



Vinda International Holdings Limited

(incorporated in the Cayman Islands with limited liability)

Stock Code: 3331

Interim Results Announcement

2011

Healthy

Lifestyle

Starts from

Vinda



Disclaimer

Information contained in our presentation is intended solely for your personal reference and is strictly confidential. Such information is subject to change without notice, its accuracy is not guaranteed and it may not contain all material information concerning the company and/or its business. We make no representation or warranty, express or implied, regarding, and assumes no responsibility or liability for, the fairness, accuracy, correctness or completeness of, or any errors or omissions in, any information or opinions contained herein.

In addition, the information contains projections and forward-looking statements that reflect the Company's current views with respect to future events and financial performance. These views are based on current assumptions which are subject to various risks and which may change over time. No assurance can be given that future events will occur, that projections will be achieved, or that the company's assumptions are correct. Actual results may differ materially from those projected. It is not the intention to provide, and you may not rely on this presentation as providing, a complete or comprehensive analysis of the Company's financial or trading position or prospects.

This presentation does not constitute an offer or invitation to purchase or subscribe for any shares and no part of it shall form the basis of or be relied upon in connection with any contract, commitment or investment decision in relation thereto.

Company Representatives

Mr. Li Chao Wang

- Chairman

Ms. Zhang Dong Fang, Donna

- Chief Executive Officer

Mr. Tsang Zee Ho, Paul

- Chief Financial Officer

I. Results Highlights

II. Financial Highlights

III. Business Review

IV. Future Outlook

V. Q&A



Key Achievements in 1H2011



Y-o-y
growth
30.5%

Revenue: HK\$2,194.6 million



Y-o-y
growth
12.5%

Total Sales Volume: 155,208 tons

- Recorded an impressive year-on-year growth of 30.5% in revenue.
- Mapped out a 6th five-year plan, the blueprint for the next five years with well-defined objectives and strategies for business development, brand and product enhancement, as well as sales channel and capacity expansion.
- Leveraging on the world-wide release of the internationally reputed DreamWorks Inc. animated production, “Kung Fu Panda 2”, Vinda officially launched its “Kung Fu Panda Series” in April and received good market response.
- Total annual production capacity grew to 395,000 tons as at 30 June 2011.
- V-Care, the newly established JV, successfully conducted trial production and test marketing for “Babifit”, the first baby diaper products.

I. Results Highlights

II. Financial Highlights

III. Business Review

IV. Future Outlook

V. Q&A



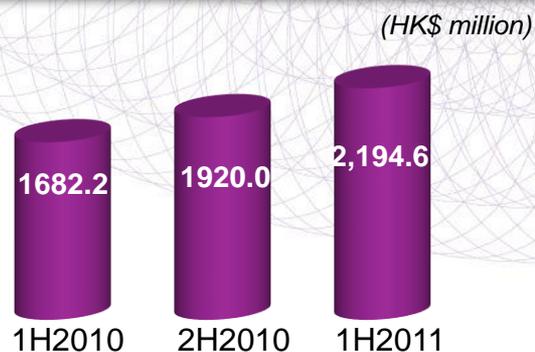
Financial Performance

For the six months ended 30 June

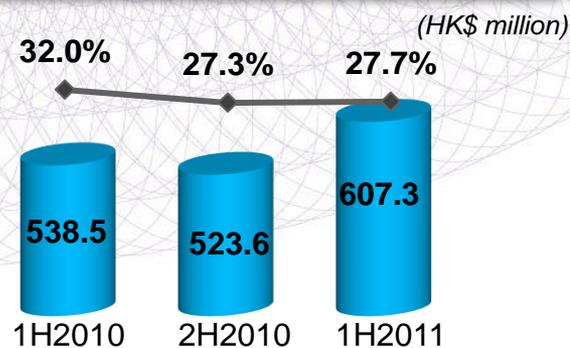
(HK\$ million)

	2011	2010	Change
Revenue	2,194.6	1,682.2	↑ 30.5%
Cost of sales	(1,587.3)	(1,143.7)	↑ 38.8%
Gross profit	607.3	538.5	↑ 12.8%
Operating profit	248.0	264.6	↓ 6.3%
EBITDA	344.4	332.1	↑ 3.7%
Profit before income tax	252.1	256.8	↓ 1.8%
Profit attributable to equity holders of the Company	191.1	198.4	↓ 3.7%
Basic earnings per share (HK cents)	20.4	21.9	↓ 6.8%
Interim dividend per share (HK cents)	3.3	3.3	Nil

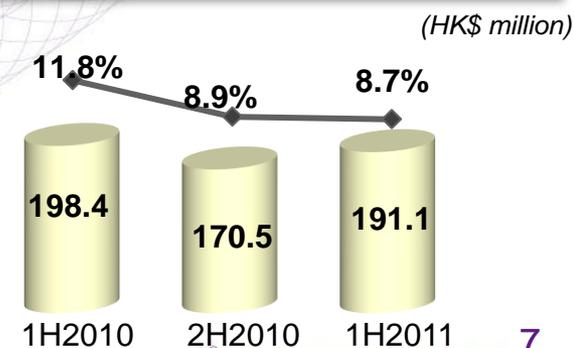
Revenue



Gross Profit and Margin



Net Profit and Margin



Strong Growth Across All Products

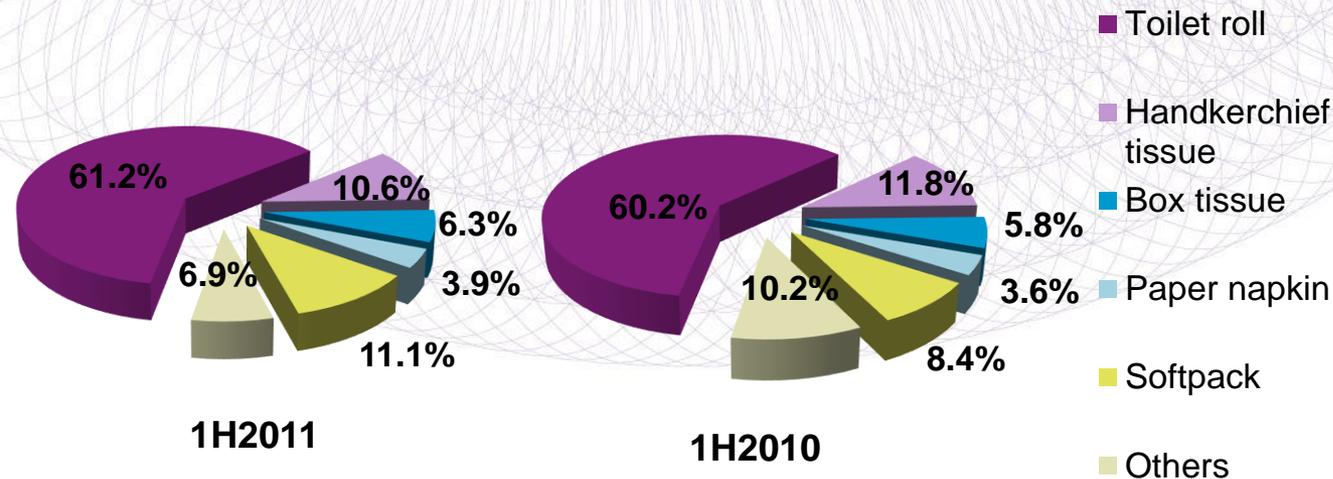
For the six months ended 30 June

(HK\$ million)

	2011	2010	Change
Toilet roll	1,344.0	1,013.1	↑ 32.7%
Handkerchief tissue	231.7	198.7	↑ 16.6%
Box tissue	138.6	97.8	↑ 41.7%
Softpack	242.6	142.1	↑ 70.7%
Paper napkin	84.6	61.4	↑ 37.8%
Others	153.1	169.2	↓ 9.5%

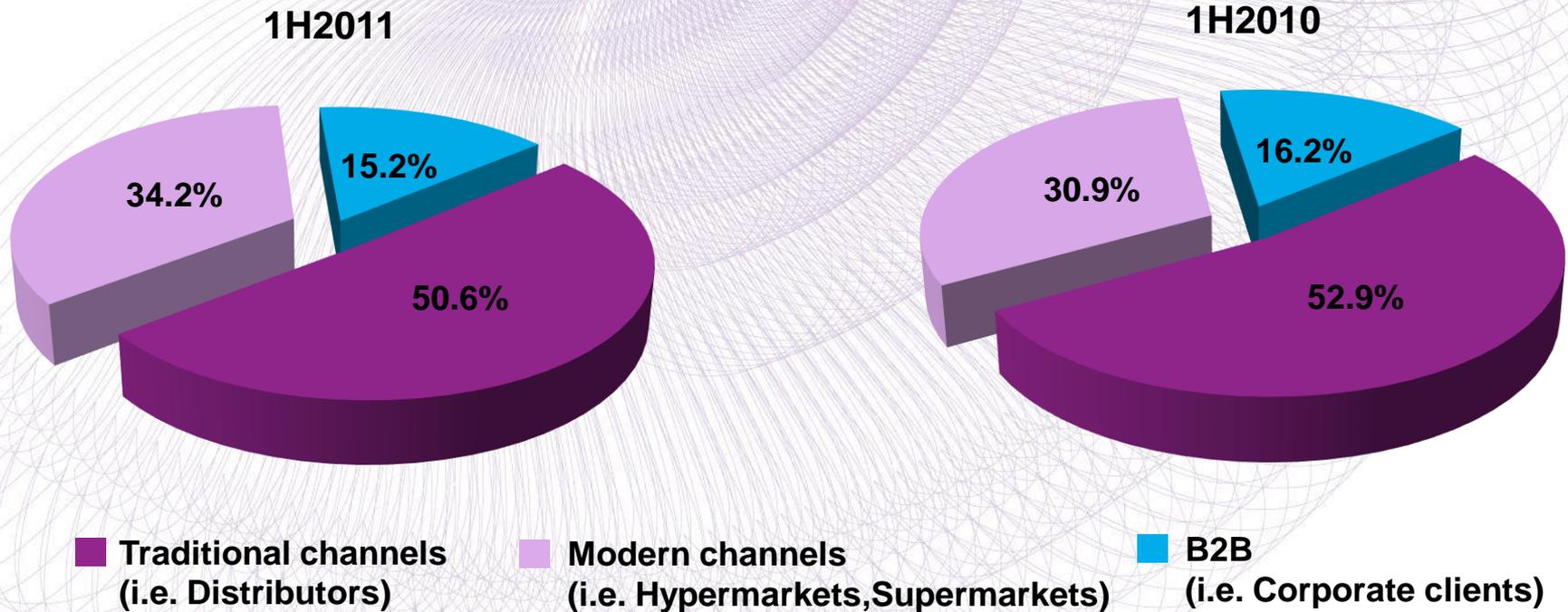
- Toilet roll remained as the key revenue contributor, accounting for 61.2% of total sales.
- Softpack is the key growth driver, respective revenue rose 70.7% yoy.
- Average selling price was approx. HK\$14,140 per ton, up by 16%.

Product Mix % of Sales



Diversification of Distribution Channels

Distribution Channel Split by Revenue



- Recently, modern channels have become increasingly important as sales channels in PRC.
- The Group aims to strike a healthy balance between different distribution channels.

Gross Margin Overview

For the six months ended 30 June

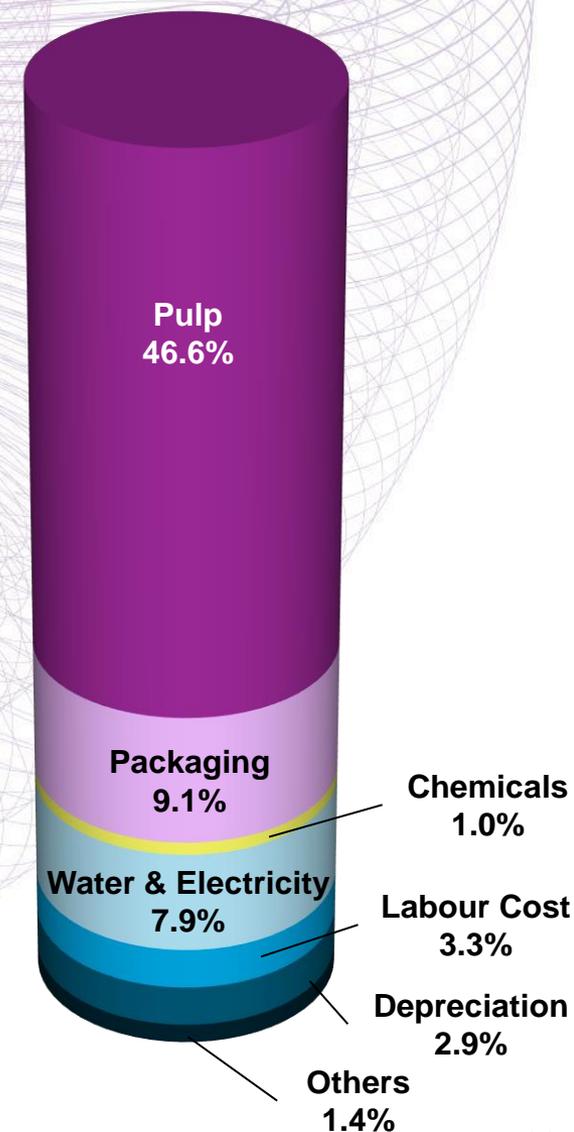
(HK\$ million)	2011	2010	Change
Toilet roll	26.6%	31.4%	↓ 4.8 p.p.
Handkerchief tissue	32.8%	34.5%	↓ 1.7 p.p.
Box tissue	30.5%	36.0%	↓ 5.5 p.p.
Softpack	29.8%	32.9%	↓ 3.1 p.p.
Paper napkin	22.9%	30.9%	↓ 8.0 p.p.
Others	26.2%	30.3%	↓ 4.1 p.p.
OVERALL	27.7%	32.0%	↓ 4.3 p.p.

- Compared to 1H2010, gross profit margin in 1H2011 decreased by 4.3 percentage points to 27.7%, mainly due to:
 - Higher pulp cost rose substantially compared to 1H2010, despite the trend was relatively stable during the period under review.
- Compared to 2H2010, gross profit margin in 1H2011 improved 0.4p.p., because:
 - Impact from fluctuation in wood pulp prices was partly mitigated by selling products with higher gross profit margin and flexible pricing strategy

Cost of Sales Overview

For the six months ended 30 June

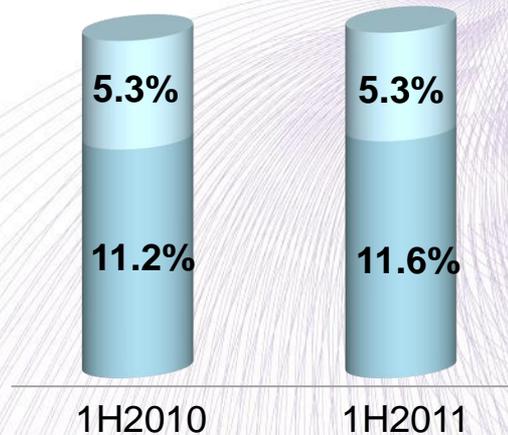
(HK\$ million)	2011	2010	Change
Pulp	46.6%	40.5%	↑ 6.1p.p.
Packaging	9.1%	10.2%	↓ 1.1p.p.
Chemicals	1.0%	1.0%	-
Water & electricity	7.9%	8.3%	↓ 0.4p.p.
Labour cost	3.3%	3.2%	↑ 0.1p.p.
Depreciation	2.9%	3.3%	↓ 0.4p.p.
Others	1.4%	1.5%	↓ 0.1p.p.
TOTAL COGS	72.3%	68.0%	↑ 4.3p.p.



- COGS increased by 4.3 p.p. compared to 1H2010, mainly due to higher pulp cost on a per ton basis.
- Reasons for high pulp price in 1H2011:
 - Weakening USD: USD is used as the base currency in the pulp market. In 1H2011, CAD & BRL appreciated 3% & 6% against USD respectively. To maintain the same level of profitability, the major global pulp suppliers (from Canada and Brazil) marked the pulp at higher price.
 - Long fiber: No new supply, but there is strong demand. Global suppliers maintained a relatively low inventory level.
 - Short fiber: Stable demand but triggered by high long fiber price, certain short fiber suppliers have also raised prices in 2Q.

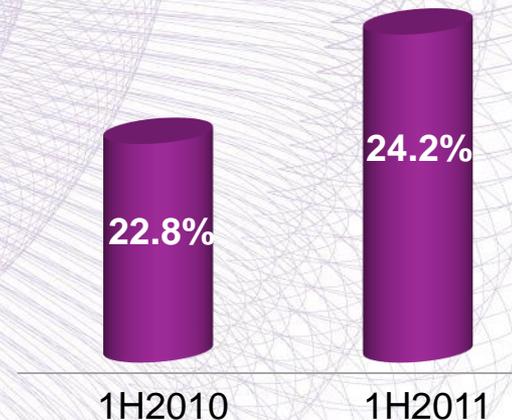
Increase Selling Cost for Long-Term Branding Investment

Operating Expenditure as % of Sales



- Administrative expenses
- Selling & marketing expenses

Effective Tax Rate

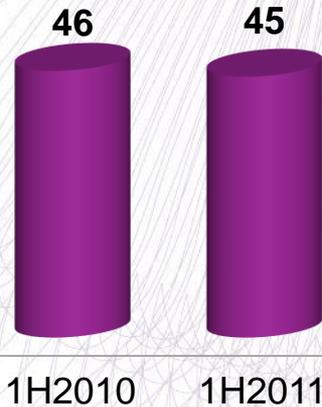


- The Group had granted 4,837,000 share options in 1H2011, and the aggregate cost of the grant amounted to HK\$15.5m was fully reflected in administrative expenses in 1H2011. Excluding this amount, administrative expense as a % of sales for 1H2011 was 4.5%.
- Selling and marketing expenses slightly rose HK\$65.0m, or up 0.4 p.p. as % of sales:
 - Sales expense (i.e. shelf listing fees, entrance fees, promoter fee) spent to build the modern channel increased by 0.8 p.p. as % of sales.
 - Logistics cost decreased by 0.2 p.p. as % of sales

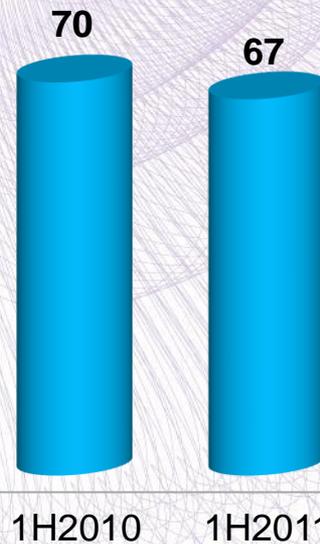
- Effective tax rate rose 1.4 p.p. to 24.2% in 1H2011, as the tax holiday for certain subsidiaries came to an end.

Working Capital Management

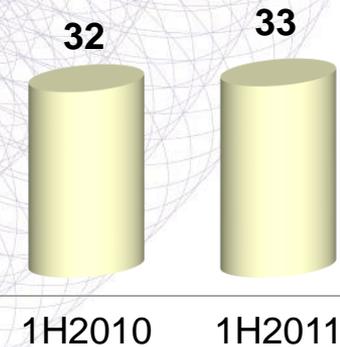
Receivable Turnover Days



Payable Turnover Days



Finished Goods Turnover Days



- The Group maintained good working capital management during the period under review. As a result, receivable turnover days, payable turnover days and finished goods turn over days all stood at a healthy level.

Key Leverage Indicators

For the six months ended 30 June

(HK\$ million)	2011	2010
Short-term debt	807.7	389.2
Long-term debt	649.9	529.9
Total debt	1,457.6	919.1
Cash and cash equivalents	530.0	332.5
Net gearing ratio* (%)	32.2	26.5
EBITDA/Net interest (times)	23.0	30.1

- Solid financial resources for capital expansion and potential investment plans.
 - Entered into an agreement with certain Hong Kong financial institutions for a committed term loan facility in an aggregate principal amount of HK\$750 million. Drawdown of funds took place in 2H2011.
 - As at 30 June 2011, unused credit facilities amounted to approximately HK\$2.54 billion.
- Adopted a “prudent and consistent” financing policy.
 - Net gearing ratio maintained at a healthy level of 32.2% . Drawdown of funds took place in 2H2011.
 - Total debt was HK\$1,457.6 million. 44.6% of bank loans are of medium to long term .
 - Interest coverage was 15.8 times.

*Calculation of net gearing ratio: Total borrowings less bank balances and cash and restricted deposits / total shareholders' equity

I. Results Highlights

II. Financial Highlights

III. Business Review

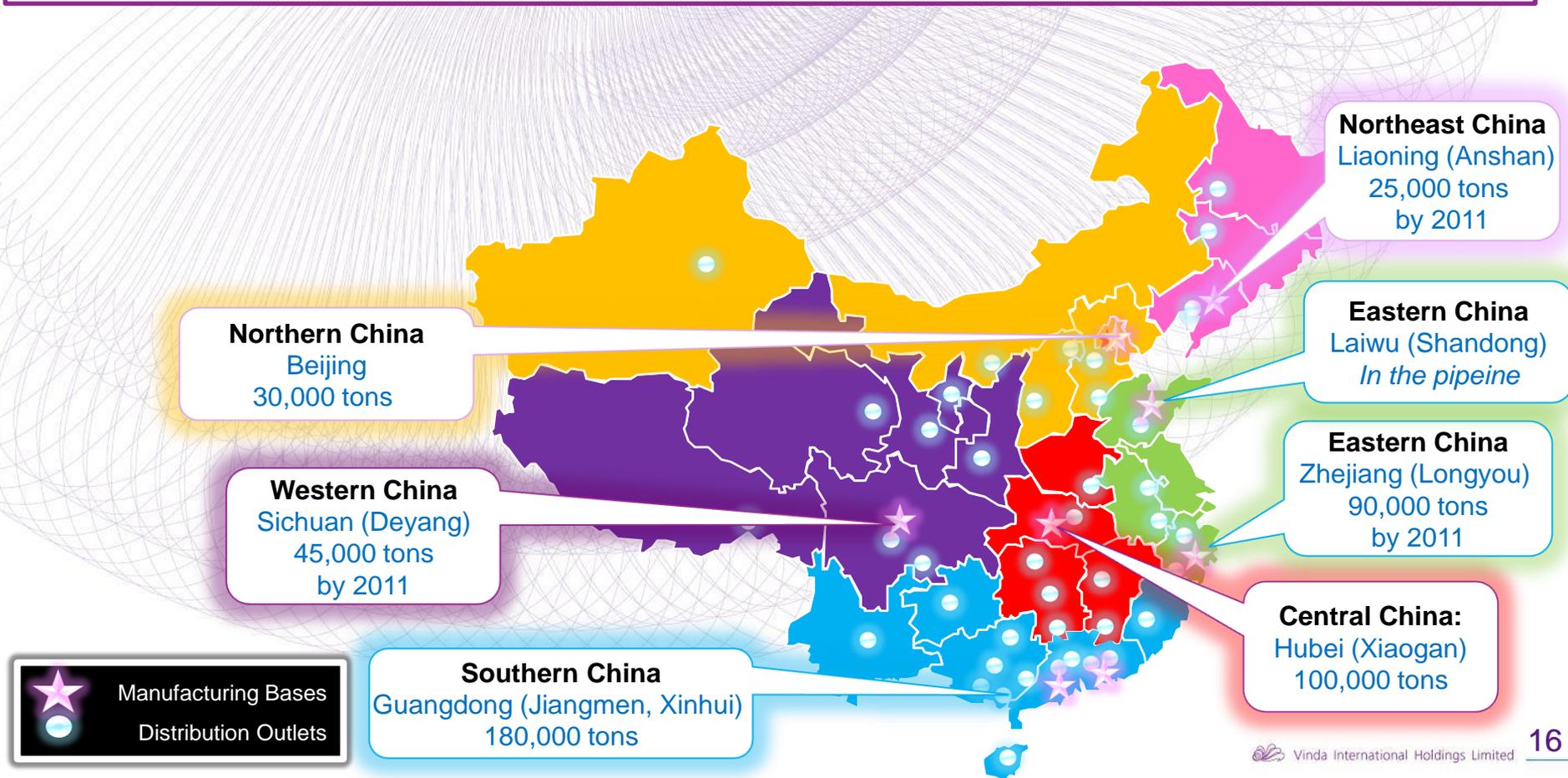
IV. Future Outlook

V. Q&A

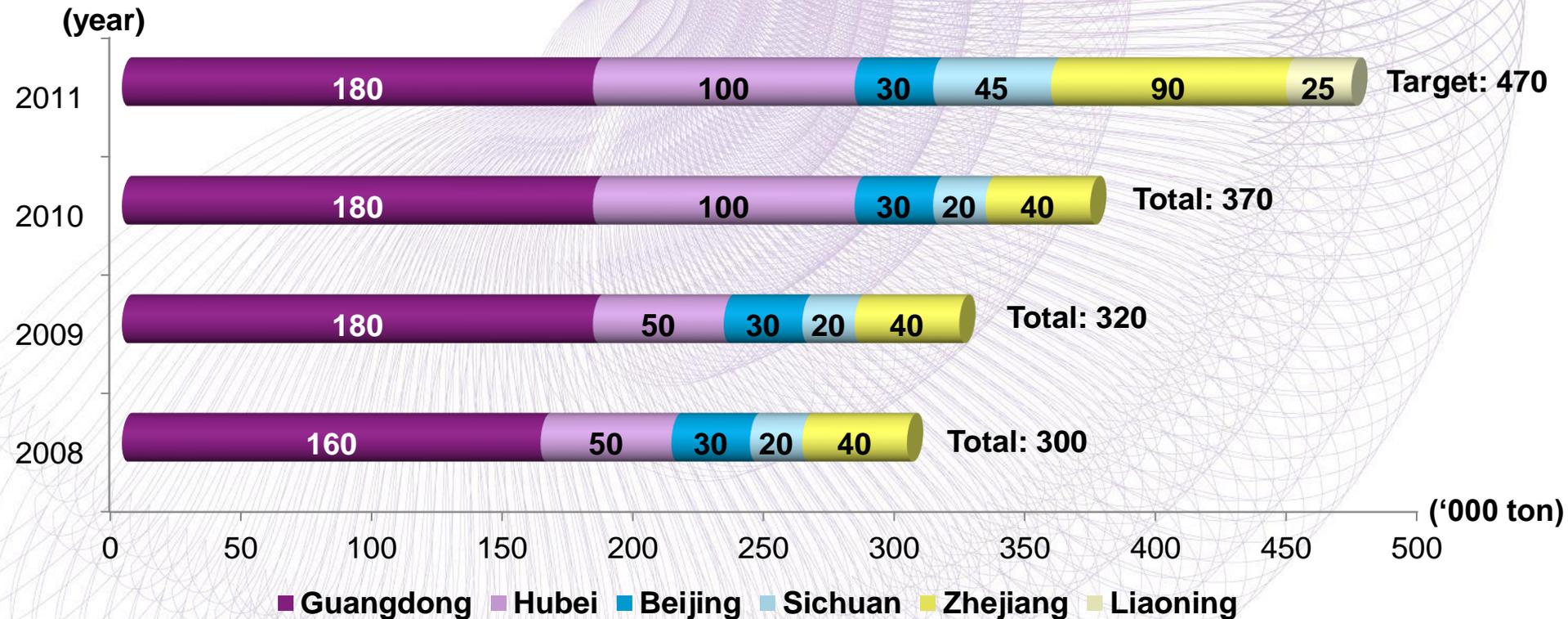


Well-Balanced Geographical Coverage

- Seven strategically located production facilities, utilizing an asterisk(*) shaped production geo-matrix to maximize economies of scale.
- Average utilization rate in 1H2011 was running at full capacity.
- The plan to build a plant in Laiwu, Shandong Province has passed environmental assessment.



Production Capacity Expansion Plan



- Additional capacity of 25,000 tons in Zhejiang commenced operation in May. Total annual production capacity reached 395,000 tons as at 30 June 2011.
- Completed trial production of 50,000 tons new capacity in Liaoning and Zhejiang in late August.
- 25,000 tons of new capacity in Sichuan will commence operations in 4Q 2011.
- Aggregate annual production capacity is expected to reach 470,000 tons by end of 2011.
- Target to reach 700,000 tons of annual production capacity in the medium term.

Extensive Sales Network



- Continuously expanded our sales network to penetrate various regions and cities.
- Successfully hosted our first-ever National Distributor Conference in May to introduce new products and boost sales of non-toilet roll products.
- As of 30 June 2011, Vinda had about 220,000 points-of-sales, 155 sales offices and 1,050 distributors.

Product Development – Kung Fu Panda Series



- Vinda inked a two-year licensing agreement with DreamWorks Animation SKG, Inc., to launch “Kung Fu Panda Series” products.
- The two-year entitlement is valid till the end of 2012.
- Employed an online and offline marketing campaign named “Vinda – a Master in the Art of Gentle Pliability” (“維達柔韌有功夫”) to promote the series
- Toilet roll products were not offered in the series and all its products commanded higher gross profit margins.



Comprehensive Marketing & Promotion Campaign

- Effectively utilized public relations platform & various advertising mediums to enhance the brand image.
- Concentrated efforts in promoting “Star-products” .
- Upgraded the flagship brand, “Classic Blue Series”, and sustained continual sales growth
- Successfully secured an extension of the license of “Pleasant Goat Series” until the end of 2013.

Public Relations



Promotion & Advertising



Improved Operational Efficiency and Green Management

- Constantly introduced technological upgrades as environmental requirements in China tighten.

- Optimized sewage plant treatment to save water usage by approximately 1 million tons per annum.

- Improved water temperature control and waste emission systems to enhance production efficiency and reduce energy usage by 15,000 tons of coal equivalent per annum.

- Actively protected intellectual property, obtained 11 new patents related to sustainability technology, 4 copyright patents for software, and 1 invention patent.



I. Results Highlights

II. Financial Highlights

III. Business Review

IV. Future Outlook

V. Q&A



Outlook of Operating Environment

Economic Environment

- Benefit from the array of economy stimulating measures implemented by the Central Government to maintain positive growth momentum of China's economy.
- With accelerated urbanization in China, high quality products gradually becomes the driving force of the market growth.
- Public Bank of China's tightening credit measures will affect enterprises, especially smaller ones, to finance their operations.
- RMB is expected to steadily appreciate in the next two years.



Industry Environment

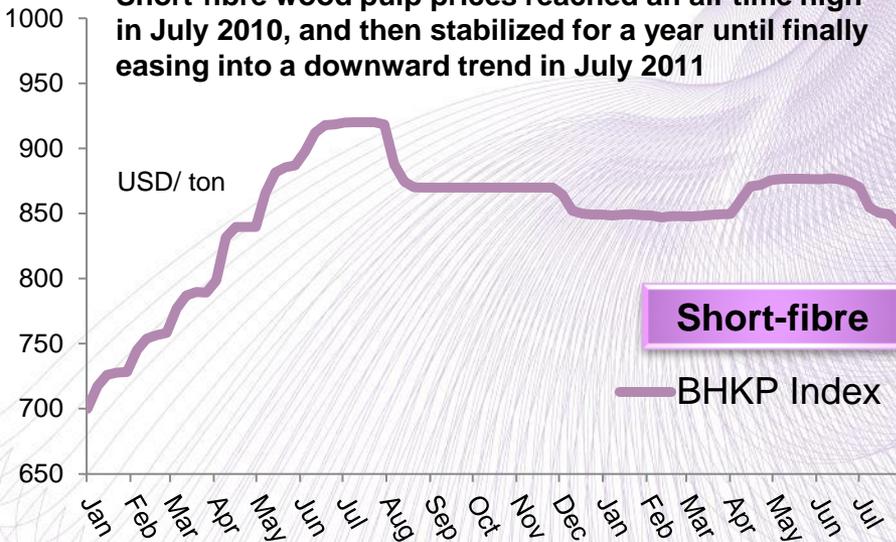
- Central Government implements tighter control in environmental protection policies. One of the top priorities in China's 12th Five-Year Plan is to systematically phase out the small factories that cannot meet the requirements.
- Market consolidation will intensify.

Wood Pulp Price Trend

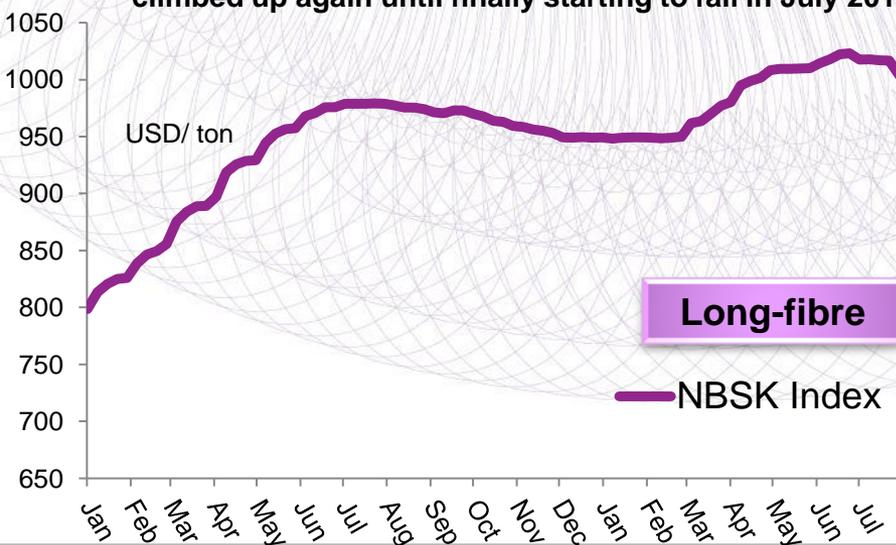
- Weaker demand in US & Europe as economies in those countries are unfavourable.
- International pulp price saw a downward adjustment in 3Q, which alleviated the Group's raw material costs, and is expected that inventory carried forth will positively impact the profit margin in 1H2012.
- Pulp price is expected to rebound in 4Q2011.

Strategies in response to Fluctuated Wood Pulp Prices

Short-fibre wood pulp prices reached an all-time high in July 2010, and then stabilized for a year until finally easing into a downward trend in July 2011



Long-fibre wood pulp prices steadily rose from January to July 2010, and stabilized until March 2011 then climbed up again until finally starting to fall in July 2011



Vinda's strategies

- Maintain our well-established, strategic partnership with existing suppliers and explore new alliances.
- Centralize the procurement to raise the bargaining power of the Group.
- Enhance cost control effectiveness.
- Enhance production efficiency.
- Adopt excellent production management and outstanding manufacturing know-how.
- Constantly keep track of market situation & adopt a flexible procurement and pricing strategy.
- Closely monitor and evaluate the wood pulp quality from domestic suppliers so as to allow a greater flexibility in choosing raw materials without risking the quality of Vinda's products.

Future Strategies – 6th Five-year Plan

Production Capacity & Distribution Network Expansion

- Expand our production capacity in a systematic manner to meet demand, with a goal to reach 700,000 tons of annual production capacity in the medium term.
- Further penetrate our distribution network into second- and third-tier cities; target: 400,000 points-of sales in three years time.



WHAT'S NEXT?



Kung Fu Panda 2™ & © 2011 DreamWorks Animation L.L.C.
Kung Fu Panda © DreamWorks Animation L.L.C.



Branding and Product Development

- Enhance product mix by increasing sales proportion of higher margin products. Target to achieve a 50:50 revenue split between toilet-roll & non-toilet roll product category in five years time.
- Nurture two to three “Star-products” per annum in addition to the already successful “Classic Blue Series”.
- Acquire licenses to brand products with popular animations.
- Intensify marketing efforts to build strong brand equity.

Future Strategies – 6th Five-year Plan

Personal Care Product Business

- Strengthen new personal care product business by investing diapers (i.e. baby diapers, adult diapers) and sanitary napkins business
- Continue seeking acquisition & joint venture opportunities.
- Support V-Care business with Vinda's extensive distribution network.



Efficiency & Effectiveness

- Optimize information systems (e.g. ERP system).
- Maintain solid partnership with certain wood pulp suppliers and explore new alliances, allowing greater flexibility when choosing supplier without risking product quality



Teambuilding

- Build our future and sustain our competitive edge by implementing the management trainee program.



Personal Care Business

Baby Diaper

- Completed trial production and test marketing of products under Babifit in 1H2011.
- Over 275 distributors joined the first trade fair in August, which recorded satisfactory results. Wide scale roll-out has commenced since late-August.
- Adopted a two-leg approach for production. (i.e. using both OEM & self-production). Three production lines are expected to be in place in 2012, and the first one will commence operation in 1H2012.
- “Babifit” products to target three market levels: mid-high, mid and low-end markets.
- Maternity stores, hospital and supermarkets will be the three main distribution channels for Babifit products.



Q&A