



# Vinda International Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 3331

Annual Results Announcement

## 2010

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

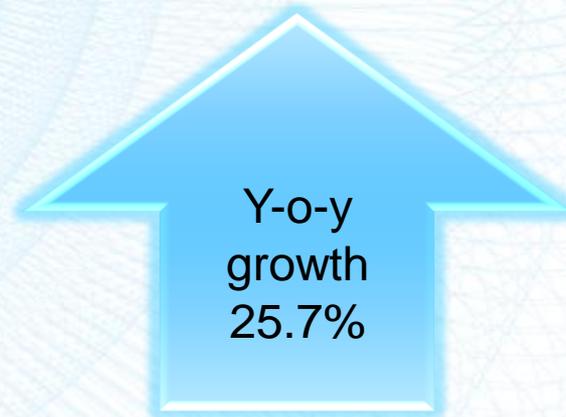
V. Q&A



# Key Achievements in 2010



Revenue: HK\$3,602 million



Total Sales Volume: 281,814 tons

- Vinda International led the industry in various aspects:
  - Market share in the toilet roll tissue category
  - Regional sales in Central China, Southern China, Hong Kong & Beijing
- Percentage growth of revenue is greater than percentage increase in sales volume, indicating Vinda's brand power and ability to increase its price premium
- Made significant progress on diversifying into the personal care products business
- Total annual production capacity grew to 370,000 tons as at 31 December 2010

I. Results Highlights

II. Financial Highlights

III. Business Review

IV. Future Outlook

V. Q&A

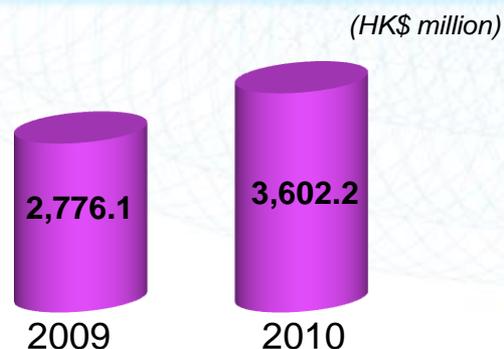


# Financial Performance

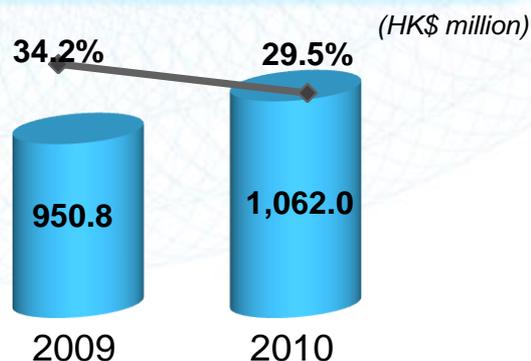
For the year ended 31 December

(HK\$ million)	2010	2009	Change
Revenue	3,602.2	2,776.1	↑ 29.8%
Cost of sales	(2,540.1)	(1,825.3)	↑ 39.2%
Gross profit	1,062.0	950.8	↑ 11.7%
Operating profit	463.5	522.7	↓ 11.3%
EBITDA	618.0	643.5	↓ 4.0%
Profit before income tax	460.2	495.2	↓ 7.1%
Profit attributable to equity holders of the Company	368.9	397.8	↓ 7.3%
Basic earnings per share (HK cents)	40.4	44.0	↓ 8.2%
Dividend per share for the year (HK cents)	12.0	12.0	Nil

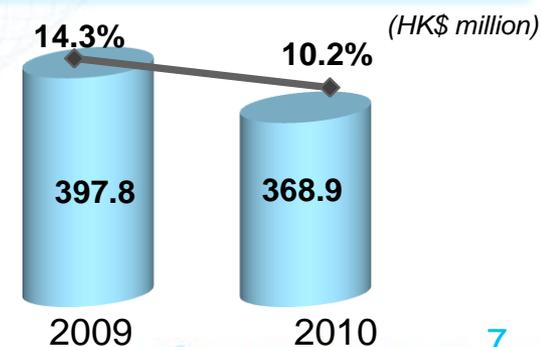
## Revenue



## Gross Profit and Margin



## Net Profit and Margin



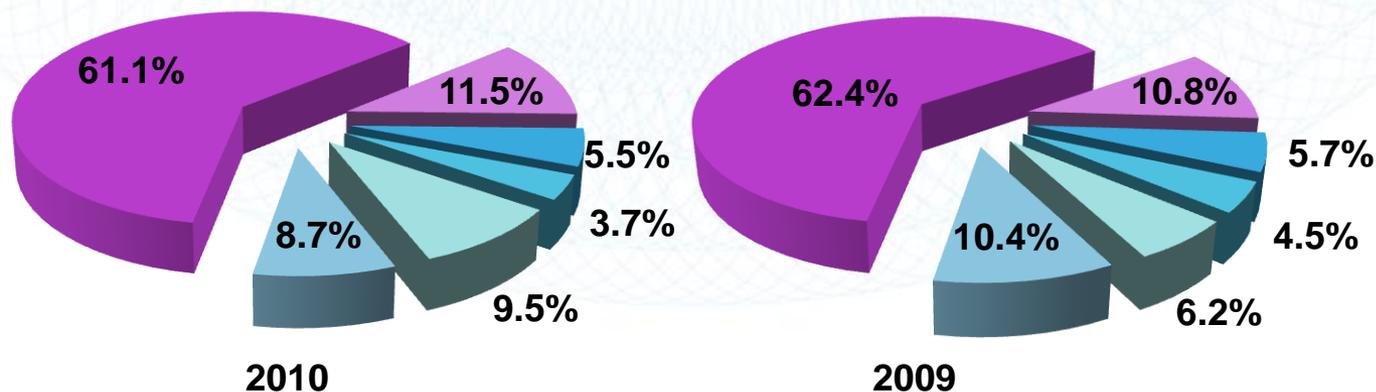
# Strong Growth Across All Products

For the year ended 31 December

(HK\$ million)	2010	2009	Change
Toilet roll	2,199.5	1,733.1	↑ 26.9%
Handkerchief tissue	414.6	300.6	↑ 37.9%
Box tissue	198.8	157.3	↑ 26.4%
Paper napkin	132.6	124.7	↑ 6.3%
Softpack	343.0	170.7	↑ 100.9%
Others	313.6	289.8	↑ 8.2%

- Toilet roll remained as the key revenue contributor, accounting for 61.1% of total sales
- Successfully enhanced the product portfolio, high margin product accounted for 34.2% of total sales, up by 2.4 p.p. compared to 2009
- Sales of the “Pleasant Goat Series”, a single product line, accounted for approx. 8% of total revenue
- Average selling price was approx. HK\$12,800 per ton

## Product Mix % of Sales



- Toilet roll
- Handkerchief tissue
- Box tissue
- Paper napkin
- Softpack
- Others

# Gross Margin Overview

For the year ended 31 December

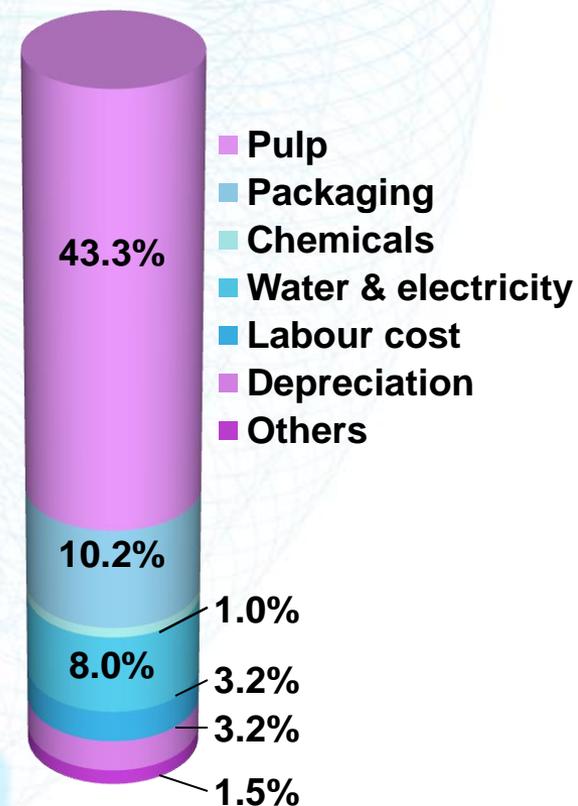
(HK\$ million)	2010	2009	Change
Toilet roll	<b>27.9%</b>	32.6%	<b>↓4.7 p.p</b>
Handkerchief tissue	<b>35.8%</b>	41.0%	<b>↓5.2 p.p</b>
Box tissue	<b>34.4%</b>	42.0%	<b>↓7.6 p.p</b>
Paper napkin	<b>32.4%</b>	36.4%	<b>↓4.0 p.p</b>
Softpack	<b>30.8%</b>	34.4%	<b>↓3.6 p.p</b>
Others	<b>26.2%</b>	31.8%	<b>↓5.6 p.p</b>
<b>OVERALL</b>	<b>29.5%</b>	34.2%	<b>↓4.7 p.p</b>

- Gross Profit Margin in FY2010 decreased to 29.5%, mainly due to:
  - Higher pulp cost. Two major wood pulp markets experienced supply disruptions when an earthquake hit Chile and Finland underwent labour strikes
  - In 2010, average BHKP (price index for short-fiber pulp) was US\$840 per ton, up by 50%; average NBSK (price index for long-fiber pulp) was US\$932 per ton, up by 42%
  - Managed to mitigate part of the impact of fluctuation in wood pulp prices by implementing several price adjustments over the year

# Cost of Sales Overview

For the year ended 31 December

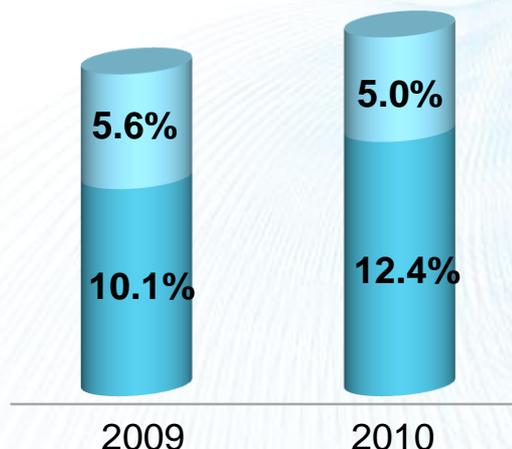
(HK\$ million)	2010	2009	Change
Pulp	43.3%	37.5%	↑ 5.8 p.p
Packaging	10.2%	9.9%	↑ 0.3 p.p
Chemicals	1.0%	1.2%	↓ 0.2 p.p
Water & electricity	8.0%	8.1%	↓ 0.1 p.p
Labour cost	3.2%	3.0%	↑ 0.2 p.p
Depreciation	3.2%	3.8%	↓ 0.6 p.p
Others	1.5%	2.3%	↓ 0.8 p.p
<b>TOTAL COGS</b>	<b>70.4%</b>	<b>65.8%</b>	<b>↑ 4.6 p.p</b>



- COGS breakdown increased by 4.6 p.p. compared to FY2009, mainly due to higher pulp and packaging costs on a per ton basis

# Increase Selling Cost for Long-Term Branding Investment

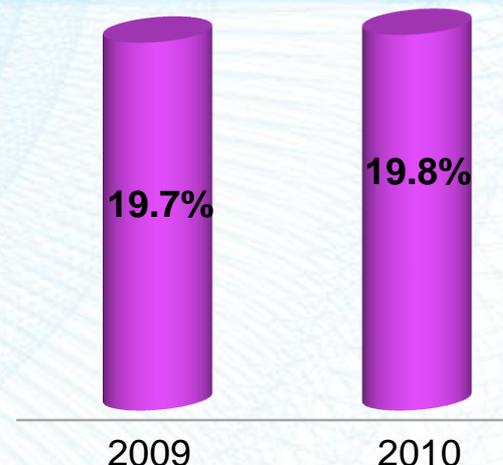
## Operating Expenditure as % of Sales



- Administrative Expenses
- Selling and Marketing Costs

- As compared to 2009, total operating expenses increased by HK\$189.7 million, or up 1.7 p.p. to 17.4% of sales, because of:
  - Management intensified marketing and promotion efforts to further boost sales and enhance competitiveness
  - Increase in transportation, promotion, marketing, advertising and human resources expenses due to expansion of the sales promotion

## Effective Tax Rate



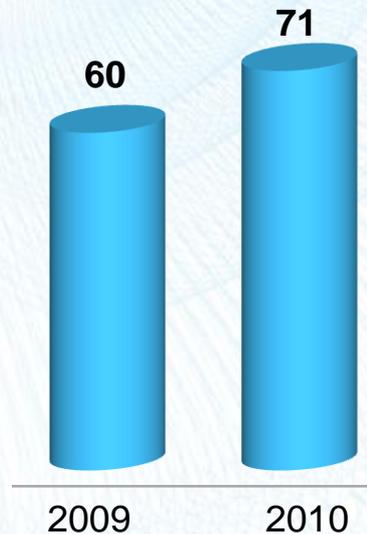
- Effective tax rate slightly rose from 19.7% in 2009 to 19.8% in 2010

# Working Capital Management

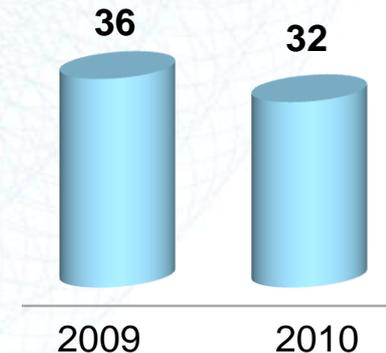
## Receivable Turnover Days



## Payable Turnover Days



## Finished Goods Turnover Days



- Receivable turnover days increased because the sales to national key account customers significantly increased and the Group offered longer credit term to them
- Payable turnover days rose since the Group strengthened their relationship with their suppliers which resulted in better treatment of credit terms from suppliers

# Key Leverage Indicators

For the year ended 31 December

(HK\$ million)	2010	2009 (restated)
Short-term debt	557.4	512.8
Long-term debt	530.3	350.4
Total debt	1,087.7	863.2
Cash and cash equivalents	389.6	346.9
Net gearing ratio* (%)	26.0	24.9
EBITDA/Net interest (times)	24.8	23.3

- Adopted a “prudent and consistent” financing policy
  - Net gearing ratio stood at 26.0% in 2010
  - Total debt was HK\$1,087.7 million. 48.8% of bank loans are of medium to long term
  - Interest coverage is 17.6 times
- Solid financial resources for capital expansion and potential investment plans
  - Raised a net amount of approximately HK\$264 million (after deducting related fees and expenses) by the top-up placement involving issuance of 28.5 million new shares at a price of HK\$9.5 during the year
  - As at 31 December 2010, unused credit facilities amounted to approximately HK\$2,673 million

\*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



# Successful Brand Enhancement

## Successful and Well-defined Branding Strategy

- Targeted different consumer clusters by implementing a clearly defined branding strategy
- Helped enhance brand image and established a national and unified branding system
- Upgraded flagship brand, the “Classic Blue Series” and sustained continual sales growth
- Launched numerous supplementary product lines to optimize product mix: “FEEL Series”, “Flowery Series” to capture more market share
- Achieved overwhelming sales results for “Pleasant Goat Series” and successfully secured an extension of the copyright license till the end of 2013

## Comprehensive Marketing Plan

- Actively promote brands and products through different channels in order to further penetrate the market and increase market share
- Effectively reorganized resources by utilizing a centralized management system under which the headquarters are fully in charge of the management and coordination of regional marketing programs
- Placed advertisements, inclusive of digital and traditional media, and organized innovative product promotional activities in various cities
- The marketed information of the brand became much more consistent and earned the consumers' praise

# Comprehensive Marketing & Promotion Plan

## Print Ads



## TVC on Bus & Subway LCD



## Internet



## TVC on Commercial Building LCD



## Buspak



## Outdoor



## Shanghai World Expo



## Subway



# 25<sup>th</sup> Anniversary Marketing Promotion

- Launch new advertising theme “*apply bliss to your skin with a ply of comfort*” 「柔韧一张幸福主张」 to target young customer base



- Advertising campaigns across China, media includes indoor, outdoor, above and below the line



- National roadshow - “Witness Miracle of Softness”, allowing customers to experience softness of Vinda’s products

# Product Development



- Flagship brand “Classic Blue Series” accounted for the majority of total revenue
- Continued enhancement of product mix to create larger profit margins

- “Pleasant Goat Series”, a PRC popular cartoon series exhibiting huge growth
- Accounted for approx. 8% of total revenue
- Successfully extended license contract to Dec 2013



# Product Development (cont'd)

- “FEEL Series “, with unique and trendy packaging design, launched in July 2010
- Target customer cluster: young generation

花  
の  
韻  
HANA NO RYUN



*Chic FEEL*



*Bobo FEEL*



*Paddy FEEL*



- Repositioning of “Flower Series”, scented tissues
- Target customer cluster: white-collar office ladies

绿活

- “Rewoo” launched in April 2010, low carbon and eco-friendly products made of sugar cane pulp , served as a strategic brand to target mid- to low-end markets offered in second and third-tier cities in China
- Relatively minor price fluctuations in sugar cane pulp compared to wood pulp, enables the group to balance its cost structure gradually



# 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 2010 was running at full capacity
- As at 31 December 2010, annual total capacity reached 370,000 tons, with 50,000 tons of additional capacity from Hubei production base
- Aim to reach 470,000 tons of total annual production capacity by 2011
- The plan to build a production line in Shandong is in assessment process

## Northern China

Beijing  
30,000 tons

## Northeast China

Liaoning (Anshan)  
25,000 tons  
by 2011

## Western China

Sichuan (Deyang)  
45,000 tons  
by 2011

## Eastern China

Zhejiang (Longyou)  
90,000 tons  
by 2011

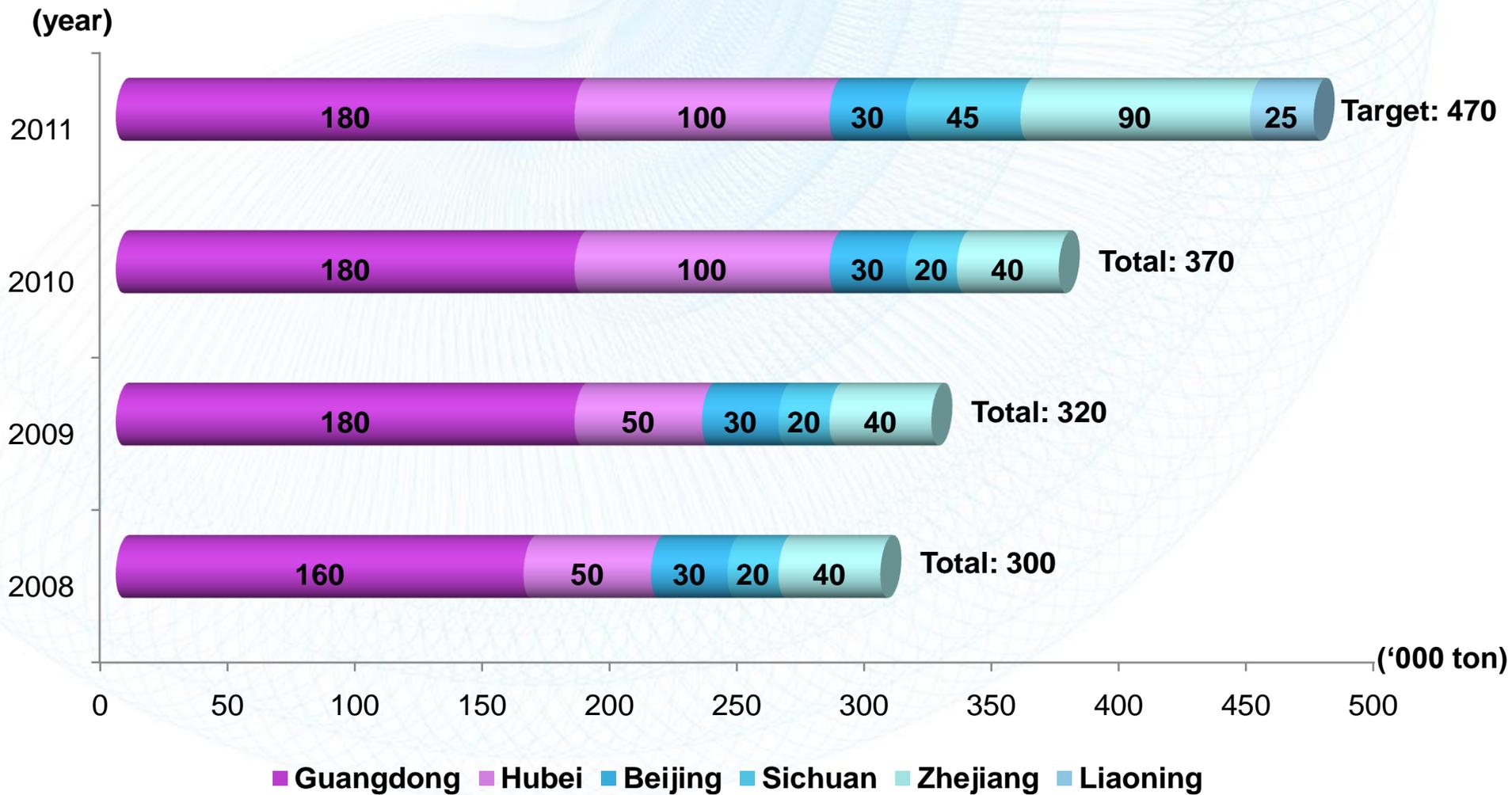
## Southern China

Guangdong (Jiangmen, Xinhui)  
180,000 tons

## Central China:

Hubei (Xiaogan)  
100,000 tons

# Production Capacity Expansion Plan

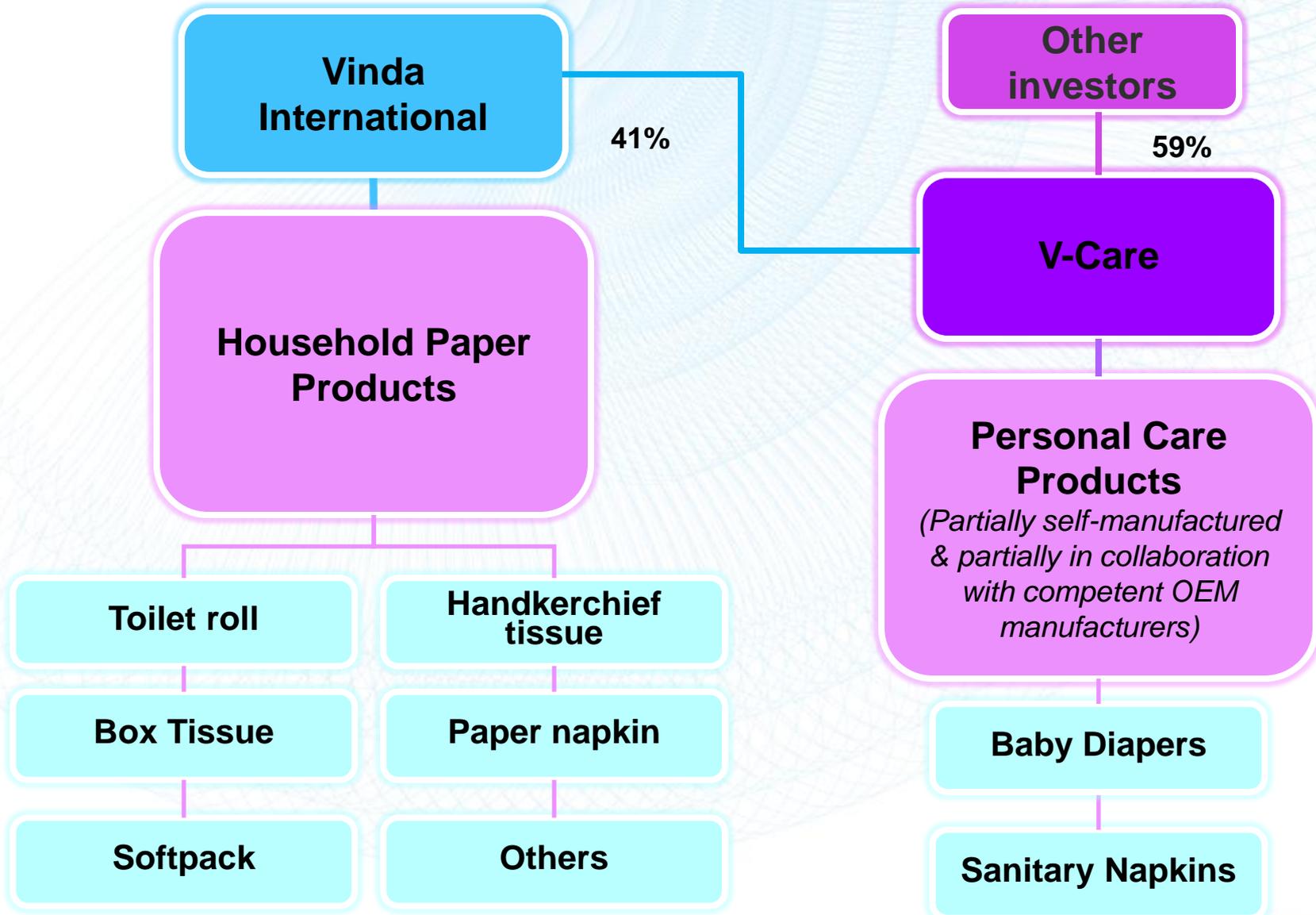


# Extensive Sales Network

- Implemented “Ten Thousand Shops over Hundred Cities” Project to extend distribution coverage, which currently has up to 200,000 point-of-sales
- Sales network expanded to 141 sales offices and 856 distributors



# Business Expansion to Personal Care Products



I. Results Highlights

II. Financial Highlights

III. Business Review

IV. Future Outlook

V. Q&A



# Outlook of Operating Environment

- Benefit from stimulated economy maintained by the array of measures implemented by the Central Government to continue positive growth momentum of China's economy
- International wood pulp price rose to historical highs and has since stabilized. It is expected that the prices will maintain at high levels
- Industry consolidation will accelerate as the Central Government continues to implement more stringent environmental protection measures
- Energy saving and environmental protection is one of the top priorities in China's 12th Five Year Plan. Small companies would be weeded out due to non-compliance
- With accelerated urbanization in China, consumers have developed more sophisticated consumption habits
- China banks' policy of credit tightening measures will affect financing abilities for enterprises, particularly adding pressure to those smaller players
- RMB is expected to steadily appreciate in the next two years

# Future Strategies

## Branding and Product Development

- Intensify marketing efforts to build strong brand equity
- Enhance product mix to increase sales proportion of higher margin products
- Target to nurture two to three star products
- Proactively expanding product lines
- Promote products using successfully acquired license to brand products based on popular animated

## Personal Care Product Business

- Source new income streams by nurturing personal care product business
- Support V-Care business with Vinda's extensive distribution network
- Manufacture baby diapers through own production capabilities and OEM processing plants
- Continue seeking OEM manufacturers for acquisition or joint venture

## Efficiency and Quality

- Better integrate core strengths: production capabilities, management experience with safety, environmental protection, product quality and cost-efficiency
- Optimize management information systems
- Enhance production efficiency and improve environmental standards through automation

## Cost Control

- Maintain solid partnership with wood pulp suppliers, centralizing procurement to raise bargaining power
- Constantly monitoring and evaluating quality of raw materials to allow greater flexibility when choosing supplier without risking product quality

## Production Capacity and Distribution Network Expansion

- Expand distribution network in second- and third-tier cities through large chain super stores
- Expand production capacity in a systematic manner to meet demand, with a goal to reach 700,000 tons in the medium term

# Strategies in Response to High Wood Pulp Prices

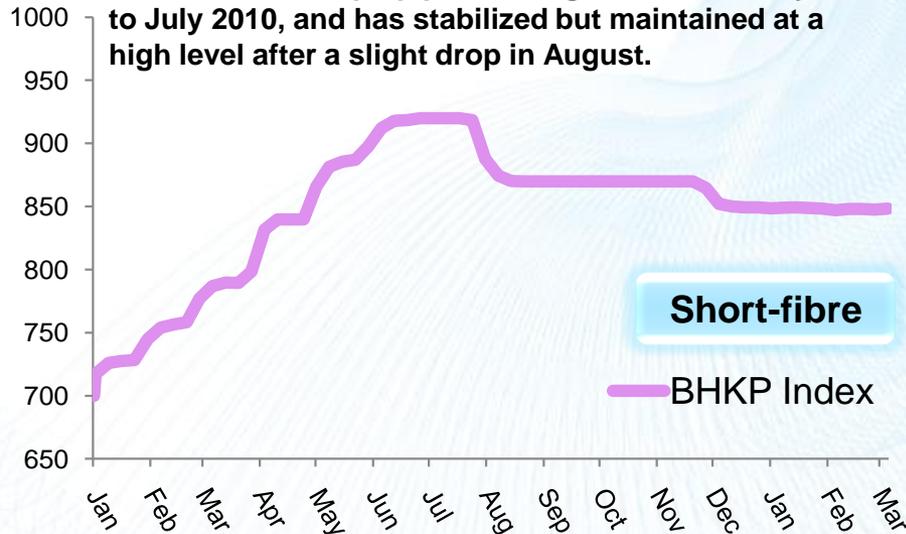
## Wood Pulp Price Trend in 2011

- The price of wood pulp is expected to stay high and the haze of inflation

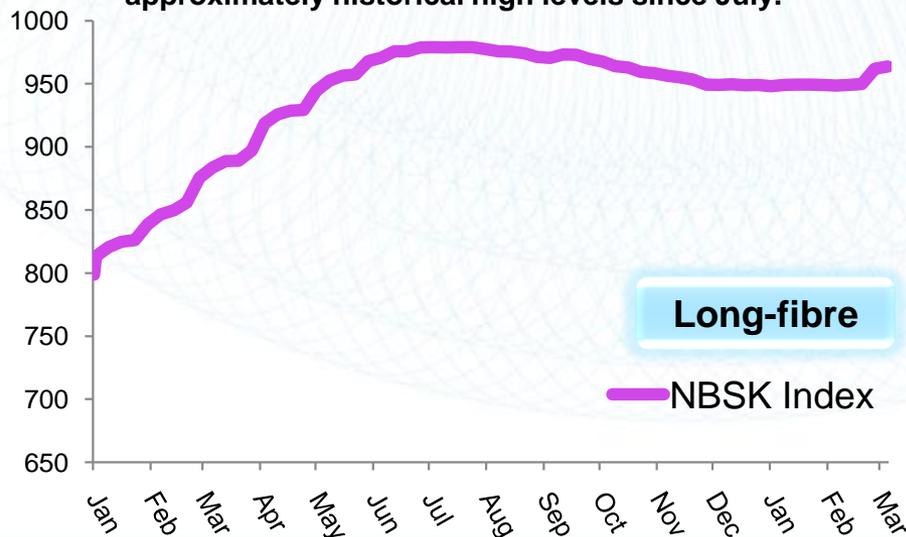
## Strategy

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

Short-fibre wood pulp prices surged from January to July 2010, and has stabilized but maintained at a high level after a slight drop in August.



Long-fibre wood pulp prices steadily rose from January to June 2010, and has stabilized at approximately historical high levels since July.



# New Product in 2011



- Vinda inked a two-year licensing agreement with DreamWorks Animation SKG, Inc., a world-renowned animation company, and entitled to launch “Kungfu Panda Series” products
- The two-year entitlement is valid till the end of 2012
- Products will be launched in April 2011 while the movie Kungfu Panda 2, which is produced in stereoscopic 3D technology, is expected to hit the theatres from all over the world on 26 May 2011



# Personal Care Product Business – Baby Diapers



- Currently collaborates with competent OEM manufacture. Will purchase new equipment and establish new production lines in Hubei factories. Starting in the mid of 2012, production will be both self-manufactured and by OEM processing plants
- Continue to pursue OEM manufacturers for joint ventures or acquisitions to develop products aimed at the mid- to low-end market
- Manufacture world-class quality products using most advanced technology

- Penetrate the mid- to high-end market with “Babifit” brand
- Leverage Vinda International’s extensive distribution network and exploit better synergy. In initial stage, products will be marketed in concentrated regions such as South, Central and East China. Wide scale roll-out is expected in 2H 2011
- “Pleasant Goat” has been licensed for packaging
- Maternity stores, hypermarkets, and supermarkets will be the three main distribution channels for Babifit products. Internet sales platform will also be used



柔韧一张幸福主张

Q&A



全新

超纤密  
加倍柔韧

Softer & Stronger  
超纤密 加倍柔韧



触·更柔韧



感·更厚实



用·更方便



味·更清新