 2009 was caused by the ultimate disposal at a realisable value in excess of the ultimate made at the time of provision.

6 FINANCE INCOME AND COSTS

	For the year ended 31 December	
	2010	2009
	HK$	*HK$*
Interest expense		
— bank borrowings	**(27,653,957)**	(29,468,838)
Net foreign exchange translation gain	**21,664,322**	137,137
Finance costs	**(5,989,635)**	(29,331,701)
Finance income		
— interest income on bank deposits	**2,700,957**	1,829,438
Net finance costs	**(3,288,678)**	(27,502,263)

7 INCOME TAX EXPENSE

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

	For the year ended 31 December	
	2010	2009
	HK$	*HK$*
Current income tax		
— Hong Kong profits tax	**22,743,200**	19,887,094
— PRC enterprise income tax	**80,642,432**	102,620,516
Deferred income tax	**(12,150,545)**	(25,063,135)
	91,235,087	97,444,475

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	
	2010	2009
Profit attributable to equity holders of the Company *(HK$)*	**368,946,107**	397,799,707
Weighted average number of ordinary shares in issue	**912,749,023**	904,114,563
Basic earnings per share *(HK$ per share)*	**0.404**	0.440

(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	
	2010	2009
Profit attributable to equity holders of the Company *(HK$)*	**368,946,107**	397,799,707
Weighted average number of ordinary shares in issue	**912,749,023**	904,114,563
Adjustments for share options	**14,283,848**	6,074,884
Weighted average number of ordinary shares for diluted earnings per share	**927,032,871**	910,189,447
Diluted earnings per share *(HK$ per share)*	**0.398**	0.437

9 DIVIDEND

	2010	2009
	HK$	*HK$*
Interim dividend paid of HK$0.033 (2009:HK$0.030) per ordinary share	**30,880,466**	27,127,251
Proposed final dividend of HK$0.087 (2009:HK$0.090) per ordinary share	**81,495,657**	81,417,752

At a meeting held on 30 March 2011, the Board of Directors proposed a final dividend in respect of the year ended 31 December 2010 of HK$0.087 per ordinary share, totalling HK$81,495,657. 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 2010 and 2009 were HK$112,298,218 and HK$68,722,369 respectively.

10 TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

	As at 31 December	
	2010	2009
	HK$	*HK$*
Trade receivables	**495,091,581**	363,034,124
Less: Provision for impairment of trade receivables	**(8,646,148)**	(5,192,658)
Trade receivables, net	**486,445,433**	357,841,466
Other receivables		
— deductible input value-added tax	**107,164,616**	9,336,763
— purchase rebates	**25,174,909**	17,404,733
— others	**11,637,873**	10,552,730
Other receivables	**143,977,398**	37,294,226
Trade and other receivables, net	**630,422,831**	395,135,692
Notes receivable	**1,714,439**	454,287
Prepayments		
— for purchase of raw materials	**5,331,184**	6,070,148
— prepaid income tax recoverable	**4,854,976**	3,190,924
— others	**4,688,483**	4,461,745
	647,011,913	409,312,796

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

	As at 31 December	
	2010	2009
	HK$	*HK$*
RMB	**550,386,384**	327,211,382
HK$	**66,910,275**	56,752,934
US$	**25,823,892**	20,000,860
Other currencies	**3,891,362**	5,347,620
	647,011,913	409,312,796

As at 31 December 2010 and 2009, 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 2010 and 2009 are as below:

	As at 31 December	
	2010	2009
	HK$	*HK$*
Within 3 months	**453,144,930**	343,945,639
4 months to 6 months	**32,171,746**	14,014,678
7 months to 12 months	**7,605,866**	1,165,507
Over 1 year	**2,169,039**	3,908,300
	495,091,581	363,034,124

As of 31 December 2010, trade receivables of HK$33,300,503 (2009: HK$13,895,827) were past due but not impaired. These balances relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	As at 31 December	
	2010	2009
	HK$	*HK$*
4 months to 6 months	**29,045,165**	13,189,459
7 months to 12 months	**4,255,338**	706,368
	33,300,503	13,895,827

As at 31 December 2010, trade receivables of HK$8,646,148 (2009: HK$5,192,658) were impaired and fully provided for. The individually impaired receivables mainly relate to customers with different credit ratings. The ageing of these receivables is as follows:

	As at 31 December	
	2010	2009
	HK$	*HK$*
4 months to 6 months	**3,126,581**	825,219
7 months to 12 months	**3,350,528**	459,139
Over 1 year	**2,169,039**	3,908,300
	8,646,148	5,192,658

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

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

	For the year ended 31 December	
	2010	2009
	HK$	*HK$*
As at 1 January	**(5,192,658)**	(4,788,288)
Provision for impairment of receivables	**(6,025,451)**	(761,257)
Receivables written off as uncollectible during the year	**2,827,390**	364,833
Exchange differences	**(255,429)**	(7,946)
As at 31 December	**(8,646,148)**	(5,192,658)

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

11 TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES

	As at 31 December	
	2010	2009
	HK$	*HK$*
Trade payables	**580,094,715**	367,053,331
Notes payable	**23,891,598**	25,234,441
Other payables		
— salaries payable	**34,963,157**	28,261,046
— taxes payable other than income tax	**16,444,173**	20,865,049
— advances from customers	**56,330,544**	46,740,834
— payables for property, plant and equipment	**62,868,556**	28,106,189
— others	**81,117,915**	62,706,521
Accrued expenses		
— promotion fees	**59,284,038**	41,698,863
— utility charges	**17,088,829**	14,664,440
— transportation fees	**24,820,773**	18,515,668
— advertising fee	**13,316,029**	10,571,357
— others	**10,043,107**	15,616,269
	980,263,434	680,034,008

As at 31 December 2010 and 2009, the carrying amounts of the Group's trade payables, other payables and accrued expenses approximated their fair values.

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

	As at 31 December	
	2010	2009
	HK$	*HK$*
RMB	**644,263,801**	353,453,654
US$	**312,935,747**	306,065,267
HK$	**13,759,678**	15,682,313
Other currencies	**9,304,208**	4,832,774
	980,263,434	680,034,008

The credit period granted by the creditors generally ranged from 30 to 90 days. Ageing analysis of trade payables as at 31 December 2010 and 2009 are as follows:

	As at 31 December	
	2010	2009
	HK$	*HK$*
Within 3 months	**562,976,372**	327,622,215
4 months to 6 months	**8,844,268**	18,188,562
7 months to 12 months	**2,462,446**	15,584,726
1 year to 2 years	**4,015,199**	3,908,939
2 years to 3 years	**1,363,730**	1,327,640
Over 3 years	**432,700**	421,249
	580,094,715	367,053,331

12 SHARE CAPITAL AND SHARE PREMIUM

	Group & Company				
		Number of issued	Amount		
	Number of authorised shares	**and fully paid shares**	**Ordinary shares**	**Share premium**	**Total**
			HK$	*HK$*	*HK$*
At 1 January 2009	80,000,000,000	903,841,686	90,384,169	834,834,579	925,218,748
Employee share option scheme					
— Exercise of share options	—	800,000	80,000	3,184,000	3,264,000
At 31 December 2009	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	—	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

On 27 September 2010, the Company, Fu An International Company Limited (a substantial shareholder of 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, at the placing price of HK$9.50 per share owned by the Vendors, to independent investors.

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.

As at 31 December 2010 and 2009, the par value of authorised and issued ordinary shares is HK$ 0.1 per share.

13 BORROWINGS

	As at 31 December 2010 HK$	2009 HK$ (restated)	As at 1 January 2009 HK$ (restated)
Non-current			
Bank borrowings			
— Secured	**—**	—	113,853,518
— Unsecured	**501,405,338**	349,445,913	192,765,620
Unsecured other borrowings *(Note (a))*	**28,857,545**	948,194	1,400,255
Total non-current borrowings	**530,262,883**	350,394,107	308,019,393
Current			
Portion of loans from banks due for repayment within one year			
— Secured	**—**	—	43,347,885
— Unsecured	**471,444,398**	265,029,180	234,156,273
Portion of loans from banks due for repayment after one year which contain a repayment on demand clause			
— Unsecured	**85,500,000**	247,345,217	157,856,113
Unsecured other borrowings *(Note (a))*	**470,090**	454,288	907,132
Total current borrowings	**557,414,488**	512,828,685	436,267,403
Total borrowings	**1,087,677,371**	863,222,792	744,286,796

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

(b) The maturity of borrowings is as follows:

	Bank borrowings As at 31 December 2010 HK$	Bank borrowings 2009 HK$	Other borrowings As at 31 December 2010 HK$	Other borrowings 2009 HK$
Portion of loans due for repayment within one year:	**471,444,398**	265,029,180	**470,090**	454,288
Loans due for repayment after one year *(Note 1)*:				
Between 1 and 2 years	**357,655,338**	300,910,918	**511,088**	454,288
Between 2 and 5 years	**229,250,000**	295,880,212	**28,346,457**	493,906
	1,058,349,736	861,820,310	**29,327,635**	1,402,482

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.

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

	Bank borrowings As at 31 December		**Other borrowings As at 31 December**	
	2010	2009	**2010**	2009
HK$	**1.70%–2.11%**	1.42%–2.99%	**—**	—
US$	**1.29%–2.69%**	1.15%–2.28%	**—**	—
RMB	**4.86%–5.76%**	4.05%–5.76%	**0%**	0%

(d) 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:

	As at 31 December 2010		As at 31 December 2009	
	HK$	***RMB***	*HK$*	*RMB*
Bank borrowings	**2.05%**	**5.10%**	2.06%	5.70%

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

	As at 31 December	
	2010	2009
	HK$	*HK$*
RMB	**249,094,942**	310,317,871
HK$	**629,327,863**	390,652,778
US$	**209,254,566**	162,252,143
	1,087,677,371	863,222,792

MANAGEMENT DISCUSSION AND ANALYSIS

The recovery path for the global economy in 2010 was full of twists and turns. Thanks to the PRC government's effective strategy of propelling domestic demand, the Chinese economy managed to maintain "stable and relatively rapid development" against the backdrop of a complex domestic and international environment. In 2010, total national retail sales of consumer goods increased by 18.4% while the per capita disposable income of urban residents grew by 11.3%, underscoring promising prospects for the mid-to high-end household paper market.

Strong Sales Growth and Continuous Product Mix Optimization

With strong consumer sentiment in the PRC economy, sales of the Group attained growth of nearly 30% in 2010. By optimizing the product mix, the Group recorded a double-digit net profit margin.

Sales of toilet rolls grew by 26.9%, accounting for 61.1% (2009: 62.4%) of the Group's total sales. Sales of handkerchief tissue, box tissue, softpack and wet tissue, which are targeted at mid-market and up-market consumers, posted year-on-year growth of 39.5%, accounting for 34.2% (2009: 31.8%) of the Group's total sales. Sales of the products under the "Pleasant Goat Series" accounted for approximately 8% of the Group's total sales.

On the other hand, the Group has been studying how to diversify into the personal care product business in recent years. In 2010, the Group formulated collaboration plans with competent OEM manufacturers, set up a professional market research and production management team and established an investment platform via an associated company, V-Care Holdings Limited ("V-Care"), to pave the way for the development of personal care products. Since February 2011, V-Care has completed the trial OEM production of its first batch of baby diapers and the market roll-out of the product is expected in the second half of the year. Targeting mid- and up-market customers, V-Care has laid a solid foundation for the long-term profit of the Group.

Strengthened Sales Network for Sustainable Development

During the year, the Group continued to expand its sales network, with 141 sales offices (2009: 125) and an increase in the number of distributors to 856 (2009: 715) by the end of 2010. With a healthy and strong distribution network, we have good reasons to believe the Group can sustain business growth. We not only work in close cooperation with distributors, outlets and direct clients to boost our retail performance, but also put effort into supporting our distributors and partners, actively sourcing new clients and enhancing market coverage of our products.

To the mutual benefit of the Group and our clients, we have been enhancing our existing enterprise resource planning (ERP) system for information management. Based on the data provided by professional market research partners, we monitor the market closely and react responsively to real-time market information, in order to ensure the healthy development of the overall business in the long term.

Stepped up Promotions and Beefed up Brand Image

Vinda's brand strength has always been a competitive edge for the Group. During the year, the Group stepped up efforts to promote its brand. Under the theme of "apply bliss to your skin with a ply of comfort" (柔韌一張、幸福主張), the Group launched a series of promotional activities in various media and at image stores to present the extraordinary brand image and product quality to a wider range of consumers. Besides placing creative advertisements in conventional media such as television and on public transport, the Group also successfully utilized internet resources to strengthen its interaction with consumers, particularly office-ladies, young people, children and online consumers. It also enhances the penetration of Vinda's products through use of its corporate website, microblog and online games. The innovative and eye-catching marketing campaign, DIY our Sweet Tissue Box, was one such success.

Measures against Pulp Cost Hike

Wood pulp prices in the international market have continued to bounce back since mid-2009 and hit new high in 2010. Chile and Finland, the two major wood pulp markets accounting in aggregate for an approximate 10% share of the world market, have both experienced supply disruptions due to an earthquake and labor strikes during the year under review. These led to a further increase in wood pulp prices of approximately 50% on a year-on-year basis and a surge in costs in the household paper industry. In view of this, the Group adjusted the prices of its products several times during the year while reducing sales of its premium packages and successfully offset part of the adverse impact from fluctuations in wood pulp prices. On the other hand, persistently high wood pulp prices have contributed to industry consolidation by forcing the closure of small players who could not endure the escalating raw material costs. This, coupled with the determination of the PRC government to enforce its environmental policies, created more room for the Group to grow.

Systematically Expanding Production Capacity and Preparing to Boost Sales

Sales volume of the Group's paper was 281,814 tons in 2010, representing an increase of 25.7% as compared with the previous year. The Group continued to expand its production capacity systematically during the year and increased its annual total capacity to 370,000 tons, including the 50,000 tons of additional capacity from the Hubei production base. For 2011, the Group plans to expand the capacity of its production bases in Liaoning and Sichuan by 25,000 tons each and by 50,000 tons in Zhejiang. The Group anticipates that its total annual capacity will reach 470,000 tons by the end of 2011. This will help the Group to be prepared for a surge in demand and to further reduce logistic costs and enhance economies of scale.

Consistently Improved Operational Efficiency

In 2010, the Group consistently adhered to the management concepts of "high quality, low wastage and high efficiency" and reiterated its target of achieving "safety, environmental protection, quality and cost reduction" in its production. During the year, the Group made significant progress in technical advancement, efficiency improvement, energy saving and emissions reduction. The Group obtained and filed approvals related to the application of 31 technical patents in total during the year. Capitalizing on such techniques, the processing efficiency of our factories was raised by over 15%. With regards to environmental protection, the Group continued to implement and reinforce its policies on energy saving and emissions reduction and successfully reduced water and steam energy consumption per ton of paper by 30% and over 3% respectively. With respect to production consumption controls, the policy to "reduce waste by 1%, increase utilization by 0.1 mm or 0.1 gram and save 10 minutes of energy" started to take effect. Wastage at our plants was further reduced, making the increase in production costs slower than that of raw material prices.

Human Resources and Management

Our high-caliber employees are key to the Group's sustainable development and its ability to compete in the industry. We have always emphasized the importance of management and provided ample advancement opportunities for outstanding management staff. In the first half of the year, we had the pleasure and honor of our Chief Executive Officer, Ms. Zhang Dong Fang, joining us and leading us to new heights. Moreover, the Group launched its first management trainee program, under which we assigned graduates from different disciplines and universities to various departments to groom fresh management talent with the right qualifications and expertise.

As at 31 December 2010, the Group had 6,196 staff members (2009: 5,351). The increase was attributable to the organic growth of the Group's business and resulted in a stable rise in remuneration expenditure. Staff remuneration packages are reviewed from time to time, taking into account local market conditions, individual experience and performance to ensure the competiveness of the Group's remuneration policies in the industry.

Foreign Exchange 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 RMB while most of the key raw materials are imported from overseas and denominated and paid in US dollars. The Group also maintains US-dollar trade finance and HK-dollar medium- to long-term bank loans in order to benefit from lower interest rates than that of RMB for the majority of its financing. As at 31 December 2010, the Group has not issued any material financial instruments. Save for the above, the Group has not entered into any instruments for hedging purposes.

Share-Based Payment

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

(i) with respect to the options granted to the directors, on or after 24 February 2009;

(ii) with respect to the options granted to the 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, no 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, no later than 14 April 2020.

In April 2010, the director accepted the share options.

Future Prospects

Challenges breed opportunities and every cloud has a silver lining. 2011 is the start of China's 12th Five-Year Plan. We anticipate that the Chinese economy will continue to exhibit a positive growth momentum. We also believe the Central Government will continue to implement more stringent environmental protection measures and that wood pulp will continue to trade at high levels.

In the coming year, the Group will keep upgrading its operational efficiency and remain committed to quality. In the meantime, we will actively develop our sales network and put more effort into promoting our goods to bring our brand image to the next level. With our solid brand presence and foundation, we believe that the Group will be able to maintain its leading position in the industry.

In 2011, we will focus on the following strategies:

1. step up efforts to build the brand and strengthen marketing to create star products with unique and attractive features; perfect our product mix for higher profitability; source new income streams by nurturing the health care product business;

2. maintain our well-established partnerships with wood pulp suppliers and centralize purchasing and procurement to raise the bargaining power of the Group; closely monitor and evaluate wood pulp quality from domestic suppliers so as to allow greater flexibility in choosing raw materials without jeopardizing the quality of Vinda's products;

3. continue to expand production capacity in a systematic manner and to promote production safety standards, with a medium- to long-term output goal of 700,000 tons of paper;

4. adhere to the principle of environmental protection through automation; and

5. further optimize the management of information system.

Liquidity, Financial Resources and Bank Loans

The Group's financial position remained healthy. As at 31 December 2010, the Group's bank and cash balances (including pledged bank deposits of HK$45,689 (2009: HK$760,931)) amounted to HK$389,597,471 (2009: HK$347,710,038), and short-term and long-term loans amounted to HK$1,087,677,371 (2009: HK$863,222,792). 48.8% of the bank borrowings are medium- to long- term (2009: 40.6%). Approximately 2.7% (2009: 0.16%) of the sum carried fixed interest rate. The annual interest rates of bank loans ranged from 1.29% to 5.76%.

As at 31 December 2010, the gearing ratio was 40.5% (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 cash and cash equivalents as a percentage of the total shareholders' equity, was 26.0% (2009: 24.9%).

Final Dividend

The Board has resolved to propose to shareholders the distribution of a final dividend for the year ended 31 December 2010 at HK8.7 cents (2009: HK9.0 cents) totaling HK$81,495,657, subject to approval by shareholders at the annual general meeting (the "AGM") on 18 May 2011. If so approved by shareholders, it is expected that the final dividend will be paid on or about 20 June 2011 to shareholders whose names appear on the register of member of the Company on 13 May 2011.

Close of Register of Members

The register of members of the Company will be closed from 13 May 2011 to 17 May 2011 (both days inclusive), during which period no transfer of shares will be registered. In order to establish entitlement to the final dividend to be approved at the AGM (and payable on or about 20 June 2011), all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 pm on 12 May 2011 for registration of transfer.

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

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

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 of the shareholders of the Company.

The Company has complied with all the code provisions set out in the Code on Corporate Governance Practices (the "Code") in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange Limited (the "Listing Rules") except for deviation from code provision A.2.1, which stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Li Chao Wang was both the Chairman of the Board and the Chief Executive Officer until January 2010. On 22 February 2010, Ms. Zhang Dong Fang was appointed as the Chief Executive Officer of the Company.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code 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 of all its directors regarding any non-compliance with the Model Code. All the directors of the Company confirmed that they have complied with the required standard set out in the Model Code for the year ended 31 December 2010.

Audit Committee

The Company has established an audit committee comprising 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 principal duties of the audit committee include the review and supervision of the financial reporting process and internal control system of the Group. The audit committee has reviewed the audited financial statements of the Group for the year ended 31 December 2010.

Remuneration Committee

The Company's remuneration committee comprises Dr. Cao Zhen Lei, Mr. Leung Ping Chung Hermann (resigned on 21 October 2010), Mr. Tsui King Fai, and Mr. Hui Chin Tong Godfrey (appointed on 11 November 2010). The chairman of the remuneration committee is Dr. Cao Zhen Lei. The principal duty of the remuneration committee is to regularly monitor the remuneration of all the directors and senior management to ensure that levels of their remuneration and compensation are appropriate.

Nomination Committee

The Company's nomination committee has three members comprising two independent non-executive directors, namely Mr. Hui Chin Tong Godfrey and Mr. Tsui King Fai, and an executive director Mr. Li Chao Wang. The chairman of the nomination committee is Mr. Hui Chin Tong Godfrey. The principal duty of the nomination committee is to consider and recommend to the Board 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 Annual Report

This announcement is published on the websites of the Company (www.vindapaper.com) and the Stock Exchange (www.hkexnews.hk). The 2010 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, 30 March 2011

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 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.