



## VINDA INTERNATIONAL HOLDINGS LIMITED

### 維達國際控股有限公司

(Incorporated in Cayman Islands with limited liability)

(Stock code: 3331)

Website: <http://www.hkex.com.hk>

<http://www.ifn.com.hk/ir/vinda>

**“Healthy lifestyle starts from Vinda”**

## INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2007 FINANCIAL HIGHLIGHTS

	<b>2007</b>	<b>2006</b>	<b>Changes</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>%</i>
Revenue	<b>848,512</b>	622,284	36.4
Profit attributable to equity holders of the Company	<b>41,076</b>	42,813	-4.1
Gross profit margin	<b>21.9%</b>	25.2%	
Net profit margin	<b>4.8%</b>	6.9%	
Earnings per share	<b>HK6.4 cents</b>	HK6.7 cents	
Stock turnover	<b>91 days</b>	94 days	
Debtors turnover	<b>35 days</b>	38 days	

### INTERIM RESULTS

The Board of Directors (the “Board”) of Vinda International Holdings Limited (“Vinda” or the “Company”) is pleased to present the unaudited condensed consolidated balance sheet as at 30 June 2007 and the unaudited condensed consolidated profit and loss account, unaudited condensed consolidated cash flow statement and unaudited condensed consolidated statement of changes in equity of the Company and its subsidiaries (“the Group”) for the six months ended 30 June 2007, together with the comparative figures and selected explanatory notes. The unaudited interim financial statements have been reviewed by the Company’s audit committee.

## CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		<b>Unaudited</b>	
		<b>For the six months</b>	
		<b>ended 30 June</b>	
		<b>2007</b>	<b>2006</b>
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Revenue</b>	4	<b>848,512</b>	622,284
Cost of sales		<u>(662,734)</u>	<u>(465,778)</u>
<b>Gross profit</b>		<b>185,778</b>	156,506
Selling and marketing costs		<b>(88,007)</b>	(65,105)
Administrative expenses		<b>(32,075)</b>	(30,591)
Other income		<u><b>6,572</b></u>	<u>4,310</u>
<b>Operating profit</b>	5	<b>72,268</b>	65,120
Finance income		<b>3,204</b>	329
Finance costs		<u>(27,394)</u>	<u>(21,333)</u>
Finance costs — net		<u><b>(24,190)</b></u>	<u>(21,004)</u>
<b>Profit before income tax</b>		<b>48,078</b>	44,116
Income tax expenses	6	<u>(7,002)</u>	<u>(1,303)</u>
<b>Profit for the period and attributable to equity holders of the Company</b>		<u><b>41,076</b></u>	<u>42,813</u>
 <b>Earnings per share for profit attributable to the equity holders of the Company</b>			
— basic	7	<u><b>HK6.4 cents</b></u>	<u>HK6.7 cents</u>
<b>Dividend</b>	8	<u><b>25,000</b></u>	<u>12,000</u>

## CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited As at <b>30 June</b> <b>2007</b> <i>HK\$'000</i>	Audited As at 31 December 2006 <i>HK\$'000</i>
	<i>Note</i>		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Tangible and intangible assets	9	1,247,623	1,072,053
Deferred tax assets		<u>25,260</u>	<u>23,243</u>
		<b><u>1,272,883</u></b>	<b><u>1,095,296</u></b>
<b>Current assets</b>			
Inventories		337,724	330,181
Trade receivables	10	171,535	149,861
Other receivables and prepayments		190,477	54,956
Other current financial assets		56,339	43,454
Cash and cash equivalents		<u>107,655</u>	<u>61,557</u>
		<b><u>863,730</u></b>	<b><u>640,009</u></b>
<b>Total assets</b>		<b><u>2,136,613</u></b>	<b><u>1,735,305</u></b>
<b>EQUITY</b>			
<b>Capital and reserves attributable to the Company's equity holders</b>			
Share capital	13	4,251	4,251
Share premium		44,260	69,260
Other reserves		<u>448,526</u>	<u>389,585</u>
<b>Total equity</b>		<b><u>497,037</u></b>	<b><u>463,096</u></b>

		<b>Unaudited</b>	Audited
		<b>As at</b>	As at
		<b>30 June</b>	31 December
		<b>2007</b>	2006
	<i>Note</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	11	<b>317,563</b>	192,413
Deferred government grants		<b>33,868</b>	27,166
Deferred income tax liabilities		<b><u>1,116</u></b>	<u>788</u>
		<b><u>352,547</u></b>	<u>220,367</u>
<b>Current liabilities</b>			
Trade payables, other payables and accrued expenses	12	<b>454,454</b>	282,503
Current income tax liabilities		<b>30,647</b>	27,700
Borrowings	11	<b>801,928</b>	735,349
Other current liabilities		<b><u>—</u></b>	<u>6,290</u>
		<b><u>1,287,029</u></b>	<u>1,051,842</u>
<b>Total liabilities</b>		<b><u>1,639,576</u></b>	<u>1,272,209</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b><u>2,136,613</u></b>	<u>1,735,305</u>
<b>NET CURRENT LIABILITIES</b>		<b><u>(423,299)</u></b>	<u>(411,833)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b><u>849,584</u></b>	<u>683,463</u>

## CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	<b>Unaudited</b>		
	<b>Attributable to equity holders of the Company for the six months ended 30 June</b>		
	<b>Share capital and share premium <i>HK\$'000</i></b>	<b>Other reserves <i>HK\$'000</i></b>	<b>Total <i>HK\$'000</i></b>
<b>Balance as at 1 January 2006</b>	73,511	267,503	341,014
Income recognised directly in equity			
- Foreign exchange differences	—	4,420	4,420
Profit for the 1st half of the year	<u>—</u>	<u>42,813</u>	<u>42,813</u>
 Total recognised income for the 1st half of 2006	 <u>—</u>	 <u>47,233</u>	 <u>47,233</u>
 Issue of ordinary shares	 20,000	 —	 20,000
Dividend	<u>(12,000)</u>	<u>—</u>	<u>(12,000)</u>
 <b>Balance as at 30 June 2006</b>	 <u><u>81,511</u></u>	 <u><u>314,736</u></u>	 <u><u>396,247</u></u>
 <b>Balance as at 1 January 2007</b>	 73,511	 389,585	 463,096
Income recognised directly in equity			
- Foreign exchange differences	—	17,865	17,865
Profit for the 1st half of the year	<u>—</u>	<u>41,076</u>	<u>41,076</u>
 Total recognised income for the 1st half of 2007	 <u>—</u>	 <u>58,941</u>	 <u>58,941</u>
 Issue of ordinary shares	 —	 —	 —
Dividend	<u>(25,000)</u>	<u>—</u>	<u>(25,000)</u>
 <b>Balance as at 30 June 2007</b>	 <u><u>48,511</u></u>	 <u><u>448,526</u></u>	 <u><u>497,037</u></u>

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	<b>Unaudited</b>	
	<b>For the six months</b>	
	<b>ended 30 June</b>	
	<b>2007</b>	2006
	<b>HK\$'000</b>	HK\$'000
Net cash generated from operating activities	<u>63,171</u>	<u>(15,904)</u>
Net cash used in investing activities	<u>(136,611)</u>	<u>(74,851)</u>
Net cash generated from financing activities	<u>101,673</u>	135,342
Net increase in cash and cash equivalents	<b>28,233</b>	44,587
Cash and cash equivalent as at 1 January	<b>61,557</b>	48,579
Effect of foreign exchange rate changes	<u>17,865</u>	<u>4,420</u>
Cash and cash equivalents as at 30 June	<u><b>107,655</b></u>	<u>97,586</u>

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

#### 1 General information

Vinda International Holdings Limited (the “Company”) and its subsidiaries (the “Group”) is a leading manufacturer of tissue paper products in China. Its principal products include toilet paper, paper handkerchiefs, facial tissue paper and paper napkins. The Group manufactures, markets and sells its premium brand of tissue paper products under its well-recognised “Vinda” brand as well as several other brands targeting different consumer segments and regions. The Group has manufacturing plants in various parts of the People’s Republic of China (the “PRC”) and sells mainly in the PRC.

The Company is a limited liability company incorporated in the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company has its primary listing on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

This condensed consolidated interim financial information was approved for issue on 20 September 2007.

#### 2 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2007 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 30, “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 2006.

### 3 Accounting policies

The accounting policies and basis of preparation adopted for the condensed consolidated interim financial information are consistent with those of the annual financial statements for the year ended 31 December 2006, except for the adoption of the following new standards, amendments to standards and interpretations which are mandatory for financial year ending 31 December 2007:

HKFRS 7	Financial Instruments: Disclosures
HKAS 1 (Revised)	Amendment to Presentation of Capital Disclosures
HK(IFRIC)-Int 7	Apply the Restatement Approach under HKAS 29 “Financial Reporting in Hyperinflationary Economics”
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment

The following new standards, amendments to standards and interpretations have been issued but are not yet effective for 2007 and have not been early adopted:

- HKFRS 8, “Operating Segments”, effective for annual periods beginning on or after 1 January 2009;
- HKAS 23 (Revised), “Borrowing Cost”, effective for annual periods beginning on or after 1 January 2009;
- HK(IFRIC)-Int 11, “HKFRS 2 — Group and Treasury Share Transactions”, effective for annual periods beginning on or after 1 March 2007;
- HK(IFRIC)-Int 12, “Service Concession Arrangements”, effective for annual periods beginning on or after 1 January 2008; and
- HK(IFRIC)-Int 13, “Customer Loyalty Programmes”, effective for annual periods beginning after 1 July 2008. Management do not expect the interpretation to be relevant for the Group.

### 4 Segment information

The Group is principally engaged in the manufacture and sales of household consumable paper. Revenue during the relevant periods is analysed as follows:

	Unaudited For the six months ended 30 June	
	2007 HK\$'000	2006 HK\$'000
Sales of goods	803,154	590,275
Sales of semi-finished goods and other materials	<u>45,358</u>	<u>32,009</u>
Total revenue	<u>848,512</u>	<u>622,284</u>

The Group is principally engaged in a single business segment. More than 90% of the Group's turnover and operating profit is earned within the PRC and all major operating assets of the Group are located in the PRC. Therefore, no business segment or geographical segment is presented.

## 5 Operating profit

Operating profit is stated after crediting and charging the following:

	<b>Unaudited</b>	
	<b>For the six months</b>	
	<b>ended 30 June</b>	
	<b>2007</b>	<b>2006</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Crediting</b>		
Government grants for reinvestment	(4,987)	—
Amortisation of deferred government grants	(382)	(330)
Gain on derivative financial instruments	(194)	(81)
Foreign exchange gain	(966)	(1,946)
(Write-back of)/provision for impairment of trade receivables	(865)	216
(Write-back of)/provision for impairment of inventories	(308)	527
Depreciation and amortisation of tangible and intangible assets	31,517	25,575
Losses on disposals of property, plant and equipment	<u>835</u>	<u>200</u>

## 6 Income tax

	<b>Unaudited</b>	
	<b>For the six months</b>	
	<b>ended 30 June</b>	
	<b>2007</b>	<b>2006</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Hong Kong profits tax	4,401	7,174
PRC enterprise income tax	4,160	1,690
Deferred income tax	<u>(1,559)</u>	<u>(7,561)</u>
	<u>7,002</u>	<u>1,303</u>

- (a) Hong Kong profits tax has been provided for at the rate of 17.5% (2006: 17.5%) on the estimated assessable profits for the period.
- (b) PRC income tax represents tax charges on the assessable profits of the PRC subsidiaries of the Group at the prevailing tax rates applicable to the PRC subsidiaries.
- (c) Deferred income tax is calculated in full on temporary differences under the liability method using the prevailing tax rates applicable to the PRC subsidiaries of the Group.



## 7 Earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders of the Company of HK\$41,076,000 (Corresponding period in 2006: HK\$42,813,000) and the assumption that the Group has undergone the capitalization issue described in note 17, thereby bringing the total to 637,621,680 shares as at 1 January 2006.

No diluted earnings per share is presented as there were no dilutive potential ordinary shares during both period.

## 8 Dividend

Pursuant to a resolution at the Board meeting dated 26 March 2007, an interim dividend of HK\$25,000,000 was declared for the year ended 31 December 2006. The dividends have been paid in June 2007.

A dividend of ordinary share has been declared for the interim period of 2005 with an aggregate amount of HK\$12,000,000.

## 9 Tangible and intangible assets

	<b>Unaudited</b> <b>HK\$'000</b>
<b>Six months ended 30 June 2006</b>	
As at 1 January 2006	818,658
Additions	64,853
Disposals	(6,604)
Depreciation and amortisation	(25,575)
Exchange differences	<u>8,738</u>
<b>As at 30 June 2006</b>	<b><u>860,070</u></b>
<b>Six months ended 30 June 2007</b>	
As at 1 January 2007	1,072,053
Additions	172,019
Disposals	(882)
Depreciation and amortisation	(31,517)
Exchange differences	<u>35,950</u>
<b>As at 30 June 2007</b>	<b><u>1,247,623</u></b>

## 10 Trade receivables

The majority of the Group's sales is on open accounts with credit terms ranging from 30 days to 90 days. As at 30 June 2007 and 31 December 2006, the ageing analysis of the trade receivables was as follows:

	<b>Unaudited</b>	Audited
	<b>As at</b>	As at
	<b>30 June</b>	31 December
	<b>2007</b>	2006
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
Within 3 months	<b>165,098</b>	142,674
4 months to 6 months	<b>5,605</b>	6,649
7 months to 12 months	<b>832</b>	<u>538</u>
	<b><u>171,535</u></b>	<u>149,861</u>

There was no concentration of credit risk with respect to trade receivables as the Group has a large number of customers. The carrying value of the trade receivables approximates their fair value due to the short-term maturity.

## 11 Borrowings

	<b>Unaudited</b>	Audited
	<b>As at</b>	As at
	<b>30 June</b>	31 December
	<b>2007</b>	2006
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
Non-current	<b>317,563</b>	192,413
Current	<b><u>801,928</u></b>	<u>735,349</u>
	<b><u>1,119,491</u></b>	<u>927,762</u>

Changes in bank borrowings are analyzed as follows:

	<b>Unaudited</b> <i>HK\$'000</i>
For the six months ended 30 June 2006	
As at 1 January 2006	627,629
New borrowings	896,104
Repayment of borrowings	(741,321)
Foreign exchange differences	<u>6,275</u>
As at 30 June 2006	<u><u>788,687</u></u>
For the six months ended 30 June 2007	
As at 1 January 2007	927,762
New borrowings	1,054,368
Repayment of borrowings	(893,917)
Foreign exchange differences	<u>31,278</u>
As at 30 June 2007	<u><u>1,119,491</u></u>

**12 Trade payables, other payables and accrued expenses**

	<b>Unaudited</b>	<b>Audited</b>
	<b>As at</b>	<b>As at</b>
	<b>30 June</b>	<b>31 December</b>
	<b>2007</b>	<b>2006</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Trade payables	<b>209,344</b>	141,365
Notes payable	—	2,524
Other payables		
- salaries payable	<b>9,880</b>	9,727
- taxes payable other than income tax	<b>12,095</b>	6,305
- advances from customers	<b>11,344</b>	9,603
- other	<b>190,975</b>	93,347
Accrued expenses	<u><b>20,816</b></u>	<u>19,632</u>
	<u><b>454,454</b></u>	<u>282,503</u>

(a) The ageing analysis of the trade payables was as follows:

	<b>Unaudited</b>	Audited
	<b>As at</b>	As at
	<b>30 June</b>	31 December
	<b>2007</b>	2006
	<b>HK\$'000</b>	<b>HK\$'000</b>
Within 3 months	<b>195,536</b>	137,139
4 months to 6 months	<b>9,839</b>	2,145
7 months to 12 months	<b>2,048</b>	211
1 to 2 years	<b>251</b>	192
2 to 3 years	<b>6</b>	38
Over 3 years	<u><b>1,664</b></u>	<u>1,640</u>
	<u><b>209,344</b></u>	<u>141,365</u>

### 13 Share capital

	<b>Number of</b>	<b>Number of</b>	<b>Amount</b>
	<b>authorised</b>	<b>issued and</b>	<b>Ordinary</b>
	<b>shares</b>	<b>fully paid</b>	<b>shares</b>
		<b>shares</b>	<b>HK\$'000</b>
<b>Opening balance at 1 January 2006</b>	46,000,000	41,674,620	4,167
Issue of ordinary shares	<u>—</u>	<u>833,492</u>	<u>84</u>
<b>At 30 June 2006</b>	<u>46,000,000</u>	<u>42,508,112</u>	<u>4,251</u>
<b>Opening balance at 1 January 2007</b>	46,000,000	42,508,112	4,251
Increase of authorised shares	<u>79,954,000,000</u>	<u>—</u>	<u>—</u>
<b>At 30 June 2007</b>	<u>80,000,000,000</u>	<u>42,508,112</u>	<u>4,251</u>

On 19 June 2007, the Company's authorised share capital was increased from HK\$4,600,000 to HK\$8,000,000,000 by the creation of additional 79,954,000,000 shares of HK\$0.1 each.

#### 14 Capital commitments

	<b>Unaudited</b>	Audited
	<b>As at</b>	As at
	<b>30 June</b>	31 December
	<b>2007</b>	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Contracted but not provided for	<u><b>127,514</b></u>	<u><b>161,767</b></u>

#### 15 Contingent liabilities

There were no material contingent liabilities for the Group as at 30 June 2007 and 31 December 2006.

#### 16 Related party transactions

(a) Information on related parties and their relationships with the Group are as follows:

<b>Name of related party</b>	<b>Relationship</b>
Lee Der Fung Company Limited ("Lee Der Fung")	Investor of the Company
Fu An International Company Limited ("Fu An")	Investor of the Company
Cathay Paper Limited ("Cathay Paper")	Investor of the Company
Vinda Investment Limited ("Vinda Investments")	Original investor of the Company (ceased to be a shareholder of the Company since 31 March 2007)
SCA Hygiene Holding AB ("SCA Hygiene")	Shareholder of the Company since 29 March 2007
ML GCRE IBK LLC ("ML GCRE")	Shareholder of the Company since 30 March 2007
Guangdong Vinda Paper Company Limited ("Guangdong Vinda")	Originally controlled by Mr. Li Chao Wang, Chairman of the Company
Mr. Li Chao Wang	Chairman of the Company
Mr. Su Luo Fu	Director of the Company (resigned on 15 June 2007)
Mr. Chia Yen On	Director of the Company (resigned on 15 June 2007)

(b) Significant related party transactions

In the opinion of the Company's directors, the related party transactions were conducted in the ordinary and usual course of business. Other than the related party transactions disclosed elsewhere in the consolidated financial statements, significant related party transactions of the Company during the relevant periods also include:

	<b>Unaudited</b>	
	<b>For the six months</b>	
	<b>ended 30 June</b>	
	<b>2007</b>	2006
	<b>HK\$'000</b>	<b>HK\$'000</b>
(1) Sales of products to related party		
- SCA Hygiene ( <i>Note (i)</i> )	<u><b>26,819</b></u>	<u>48,122</u>

*Note (i)* On 28 March 2007, SCA Hygiene became a shareholder of the Company. The transactions with SCA Hygiene were disclosed in the balance for the six months ended 30 June 2006.

	<b>Unaudited</b>	
	<b>For the six months</b>	
	<b>ended 30 June</b>	
	<b>2007</b>	2006
	<b>HK\$'000</b>	<b>HK\$'000</b>
(2) Interest expense on loans from related parties		
- Mr. Su Luo Fu ( <i>Note (ii)</i> )	<u>—</u>	<u>68</u>

*Note (ii)* In 2005, pursuant to a loan agreement entered into by Forton Enterprises Limited ("Fortan Enterprises"), a subsidiary of the Company, and Mr. Su Luo Fu, Mr. Su Luo Fu granted a loan with an amount of HK\$1,000,000 to Forton Enterprises. The loan was effective from January 2005 and was repayable on 29 December 2006 with an effective annual interest rate of 5%. In 2006, pursuant to a loan agreement entered into by Forton Enterprises and Mr. Su Luo Fu, Mr. Su Luo Fu granted a loan with an amount of US\$130,000 to Forton Enterprises. The loan was effective from March 2006 and was repayable on 29 December 2006 with an annual interest rate of 12%. As at 30 June 2007, there was no interest payable to Mr. Su Luo Fu (31 December 2006: Nil).

		<b>Unaudited</b>	
		<b>For the six months</b>	
		<b>ended 30 June</b>	
		<b>2007</b>	<b>2006</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
(3)	Key management compensation		
	Directors		
	- Basic salaries, housing allowances, other allowances, benefits-in-kind and other benefits	<b>1,278</b>	1,097
	Senior management		
	- Basic salaries, housing allowances, other allowances, Benefits-in-kind and other benefits	<u><b>572</b></u>	<u>501</u>
		<u><b>1,850</b></u>	<u>1,598</u>
(c)	Year-end balances with related parties		
		<b>Unaudited</b>	<b>Audited</b>
		<b>As at</b>	<b>As at</b>
		<b>30 June</b>	<b>31 Decemeber</b>
		<b>2007</b>	<b>2006</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
(1)	Balances due from related parties		
	- SCA Hygiene ( <i>Note (i)</i> )	<b>1,849</b>	18,667
	- Fu An	—	72
	- Vinda Investment	<u>—</u>	<u>19</u>
		<u><b>1,849</b></u>	<u>18,758</u>
(2)	Due to related parties		
	- Guangdong Vinda	—	134
	- Mr. Su Luo Fu	<u>—</u>	<u>53</u>
		<u>—</u>	<u>187</u>

*Note (i)* On 29 March 2007, SCA Hygiene became a shareholder of the Company. The balances with SCA Hygiene were disclosed at 31 December 2006.

The amounts due from and due to related parties are mainly arising from the above-mentioned transactions, dividend appropriation and other ordinary business transactions.

The related party balances are unsecured, non-interest bearing and have no fixed repayment term.

## 17 Events after the balance sheet date

On 10 July 2007, the Company issued 221,135,006 new ordinary shares of HK\$0.10 each at HK\$3.68 per share in connection with its global offering and the commencement of the listing of its shares on the Main Board of the Stock Exchange, and raised gross proceeds of approximately HK\$813.8 million. In addition, on 19 July 2007, pursuant to the exercise of the over-allotment option, an additional 45,085,000 new ordinary shares of HK\$0.10 each were issued at HK\$3.68 per share and gross proceeds of approximately HK\$165.9 million were raised.

On 10 July 2007, a total of 595,113,568 new ordinary shares of HK\$0.10 each were issued and allotted to the then equity shareholders of the Company (namely Fu An, Lee Der Fung, Cathay Paper, SCA Hygiene and ML GCRE) in proportion to their respective shareholdings, by the capitalisation and application of HK\$59,511,356.80 from the share premium account as payment in full of par value of such shares.

## BUSINESS REVIEW

In the first half of 2007, the economy in the PRC further developed, and industrial growth accelerated. Average incomes of urban and rural residents improved, and their level of consumption continued to rise. Awareness of personal hygiene was also enhanced, as a result the Group's sales recorded a remarkable growth in the first half year. The Group's turnover amounted to HK\$848,512,000, representing an increase of 36.4% over the same period in 2006.

As living standards in various cities, including tier-one to tier-three cities, townships and villages, continued to increase, coupled with the enhancement in education levels, demands for medium to high-end toilet paper, paper handkerchiefs, facial tissues and paper napkins increase persistently. Hence, the Group is increasing its production capacity, which apart from meeting demands, can also enhance the Group's competitiveness. In order to cope with the intensifying competition in the tissue paper product market in the PRC, in particular the Eastern China region, the Group has paid more promotion expenses than in the past, with the aim to expand its market share.

In the first half year, in order to further promote brand awareness, marketing and promotion expenses amounted to HK\$8.05 million (2006: HK\$4.74 million) (representing approximately 10% of the distribution cost in the same period in 2006), of which over HK\$6 million were made through targeted sports marketing and sponsorship arrangements with China National Women Volleyball Team and the National Bowling Championships, and the marketing arrangement with the National Basketball Association (NBA). These arrangements have established a healthy and dynamic image for the brand, and the relays/direct broadcasts of these sports events have countrywide coverage and even to all the major cities in the world.



In the first half year, global demands for end products wholly or partly manufactured from pulps increased, leading to the pulp prices to increase continuously and was still standing persistently high, thereby causing production costs to increase. In order to maintain its market leadership and prevent loss of customers, there were no price raise in the Group's overall products in the first half year. These have affected the Group's profit margins in the first half year.

## **FUTURE OUTLOOK**

The Group's household paper products have one of the highest market shares in the PRC. In order to ensure the Group's leading position in the industry, the Group launched considerable advertising and promotion in the first half year, thereby significantly enhanced the awareness of our brand throughout the PRC. After our successful listing in the middle of the year, the loyalty and recognition distributors and consumers on "Vinda" products were considerably enhanced. Remarkable growth has also been recorded in sales.

Commencing from the second half year, the Group will start to raise selling price of our products, thereby enabling the profit margins to recover gradually. At the same time, in order to satisfy demand, the Group is also dedicated to the continuous development of new products to optimise product structure, expand categories of complementary products. For example, paper napkins for kitchens and tissues for use in away-from-home locations.

On 24 July and 27 July 2007, the Group entered into equipment sales and purchase agreements with Korbe and Kawano Zoki respectively, with a view to further increasing the production capacity of our business in Jiangmen and Xiaogan from the existing annual production of 240,000 tons to 320,000 tons in future to cope with the market demands in the foreseeable future, thereby consolidating the Group's leading position among counterparts in Southern China and Central China.

In order to deepen penetration in the key markets in Beijing, Hubei, Guangdong and Sichuan and extend its coverage across key addressable markets in China, such as the Bohai region and Eastern China, the Group will be dedicated in the continuous construction of huge distribution network and cost effective logistics systems, with the aim to satisfy the ever-increasing demands of customers, and to quicken our pace of business expansion.

The Group has further recruited more staff, fully dedicated in the exploration of overseas markets, and implemented continuous technical reforms and upgraded management plans both in the production and corporate management, with the aim to enhance the Company's cost efficiency and strengthen staff training, so as to get prepared for further entering the international market in future.

## **LIQUIDITY, FINANCIAL RESOURCES AND BANK LOANS**

The Group's financial position remained healthy. As at 30 June 2007, the Group's bank and cash balances (including pledged bank deposits) amounted to approximately HK\$163,414,000 (31 December 2006: HK\$104,670,000), and short-term and long-term loans in aggregate amounted to approximately HK\$1,119,491,000 (31 December 2006: HK\$927,762,000). During the period, the Group's capital expenditure on the purchases and construction of new production facilities amounted to approximately HK\$143,455,000.

The annual interest rates of bank loans ranged from approximately 5.51% to 8.25%. As at 30 June 2007, certain of the property, plant and equipment with carry amount of HK\$402,623,000 have been pledged to secure for bank loans. As at 30 June 2007, the gross gearing ratio was approximately 225.23% (as at 31 December 2006: 200.34%), which was calculated on the basis of the amount of total borrowings as a percentage of the total shareholders' equity. The net gearing ratio, which was calculated on the basis of the amount of total borrowings less bank balances and cash as a percentage of the total shareholders' equity, was approximately 192.4% (as at 31 December 2006: 177.7%).

As at 30 June 2007, the Group had no material contingent liabilities.

## **FOREIGN EXCHANGE RISK**

The Group mainly operates in the PRC with most of its transactions are denominated and settled in RMB and Hong Kong dollar. However, the Group has certain bank deposits and financial assets denominated in other currencies, mainly United States dollar (the "US\$"), Euros, Japanese Yen and Australian dollar (the "AU\$"), which are exposed to foreign currency translation risk.

The management has set up a policy to require Group companies to manage their foreign exchange risk against their functional currency. To manage their foreign exchange risk arising from future commercial transactions and recognized assets and liabilities, entities in the Group use forward contracts. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

## **HUMAN RESOURCES AND MANAGEMENT**

As at 30 June 2007, the Group employed approximately 4,039 full-time and temporary staff. The Group's remuneration package is determined with reference to the experience and qualifications of the individual employee and general market conditions. Bonus is linked to the Group's financial results as well as individual's performance. The Group also ensures that all employees are provided with adequate training and continued professional opportunities.

## **INTERIM DIVIDEND**

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2007.

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

The Company's shares were listed on the Stock Exchange on 10 July 2007. Therefore, neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities for the six months ended 30 June 2007.

## **CORPORATE GOVERNANCE**

Since the Company was only listed on the Stock Exchange on 10 July 2007 (the "Listing Date"), the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") was not applicable to the Company for the period under review. However, none of the directors of the Company is aware of any information that would reasonably indicate that the Company or any of its directors is not or was not, for any part of the period between the Listing Date and the date of this report, in due compliance with the Corporate Governance Code, except for deviations from provision A.2.1 of the Code.

Code provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Li Chao Wang is currently the Chairman of the Board and is also deemed to be the Chief Executive Officer. The Board believes that the posts of Chairman and Chief Executive Officer being performed by the same person would provide the Group with strong and consistent leadership in the development and execution of long-term business strategies and development plans. The Board believes that there is adequate balance between the power and duty.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code 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 since the Listing Date.

## **AUDIT COMMITTEE**

The Company has established an audit committee comprising two independent non-executive directors, namely Mr. Kam Robert and Mr. Hui Chin Tong Godfrey, and a non-executive director Mr. Mak Kin Kwong. The chairman of the audit committee is Mr. Kam Robert.

The audit committee provides an important link between the Board and the Company's external and internal auditors in matters coming within the scope of the group audit. It also reviews the effectiveness of both the external and internal audit and of internal controls and risk evaluation, including the interim report for the six months ended 30 June 2007.

## **REMUNERATION COMMITTEE**

The Company's remuneration committee has three members comprising two independent non-executive directors, namely Dr. Cao Zhen Lei and Mr. Tsui King Fai, and a non-executive director Mr. Leung Ping Chung Hermann. The chairman of the remuneration committee is Dr. Cao Zhen Lei. The principle 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 principle duty of the nomination committee is to consider and recommend to the Board suitably qualified persons to become the directors and is responsible for reviewing the structure, size and composition of the Board on a regular basis.

## **PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT**

This announcement is published on the websites of Vinda International Holdings Limited ([www.ifn.com.hk/ir/vinda](http://www.ifn.com.hk/ir/vinda)) and the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)). The 2007 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, 20 September 2007

*As at the date of this announcement, the executive Directors are Mr. Li Chao Wang, Ms. Yu Yi Fang and Mr. Dong Yi Ping; the non-executive Directors are Mr. Lee Kwong Sang, Mr. Leung Ping Chung Hermann, Mr. Mak Kin Kwong, Mr. Rijk Hendrik Jan Schipper 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.*