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 2013

FINANCIAL HIGHLIGHTS

	2013	2012	**Changes**
Revenue *(HK$)*	**3,313,654,946**	2,887,493,324	**+14.8%**
Gross profit *(HK$)*	**957,815,172**	903,043,827	**+6.1%**
Profit attributable to equity holders of the Company *(HK$)*	**283,984,356**	258,045,029	**+10.1%**
Gross profit margin	**28.9%**	31.3%	
Net profit margin	**8.6%**	8.9%	
Basic earnings per share *(HK$)*	**28.4 cents**	26.7 cents	**+6.4%**
Stock turnover	**119 days**	123 days	
Finished goods turnover	**34 days**	37 days	
Debtors turnover	**49 days**	47 days	
Interim dividend declared *(HK$)*	**4.8 cents**	4.3 cents	

RESULTS

The Board of Vinda International Holdings Limited ("Vinda International" or the "Company") is pleased to present the interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2013 (the "Period").

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Unaudited	
		Six months ended 30 June	
		2013	2012
	Note	***HK$***	*HK$*
Revenue	4	**3,313,654,946**	2,887,493,324
Cost of sales		**(2,355,839,774)**	(1,984,449,497)
Gross profit		**957,815,172**	903,043,827
Selling and marketing costs		**(438,366,882)**	(358,625,693)
Administrative expenses		**(165,362,575)**	(163,374,933)
Other income and gains — net		**29,745,333**	422,262
Operating profit	5	**383,831,048**	381,465,463
Interest expense		**(25,365,169)**	(26,802,383)
Net foreign exchange transaction gain/(loss)		**22,122,622**	(4,505,803)
Interest income		**2,130,709**	3,759,257
Finance costs, net		**(1,111,838)**	(27,548,929)
Share of post-tax loss of an associate		**(15,800,143)**	(3,136,224)
Profit before income tax		**366,919,067**	350,780,310
Income tax expense	6	**(82,934,711)**	(92,735,281)
Profit attributable to equity holders of the Company		**283,984,356**	258,045,029
Other comprehensive income:			
Items that may be reclassified to profit or loss			
— Currency translation differences		**77,108,126**	(20,536,247)
— Hedging reserve		**2,705,248**	(4,607,295)
Total comprehensive income attributable to equity holders of the Company		**363,797,730**	232,901,487
Earnings per share for profit attributable to the equity holders of the Company	7		
— basic	7(a)	**0.284**	0.267
— diluted	7(b)	**0.283**	0.264
Dividends	8	**47,984,769**	42,994,396

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Note	**Unaudited 30 June 2013** *HK$*	Audited 31 December 2012 *HK$*
ASSETS			
Non-current assets			
Property, plant and equipment	9	**4,664,507,233**	3,987,486,971
Investment properties	9	**32,511,065**	32,435,570
Leasehold land and land use rights	9	**288,222,296**	185,167,942
Intangible assets	9	**13,959,152**	12,954,724
Deferred income tax assets		**193,398,346**	175,685,073
Investment in an associate	10	**69,773,475**	64,357,657
Total non-current assets		**5,262,371,567**	4,458,087,937
Current assets			
Inventories		**1,655,520,325**	1,446,576,241
Trade receivables, other receivables and prepayments	11	**1,266,783,846**	1,115,984,965
Prepayments to and receivables from related parties		**47,439,715**	42,303,573
Restricted bank deposits		**2,461,943**	6,101,567
Cash and cash equivalents		**774,935,678**	753,586,651
Total current assets		**3,747,141,507**	3,364,552,997
Total assets		**9,009,513,074**	7,822,640,934
EQUITY			
Share capital		**99,968,269**	99,938,269
Share premium		**1,670,413,032**	1,668,318,024
Other reserves			
— Proposed dividend		**47,984,769**	112,930,244
— Others		**2,566,816,345**	2,237,731,131
Total equity		**4,385,182,415**	4,118,917,668

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (continued)

	Note	**Unaudited 30 June 2013** *HK$*	Audited 31 December 2012 *HK$*
LIABILITIES			
Non-current liabilities			
Borrowings	12	**1,812,450,336**	850,317,747
Deferred government grants		**102,735,405**	100,597,180
Derivative financial instruments		**19,570,343**	15,070,503
Deferred income tax liabilities		**6,163,082**	4,491,714
Total non-current liabilities		**1,940,919,166**	970,477,144
Current liabilities			
Trade payables, other payables and accrued expenses	13	**1,589,072,288**	1,423,017,885
Due to a related party		**1,710,348**	2,144,516
Borrowings	12	**976,927,694**	1,218,900,525
Current income tax liabilities		**115,701,163**	89,183,196
Total current liabilities		**2,683,411,493**	2,733,246,122
Total liabilities		**4,624,330,659**	3,703,723,266
Total equity and liabilities		**9,009,513,074**	7,822,640,934
Net current assets		**1,063,730,014**	631,306,875
Total assets less current liabilities		**6,326,101,581**	5,089,394,812

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited			
	Attributable to equity holders of the Company			
	Share capital	**Share premium**	**Other reserves**	**Total**
	HK$	*HK$*	*HK$*	*HK$*
Balance as at 1 January 2012	93,818,369	1,119,423,427	1,925,352,703	3,138,594,499
Profit for the period	—	—	258,045,029	258,045,029
Other comprehensive income				
— Currency translation differences	—	—	(20,536,247)	(20,536,247)
— Hedging reserve	—	—	(4,607,295)	(4,607,295)
Total comprehensive income for the six months ended 30 June 2012	—	—	232,901,487	232,901,487
Transaction with owners				
Employees share option scheme				
— Value of employee services	—	—	32,006,667	32,006,667
— Exercise of options	1,968,600	87,073,794	(24,080,966)	64,961,428
Allotment of shares	4,200,000	468,712,479	—	472,912,479
Dividends	—	—	(86,988,663)	(86,988,663)
Transaction with owners	6,168,600	555,786,273	(79,062,962)	482,891,911
Balance as at 30 June 2012	99,986,969	1,675,209,700	2,079,191,228	3,854,387,897
Balance as at 1 January 2013	**99,938,269**	**1,668,318,024**	**2,350,661,375**	**4,118,917,668**
Profit for the period	**—**	**—**	**283,984,356**	**283,984,356**
Other comprehensive income				
— Currency translation differences	**—**	**—**	**77,108,126**	**77,108,126**
— Hedging reserve	**—**	**—**	**2,705,248**	**2,705,248**
Total comprehensive income for the six months ended 30 June 2013	**—**	**—**	**363,797,730**	**363,797,730**
Transaction with owners				
Employees share option scheme				
— Value of employee services	**—**	**—**	**13,857,000**	**13,857,000**
— Exercise of options	**30,000**	**2,095,008**	**(550,848)**	**1,574,160**
Dividends	**—**	**—**	**(112,964,143)**	**(112,964,143)**
Transaction with owners	**30,000**	**2,095,008**	**(99,657,991)**	**(97,532,983)**
Balance as at 30 June 2013	**99,968,269**	**1,670,413,032**	**2,614,801,114**	**4,385,182,415**

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited Six months ended 30 June	
	2013	2012
	HK$	*HK$*
Cash flows from operating activities:		
— continuing operations	**268,056,271**	303,239,144
Cash flows from investing activities:		
— purchases of property, plant and equipment	**(742,427,259)**	(331,171,051)
— purchases of intangible assets	**(3,427,855)**	(1,250,437)
— purchases of leasehold land and land use rights	**(92,097,788)**	(20,921,268)
— proceeds on disposal of property, plant and equipment	**2,736,060**	2,833,442
— investment in an unlisted associate	**(20,500,000)**	—
— interest received	**2,130,709**	3,759,257
Cash flows used in investing activities	**(853,586,133)**	(346,750,057)
Cash flows from financing activities:		
— dividends paid	**(112,964,143)**	(86,988,663)
— repayments of borrowings	**(1,095,760,829)**	(410,029,982)
— proceeds from borrowings	**1,808,029,007**	627,015,618
— proceeds from shares issued	**1,574,160**	537,873,907
Cash flows generated from financing activities	**600,878,195**	667,870,880
Net increase in cash and cash equivalents	**15,348,333**	624,359,967
Cash and cash equivalents at beginning of the period	**753,586,651**	714,611,721
Exchange differences	**6,000,694**	(3,125,359)
Cash and cash equivalents at end of the period	**774,935,678**	1,335,846,329

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2013

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 as well as financial support services to its subsidiaries. The Company and its subsidiaries are collectively referred to as the "Group". The principal activities of the Group are the manufacture and sale of household consumable paper.

The Company's shares have been listed on The Stock Exchange of Hong Kong Limited since 10 July 2007.

The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

This condensed consolidated interim financial information is presented in HK dollars, unless otherwise stated. This condensed consolidated interim financial information was approved for issue on 28 August 2013.

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 2013 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 2012, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The Group meets its day-to-day working capital requirements through its bank facilities. After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its condensed consolidated interim financial information.

3 SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2012, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

(a) New and amended standards adopted by the Group

The following new and amended standards are mandatory for the first time for the financial year beginning 1 January 2013:

HKAS 1 (Amendment) "Presentation of financial statements" is effective for annual periods beginning on or after 1 July 2012. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI.

HKFRS 1 (Amendment) "Government loans" is effective for annual periods beginning on or after 1 January 2013. The amendments require that a first-time adopter shall classify all government loans received as a financial liability or an equity instrument in accordance with HKAS 32 Financial Instruments: Presentation.

HKFRS 10 "Consolidated financial statements", with related amendment for transition guidance, is effective for annual periods beginning on or after 1 January 2013. The objective of HKFRS 10 is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities to present consolidated financial statements. Defines the principle of control, and establishes controls as the basis for consolidation. Set out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee. It also sets out the accounting requirements for the preparation of consolidated financial statements.

HKFRS 13 "Fair value measurements" is effective for annual periods beginning on or after 1 January 2013. HKFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The requirements, which are largely aligned between HKFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRSs or US GAAP.

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

(b) Standards, amendments and interpretations to existing standards effective in 2013 but not relevant to the Group

		Effective for annual periods beginning on or after
HKAS 19 (Amendment)	Employee benefits	1 January 2013
HKAS 27 (Revised 2011)	Separate financial statements	1 January 2013
HKAS 28 (Revised 2011)	Associates and joint ventures	1 January 2013
HKFRS 7 (Amendment)	Financial instruments: Disclosures — Offsetting financial assets and financial liabilities	1 January 2013
HKFRSs 11 and 12 (Amendment)	Transition guidance	1 January 2013
HKFRS 11	Joint arrangements	1 January 2013
HKFRS 12	Disclosure of interests in other entities	1 January 2013
HKFRIC 20	Stripping costs in the production phase of a surface mine	1 January 2013

Apart from the above, the HKICPA has issued the annual improvements project (2011) which addresses several issues in the 2009–2011 reporting cycle, and includes changes to the following standards.

		Effective for annual periods beginning on or after
HKFRS 1	First time adoption	1 January 2013
HKAS 1	Financial statement presentation	1 January 2013
HKAS 16	Property plant and equipment	1 January 2013
HKAS 32	Financial instruments: Presentation	1 January 2013
HKAS 34	Interim financial reporting	1 January 2013

(c) **The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning on 1 January 2013 and have not been early adopted**

The Group has not applied the following new and revised HKFRSs that have been issued but are not yet effective:

		Effective for annual periods beginning on or after
HKAS 32 (Amendment)	Financial instruments: Presentation — Offsetting financial assets and financial liabilities	1 January 2014
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets	1 January 2014
Amendments to HKAS 39	Novation of derivatives	1 January 2014
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (revised 2011)	Investment entities	1 January 2014
HK (IFRIC) Interpretation 21	Levies	1 January 2014
HKFRS 9	Financial Instruments	1 January 2015
HKFRS 7 and HKFRS 9 (Amendments)	Mandatory effective date and transition disclosures	1 January 2015

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	
	2013	2012
	HK$	*HK$*
Sales of goods	**3,268,457,086**	2,831,958,459
Sales of semi-finished goods and other materials	**41,968,552**	51,816,336
Processing trade	**3,229,308**	3,039,566
Sales commission	**—**	678,963
Total revenue	**3,313,654,946**	2,887,493,324

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.

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 one business segment with similar risks and returns.

The executive committee has determined that no geographical segment information is presented as over 90% of the Group's sales are derived within the People's Republic of China ("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 overseas for the six months ended 30 June 2013 is HK$3,044,055,807 (for the six months ended 30 June 2012: HK$2,640,414,634), HK$260,471,351 (for the six months ended 30 June 2012: HK$237,090,446), HK$9,127,788 (for the six months ended 30 June 2012: HK$9,988,244).

The total non-current assets are analysed as follows:

	As at 30 June 2013 Unaudited *HK$*	31 December 2012 Audited *HK$*
Total non-current assets other than deferred tax assets and investment in an associate		
— Mainland China	**4,971,335,524**	4,189,012,110
— Hong Kong and overseas	**27,864,222**	29,033,097
Deferred tax assets	**193,398,346**	175,685,073
Investment in an associate	**69,773,475**	64,357,657
Total non-current assets	**5,262,371,567**	4,458,087,937

5 OPERATING PROFIT

The following items have been (credited)/charged to the operating profit during the six months ended 30 June 2013 and 2012:

	Unaudited Six months ended 30 June 2013 *HK$*	2012 *HK$*
Amortisation of deferred government grants	**(1,699,549)**	(1,323,175)
Foreign exchange (gain)/loss, net	**(31,366,483)**	4,044,988
Provision/(write-back) for impairment of receivables	**10,135**	(585,866)
Write-back for impairment of inventories	**(484,509)**	—
Share option expenses	**13,857,000**	32,006,667
Depreciation of property, plant and equipment *(Note 9)*	**117,159,696**	95,351,317
Depreciation of investment properties *(Note 9)*	**502,477**	206,834
Amortisation of intangible assets *(Note 9)*	**2,538,043**	1,751,006
Amortisation of leasehold land and land use rights *(Note 9)*	**2,263,322**	2,014,247
Loss on disposal of property, plant and equipment	**442,280**	1,379,953

6 INCOME TAXES

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2012: 16.5%) on the estimated assessable profit for the year. Taxation on profits outside Hong Kong has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries or regions in which the Group operates.

	Unaudited Six months ended 30 June 2013 *HK$*	2012 *HK$*
Current income tax		
— Hong Kong profits tax	**15,974,967**	9,925,677
— PRC enterprise income tax	**81,842,276**	106,019,903
Deferred income tax	**(14,882,532)**	(23,210,299)
	82,934,711	92,735,281

Income tax expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the six months ended 30 June 2013 is 22.60% (the estimated tax rate for the six months ended 30 June 2012 was 26.44%).

7 EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average numbers of ordinary shares in issue during the period.

	Unaudited Six months ended 30 June	
	2013	2012
Profit attributable to equity holders of the Company *(HK$)*	**283,984,356**	258,045,029
Weighted average number of ordinary shares in issue	**999,581,084**	966,438,818
Basic earnings per share *(HK$ per share)*	**0.284**	0.267

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all diluted potential ordinary sharers. The Company's potentially dilutive ordinary shares are comprised of share options.

	Unaudited Six months ended 30 June	
	2013	2012
Profit attributable to equity holders of the Company *(HK$)*	**283,984,356**	258,045,029
Weighted average number of ordinary shares in issue	**999,581,084**	966,438,818
Adjustments for share options	**3,824,768**	11,917,995
Weighted average number of ordinary shares for diluted earnings per share	**1,003,405,852**	978,356,813
Diluted earnings per share *(HK$ per share)*	**0.283**	0.264

8 DIVIDENDS

On 27 March 2012, the Board of Directors proposed a final dividend in respect of the year ended 31 December 2011 of HK$81,621,981, representing HK$0.087 per ordinary share.

The actual final dividends paid for the year ended 31 December 2011 was HK$86,988,663 based on the 999,869,686 issued shares outstanding at that time.

On 26 March 2013, the Board of Directors proposed a final dividend in respect of the year ended 31 December 2012 of HK$112,930,244 representing HK$0.113 per ordinary share.

The actual final dividends paid for the year ended 31 December 2012 was HK$112,964,143 based on the 999,682,686 issued shares outstanding at that time.

On 28 August 2013, the Board of Directors has resolved to declare an interim dividend of HK$0.048 per share (2012: HK$0.043 per share). This interim dividend, amounting to HK$47,984,769 (2012: HK$42,994,396), has not been recognised as a liability in this interim financial information. It will be recognised in shareholders' equity in the year ending 31 December 2013.

9 PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTIES, LEASEHOLD LAND AND LAND USE RIGHTS AND INTANGIBLE ASSETS

	Unaudited			
	Property, plant and equipment *HK$*	**Investment properties** *HK$*	**Leasehold land and land use rights** *HK$*	**Intangible assets** *HK$*
Six months ended 30 June 2012				
Opening net book amount as at 1 January 2012	3,022,040,685	—	184,797,092	10,445,847
Additions	330,944,949	—	20,921,268	1,250,437
Reclassification	(30,522,319)	30,522,319	(15,914,409)	—
Disposals	(4,213,395)	—	—	—
Depreciation and amortisation *(Note 5)*	(95,351,317)	(206,834)	(2,014,247)	(1,751,006)
Exchange differences	(17,701,996)	(96,690)	(1,075,380)	(56,198)
Closing net book amount as at 30 June 2012	3,205,196,607	30,218,795	186,714,324	9,889,080
Six months ended 30 June 2013				
Opening net book amount as at 1 January 2013	**3,987,486,971**	**32,435,570**	**185,167,942**	**12,954,724**
Additions	**725,048,561**	**—**	**101,963,369**	**3,427,855**
Disposals	**(3,178,340)**	**—**	**—**	**—**
Depreciation and amortisation *(Note 5)*	**(117,159,696)**	**(502,477)**	**(2,263,322)**	**(2,538,043)**
Exchange differences	**72,309,737**	**577,972**	**3,354,307**	**114,616**
Closing net book amount as at 30 June 2013	**4,664,507,233**	**32,511,065**	**288,222,296**	**13,959,152**

During the period, the Group has capitalized borrowing costs, including interest expenses and related foreign exchange gain/(loss), amounting to HK$3,295,472 (2012: HK$4,548,232) on qualifying assets. Borrowing costs were capitalized at the weighted average rate of its general borrowings of 0.69%.

On 1 March 2012, the Group entered into a contract with V-Care (China) Limited (a subsidiary of V-Care Holdings Limited, the Group's associate) for the lease of a plant premises. The lease term is 3 years starting from 1 March 2012 to 28 February 2015 with a monthly rental of RMB 138,000. Accordingly, the Group transferred the leased plant premises from property, plant and equipment to investment property and has accounted for that investment property using cost method.

10 INVESTMENT IN AN ASSOCIATE

	Unaudited 30 June 2013 *HK$*	Audited 31 December 2012 *HK$*
Beginning of the period	**64,357,657**	59,800,509
Additional investment in an unlisted associate *(i)*	**20,500,000**	20,500,000
Share of post-tax results of an associate	**(15,800,143)**	(15,934,119)
Exchange differences	**715,961**	(8,733)
	69,773,475	64,357,657

(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.

On 3 June 2013, the Company paid HK$20,500,000 in cash for the subscription of the new shares issued by V-Care.

Up to 30 June 2013, the Company has paid capital of HK$102,500,000, representing 41% of V-Care's share capital then outstanding.

The information of the unlisted associated company as at 30 June 2013 is 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%	192,060,711	21,881,503	61,971,108	(38,536,934)

11 TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

	As at	
	30 June 2013	31 December 2012
	Unaudited	Audited
	HK$	*HK$*
Trade receivables	**908,469,885**	872,928,805
Other receivables *(Note (a))*	**340,774,909**	236,329,920
Notes receivable	**3,960,722**	4,485,197
Prepayments	**25,087,932**	13,563,010
Less: Provision for impairment of trade receivables	**(11,509,602)**	(11,321,967)
	1,266,783,846	1,115,984,965

(a) Other receivables mainly comprised creditable input value added tax.

The majority of the Group's sales is with credit terms ranging from 30 to 90 days. As at 30 June 2013 and 31 December 2012, the ageing analysis of the trade receivables based on invoice date was as follows:

	As at	
	30 June 2013	31 December 2012
	Unaudited	Audited
	HK$	*HK$*
Within 3 months	**823,341,075**	823,478,886
4 months to 6 months	**64,062,765**	37,906,658
7 months to 12 months	**14,125,342**	6,972,542
Over 1 year	**6,940,703**	4,570,719
	908,469,885	872,928,805

12 BORROWINGS

	As at 30 June 2013 Unaudited *HK$*	As at 31 December 2012 Audited *HK$*
Non-current	**1,812,450,336**	850,317,747
Current	**976,927,694**	1,218,900,525
	2,789,378,030	2,069,218,272

Movements in borrowings are analysed as follows:

	Unaudited *HK$*
Six months ended 30 June 2012	
Opening amount as at 1 January 2012	1,952,478,533
New borrowings	627,015,618
Repayments of borrowings	(410,029,982)
Exchange differences, net	(3,491,805)
Closing amount as at 30 June 2012	2,165,972,364
Six months ended 30 June 2013	
Opening amount as at 1 January 2013	**2,069,218,272**
New borrowings	**1,808,029,007**
Repayments of borrowings	**(1,095,760,829)**
Exchange differences, net	**7,891,580**
Closing amount as at 30 June 2013	**2,789,378,030**

Interest expenses on borrowings for the six months ended 30 June 2013 were HK$41,495,704 (six months ended 30 June 2012: HK$30,696,044) including HK$16,130,535 capitalized in the construction-in-progress (six months ended 30 June 2012: 3,893,661).

13 TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES

	As at 30 June 2013 Unaudited *HK$*	As at 31 December 2012 Audited *HK$*
Trade payables	**942,367,739**	731,309,628
Notes payables	**10,621,124**	25,289,873
Other payables	**374,254,018**	424,650,175
Accrued expenses	**261,829,407**	241,768,209
	1,589,072,288	1,423,017,885

Ageing analysis of trade payables and notes payables as at 30 June 2013 and 31 December 2012 were as follows:

	As at	
	30 June 2013	31 December 2012
	Unaudited	Audited
	HK$	*HK$*
Within 3 months	**930,147,057**	688,507,764
4 months to 6 months	**13,728,930**	57,299,553
7 months to 12 months	**7,588,537**	9,748,523
1 year to 2 years	**1,524,339**	985,431
2 years to 3 years	**—**	55,908
Over 3 years	**—**	2,322
	952,988,863	756,599,501

MANAGEMENT DISCUSSION AND ANALYSIS

China's economy decelerated to a moderate growth in the first half of 2013 from rapid expansion in previous years. The slowdown hampered growth in the country's retail market. In contrast, the country's per capita household paper consumption was still rather low, and the stiff demand for the commodity was driving the development of the household paper industry in the long term. However, the bright prospects also attracted more entrants to the market. This, coupled with the launch of existing players' expanded production capacity into operation, increased the supply-side capacity, thus intensifying competition.

Business Review

2013 marks the third year of the Group's 6th five-year plan. During the period under review, the Group achieved great success in winning market share. Turnover increased by 14.8% year-on-year to HK$3,313,654,946. In particular, the performance of softpack products was the most outstanding with a year-on-year 38.3% increase in sales. In view of the weak consumer sentiment, retailers large and small cut back on store network expansion, thus dampening the sales growth in fast-moving consumer goods to a certain extent. Furthermore, the expanded household paper production capacity across the industry has caused the market competition to heat up. As a result, the Group has redoubled its marketing and promotion efforts during the period and this adversely affected the average selling prices per ton of its products which weighed on the Group's overall profit margins during the period. For the six months ended 30 June 2013, gross profit increased by 6.1% year-on-year to HK$957,815,172 and profit attributable to shareholders increased by 10.1% year-on-year to HK$283,984,356. Earnings per share were HK$0.284.

In appreciation of the shareholders' continued support, the Board has resolved to declare an interim dividend of HK$0.048 (2012: HK$0.043) per share for the six months ended 30 June 2013 to the shareholders.

Persistent Brand-building Effort

The Group has been persistently building its brand with the values encapsulated in its slogan of "Healthy Lifestyle Starts from Vinda". We believe that the key to succeeding in the severe competition is winning consumers' long-term support. We will have to achieve this by focusing on brand-building, enhancing product values, boosting competitiveness with technological innovation and offering quality products. After the"Ultra-Strong" product series hit the market in 2012, consumers' loyalty to and recognition of the Vinda brand have been growing ever since. During the period, the Group organized various brand promotion events. In the publicity campaign of "Ultra Strong National Bus Tour 維達超韌全民見證 — 中國行", our promotional bus toured cities such as Shenzhen, Guangzhou, Wuhan, Shanghai, Hangzhou and Beijing. Together with joint promotions with hypermarkets, this campaign has successfully built up Vinda's customer relationship. In August 2013, the Group became the only official paper supplier of "The 23rd Qingdao International Beer Festival 第二十三屆青島國際啤酒節" and this will be a new impetus to Vinda's sales network expansion in Shandong Province.

Furthermore, the Group continued to fight for market share by consolidating its leading position in the toilet rolls market, fortifying sales of its softpack products and forging ahead with its hanky products. It also allocated resources to the promotion of "Star Products" within each product category so as to expand the sales of each product line. In the second half of the year, the Group will step up its efforts in optimizing the product profile and boosting the sales of facial tissues. It will also reinforce the sales of wet wipes and kitchen rolls which command high margins, and carry on the cartoon marketing strategy by launching a new product series featuring "SpongeBob SquarePants", a world-famous cartoon character, in order to enhance our sales and profitability.

E-commerce and Sales Network Going Deep and Wide

In the first half of the year, the overall retail industry across China experienced drastic changes. Traditional retailers have lost their market share to rapidly rising electronic sales platforms. As an industry pioneer, the Group will not get into a groove when it comes to marketing plans. Our specialized e-sales team approached all kinds of large B2C online shops actively so as to establish long-term partnerships. Complemented by our online promotion campaigns, such initiative has appealed to young family customers and paved the way for Vinda International's future. Meanwhile, it improved the management and development of traditional retail outlets by assigning staff to monitor the shelf distribution.

Due to our established sales network, our market leadership in Guangdong, Hubei, Beijing and Hong Kong was as firm as a rock. After our new plant in Laiwu City, Shandong Province goes into operation later this year, Shandong Province and its surrounding areas will become our focus for the second half of the year. We have also mapped out a plan of developing the markets of provinces and counties that the Group has yet to set foot on to expand Vinda's market coverage. As of 30 June 2013, the Group had a total of 235 (31 December 2012: 182) sales offices and 1,457 (31 December 2012: 1,374) distributors.

Study of Asset-light Development Model

During the period, aggregate new annual production capacity of 80,000 tons were put into production, of which 40,000 tons were at our new plant in Sanjiang County, Jiangmen City, Guangdong Province, and 40,000 tons at the Xiaogan plant in Hubei Province. In addition, the fully automated production line and the automatic stereoscopic warehouse system at the Sanjiang plant were up and running, thus saving much manpower and enhancing our production and logistical efficiency. In order to satisfy the immense market demand, the Group will add a further 140,000 tons of annual production capacity in the second half of the year, which will include 50,000 tons at the new plant in Laiwu City, Shandong Province. Furthermore, we originally predicted that the output of a paper-making machine with annual production capacity of 10,000 tons would be affected by the expansion of the logistics center at the Xiaogan plant. However, it is now assessed that the operation of this machine will not be affected by such expansion works. Therefore, the Group's total designed annual production capacity at the end of 2013 is expected to reach 760,000 tons.

Due to market changes, the Group will shift the focus of its investment strategy to balancing production and sales in the future. We anticipate that the Group's total annual production capacity will reach 890,000 tons by the end of 2014. As many investors have joined the industry, more production capacity is expected to spring up in the market. To capitalize on this trend, the Group is now evaluating the viability of implementing a two-pronged development strategy, which fuses both the current investment-driven growth model and a brand new asset-light model together, starting from 2015. The prerequisite for adopting this new model is that it will bring cost advantage to the Group without sacrificing its product quality. The Group will select investors in the industry as its strategic partners and will contract out its mother reel production to them so as to leverage their production capacity to bridge the gap between its self-production and its clients' demand. We hope such ground-breaking initiative can effectively reduce the Group's capital expenditure, enhance its free cash flows and return on assets, as well as promote better development of the industry.

Flexible and Effective Procurement Strategy

Wood pulp is the major raw material in the production of household paper products. The rise in wood pulp prices during the period drove up the Group's procurement costs. Looking ahead to the second half of the year, we expect wood pulp prices to fluctuate continually. To bolster its bargaining power in wood pulp procurement and reduce our production costs, the Group will adopt a flexible procurement strategy by finding new wood pulp types and new suppliers of such materials while strengthening its long-term alliance with the core suppliers.

Personal Care Business Geared Up for Growth

The Group's diversified business portfolio was taking shape. In the first quarter of 2013, V-Care Holdings Limited, an associate of the Group, rolled out its self-developed mid-range and high-end sanitary napkin brand, VIA, aiming at young and stylish females. Manufactured under an asset-light business model, the VIA products have been launched in southern and central China through Vinda's extensive marketing network to gauge market reaction. The initial response from the market has been positive, demonstrating the potential for future profit growth. On the other hand, the baby diapers business is developing into another growth driver for the Group's long-term development. During the period, considerable efforts have been made to build the Babifit brand, such as expanding our sales channels into nation-wide hypermarket chains like Wal-Mart, and launching marketing campaigns in different regions across the country.

Advocating Green Production and Being Socially Responsible

Sustainable development is always at the heart of the Group. Devoted to environmental protection and ecological sustainability, the Group advocates green manufacturing through energy saving and emission reduction. During the period, the Group's production base in Jiangmen has been listed as one of the model projects under the Cleaner Production Partnership Programme of the Hong Kong Productivity Council, proving the Group's dedication to green production. The Group has also improved its sewage treatment system to increase the recycling rate from 90% last year to 95%, thereby reducing costs and boosting energy efficiency. As always, the Group also worked to protect its intellectual properties such as patents and results of its technological upgrades. As at 30 June 2013, the Group had a total of 78 patents including utility model patents and invention patents for technologies.

As a conscientious enterprise, the Group strives to fulfil its corporate social responsibilities. During the period, it donated money and relief supplies to the victims of the magnitude 7 earthquake in Ya'an City, Sichuan Province, and set up the "Vinda Charity Foundation 維達慈善基金" to help meet the social needs.

Enhancing Human Resources Management

The Group recognizes the importance of sound corporate governance to a successful company as well as its business development and shareholders' value. Corporate governance training for the directors and senior management is organized from time to time and the disclosure system is regularly reviewed so as to improve transparency. The Group also reinforces internal control through continuous review and optimization of the code of practice for each functional department.

High-caliber staff is the key to the Group's competitiveness and value creation. The Group persistently enhances its human resources management by carrying out performance management reform and organizational restructuring, reorganizing job positions and duties, as well as providing professional training and education subsidies for employees, with an aim of aligning the Group's practices with international standards. As at 30 June 2013, the Group had a total of 8,043 employees. Employee remuneration packages are reviewed regularly and benchmarked to local market conditions as well as the staff's experience and performance to ensure the competitiveness of the Group's remuneration policy. Furthermore, the Group operates a share option scheme to attract and retain talents. During the period, the Group granted 1,359,000 share options to its directors and employees under the share option scheme.

Liquidity, Financial Resources and Bank Loans

The Group's financial position remained healthy. In March 2013, the Group concluded a syndicated loan of HK$1 billion with a tenor of 3 years. As at 30 June 2013, the Group's bank and cash balances (including restricted bank deposits of HK$2,461,943 (31 December 2012: HK$6,101,567)) amounted to HK$777,397,621 (31 December 2012: HK$759,688,218), and short-term and long-term loans amounted to HK$2,789,378,030 (31 December 2012: HK$2,069,218,272). 65.0% of the bank borrowings are medium- to long- term (2012: 41.1%). The annual interest rates of bank loans ranged from 1.20% to 6.90%.

As at 30 June 2013, the gearing ratio was 63.6% (31 December 2012: 50.2%), 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 and restricted bank deposits as a percentage of the total shareholders' equity, was 45.9% (31 December 2012: 31.8%).

As at 30 June 2013, unutilized credit facilities amounted to approximately HK$5.61 billion (2012: HK$4.38 billion).

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 30 June 2013, 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.

Prospects

China is a huge country with a fragmented household paper manufacturing industry, which offers products of varying quality. Moreover, the Chinese government is determined to eliminate obsolete production capacity of paper manufacturing. The market looks set to be consolidated. In view of the fierce market competition, the Group believes that only leading enterprises with strong brands and sound financial standing can play to the strength of their brand value and exploit economies of scale and hence win out in the game of market consolidation. Also, the central government's sweeping urbanization programme will also stimulate demand for quality household paper and personal care products.

Vinda, as one of the dominant players in the industry, has already prepared well for the current and upcoming challenges and will seize any business opportunities. We are confident in our ability to outperform our peers with its competitive strengths. Looking ahead, the Group will adhere to the philosophy of "Stabilizing Growth, Controlling Costs and Enhancing Product Mix" and focus on the following major goals:

1. Brand innovation: to revitalize and keep the Vinda brand from tarnishing;

2. Product innovation: to further differentiate our family care products, as well as develop Babifit and VIA into leadership brands;

3. Marketing innovation: to expand the sales network and cooperating with e-commerce platforms;

4. Equipment and facilities upgrades: to comprehensively upgrade production equipment and facilities, whilst continuing with its efforts in environmental protection and improving the information technology system;

5. Supply chain innovation: to exploit asset light model; and

6. Cost control: to strengthen its control of selling and administrative expenses, as well as increase flexibility in raw materials procurement.

Vinda, with the concerted effort of both management and employees, strives to become the number one household hygiene brand in consumers' minds and deliver the best returns for our shareholders.

Interim Dividend

The Board has resolved to declare an interim dividend of HK$0.048 per share for the period ended 30 June 2013 (2012: HK$0.043 per share) totaling approximately HK$47,984,769. The interim dividend will be paid on or about 30 October 2013 to shareholders whose names appear on the register of members of the Company on 18 October 2013.

Close of Register of Members

The register of members of the Company will be closed from 16 October 2013 to 18 October 2013 (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 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 pm on 15 October 2013 for registration of transfer.

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

During the six months ended 30 June 2013, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Corporate Governance

The Company is committed to maintain 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 2013, the Company has complied with all the code provisions set out in the Corporate Governance Code, as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

Directors' Securities Transactions

The Company has adopted a code for securities transactions by directors of the Company (the "Code of Conduct") on terms no less exacting than the required standard of the Model Code for Securities Transaction by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules on the Stock Exchange. Having made specific enquiry with all the directors of the Company (the "Directors" or individually the "Director"), all of them confirmed that they have complied with the required standard set out in the Model Code and the Code of Conduct regarding securities transactions by the Directors during the six months ended 30 June 2013.

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 2013.

Remuneration Committee

The Company's remuneration committee has three members of independent non-executive directors, namely, 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 Interim Report

This announcement is published on the websites of the Company (www.vindapaper.com) and the Stock Exchange (www.hkexnews.hk). The 2013 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, 28 August 2013

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.