



Vinda International Holdings Limited

(incorporated in the Cayman Islands with limited liability)

Stock Code : 3331

Interim Results Announcement 2010

August 2010

Stock Code: 3331

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Company Representatives



Mr. Li Chao Wang

Chairman

Ms. Zhang Dong Fang

Chief Executive Officer

Mr. Paul Tsang

Chief Financial Officer



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II. Financial Highlights

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Key Achievement in 1H2010



Remarkable results

- Revenue grew by 25.0% y-o-y to HK\$1,682 million
- Gross profit margin was 32.0% (1H2009: 31.8%). Due to successful procurement and pricing strategies, gross profit margin remained relatively stable despite the increasing wood pulp price during the period.
- Gross profit grew by 26.0% y-o-y to HK\$538 million
- Profit attributable to equity holders increased by 10.1% y-o-y to HK\$198 million
- Total sales volume increased by 28.5% to approximately 138,000 tonnes
- Sound financial position with net gearing ratio stood at 26.5% as at 30 June 2010
- Total annual production capacity was 320,000 tonnes as at 30 June 2010

Effective “Dual Brand” marketing to expand market share

- Targeted different consumer clusters by implementing brand differentiation and resources reallocation
- Sustained sales growth of primary-brand products
- On-going sales growth of “Pleasant Goat” series
- Launched new tissue products, “Rewoo” brand, and successfully expanded market share in second- and third-tier cities of mid- to low-end market





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Financial Performance

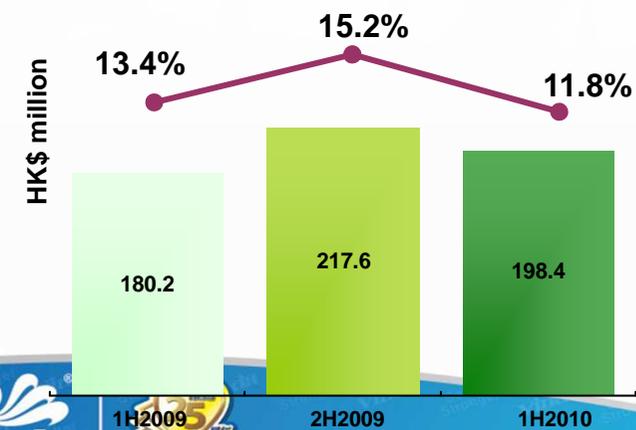
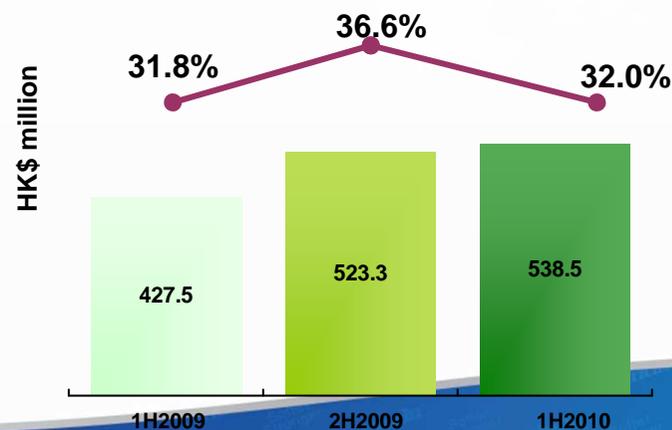
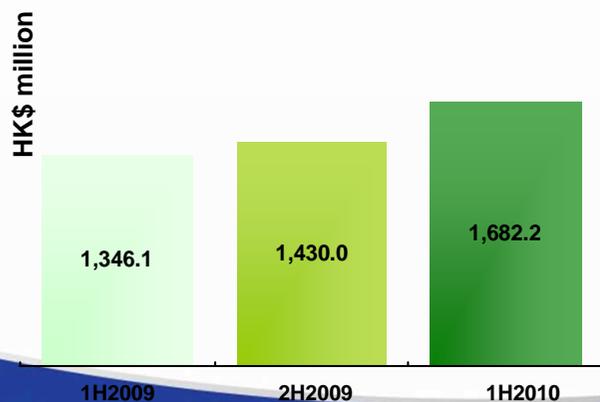
For the six months ended 30 June

(HK\$ million)	2010	2009	Change
Revenue	1,682.2	1,346.1	↑ 25.0%
Cost of sales	(1,143.7)	(918.6)	↑ 24.5%
Gross profit	538.5	427.5	↑ 26.0%
Operating profit	264.6	247.8	↑ 6.8%
EBITDA	332.1	304.7	↑ 9.0%
Profit before income tax	256.8	232.9	↑ 10.3%
Profit attributable to equity holders of the Company	198.4	180.2	↑ 10.1%
Basic earnings per share	21.9 HK cents	19.9 HK cents	↑ 10.1%
Interim dividend per share	3.3 HK cents	3.0 HK cents	↑ 10.0%

Revenue

Gross profit and margin

Net profit and margin



Strong Growth Across All Product Categories

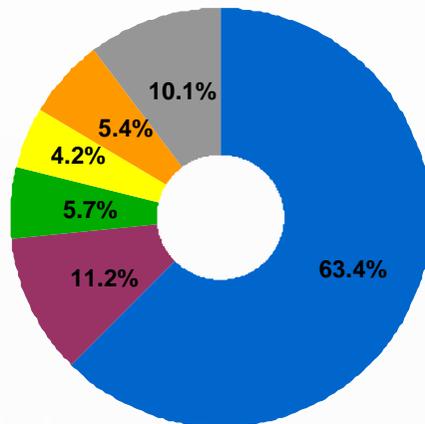


For the six months ended 30 June

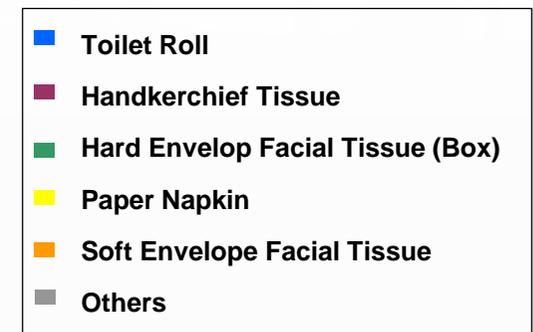
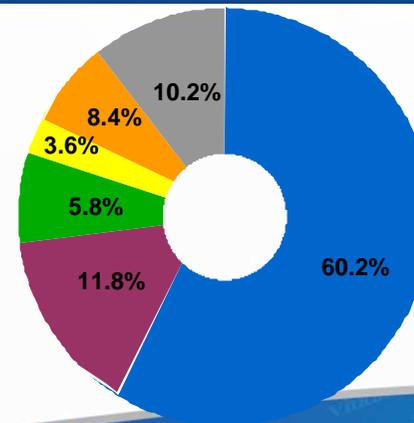
Revenue (HK\$ million)	2010	2009	Change
Toilet roll	1,013.1	853.7	↑ 18.7%
Handkerchief tissue	198.7	150.2	↑ 32.3%
Hard envelope facial tissue (box)	97.8	77.0	↑ 27.0%
Paper napkin	61.4	56.5	↑ 8.6%
Soft envelope facial tissue	142.1	72.2	↑ 96.7%
Others	169.2	136.5	↑ 24.0%

- Demand for household paper in domestic market remained strong
- Toilet roll remained to be the key revenue contributor, accounting for 60.2% of total sales
- Revenue of high margin products grew by 33.8% and accounted for 33.7% of total sales

1H2009 Product Mix (% of Sales)



1H2010 Product Mix (% of Sales)



Gross Margin Overview



By Products

	1H2010	1H2009	Change
Toilet roll	31.4%	30.4%	↑ 1 p.p
Handkerchief tissue	34.5%	38.4%	↓ 3.9 p.p
Hard envelope facial tissue (box)	36.0%	38.7%	↓ 2.7 p.p
Paper napkin	30.9%	32.2%	↓ 1.3 p.p
Soft envelope facial tissue	32.9%	32.9%	--
Others	30.3%	28.5%	↑ 1.8 p.p
OVERALL	32.0%	31.8%	↑ 0.2 p.p

Stable Performance of Gross Profit Margin

- Gross profit margin in 1H2010 was 32.0% and had remained stable as compared to 1H2009, mainly attributable to:
 - ▶ Effective cost control
 - ▶ Launched non-wood pulp products to alleviate the cost pressure on increasing wood pulp cost

Cost of Sales Overview



By Key Cost Inputs

(As % of Sales)	1H2010	1H2009	Change
Pulp	40.5%	39.3%	↑ 1.2 p.p.
Packaging	10.2%	10.4%	↓ 0.2 p.p.
Chemicals	1.0%	1.2%	↓ 0.2 p.p.
Water & electricity	8.3%	8.3%	--
Labor cost	3.2%	2.9%	↑ 0.3 p.p.
Depreciation	3.3%	4.0%	↓ 0.7 p.p.
Others	1.5%	2.0%	↓ 0.5 p.p.
TOTAL COGS	68.0%	68.2%	↓ 0.2 p.p.

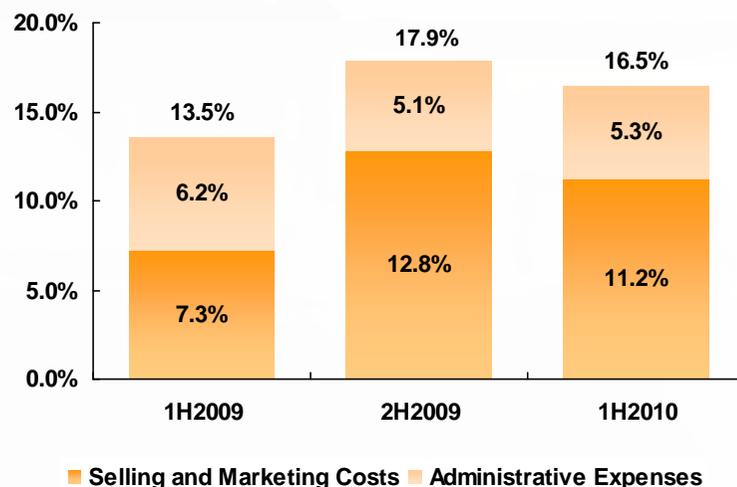
Cost Analysis

- Combination of COGS in 1H2010 was similar to that in 1H2009. The Group's low-cost wood pulp inventory helped to alleviate cost pressure from raw materials cost hike
- Introduction of non-wood pulp product, "Rewoo", which uses sugar cane as major raw material

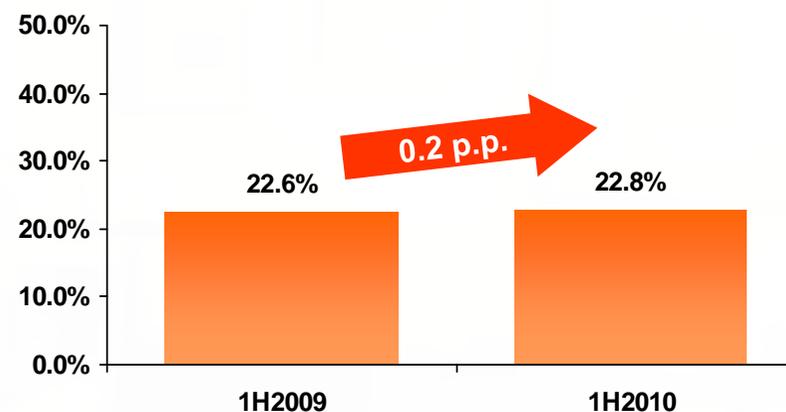
Increase Selling Costs for Long Term Branding Investment



Operating Expenditure as % of Sales



Effective Tax Rate



- As compared with 1H2009, total operating expenses increased by HK\$96.8 million, or up 3.0 p.p. as a % of sales because of:

- ▶ Increase in transportation, promotion, marketing, advertising and human resources expenses due to expansion of the sales promotion
- ▶ Management intensified marketing and promotion efforts to further boost sales and enhance competitiveness. Expenses for the new marketing department amounted to HK\$24 million in 1H 2010
- ▶ Expenses is on budget
- ▶ Expenses in 2H2010 will be manageable and under control

- Effective tax rate slightly increased from 22.6% in 1H2009 to 22.8% in 1H2010, mainly due to:

- ▶ Approximately HK\$25million option related expense incurred in 1H2009 was not tax deductible, thus resulted in effective tax rate of 22.6% for 1H2009. Such impact was diluted for full year 2009
- ▶ Free gifts in the promotion activities produced a large amount of income tax expenses

Marketing and Promotion Expenses



Management intensified marketing and promotion efforts to further boost sales and strengthen competitiveness. Expenses accountable to the new marketing department amounted to HK\$24 million in 1H2010

Comprehensive promotion campaign including:

- ▶ Advertisement
- ▶ Internet
- ▶ Buspak
- ▶ Print media



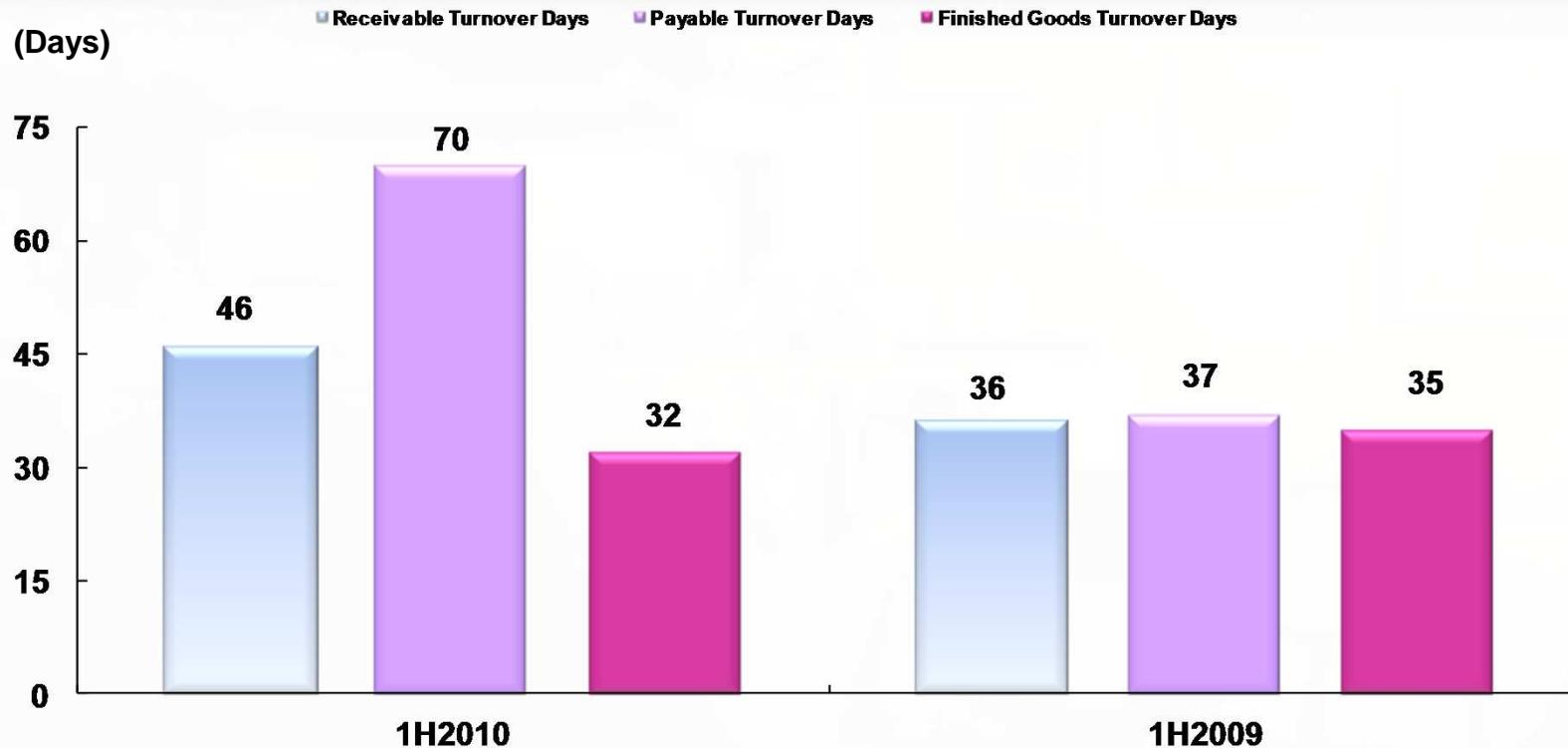
Buspak



Print media



Working Capital Management



- Receivable turnover days increased due to accelerated sales toward the end of period
- Increase in payable turnover days was due to long credit terms taken from suppliers

Key Leverage Indicators



(HK\$ million)	As at 30 June 2010	As at 31 Dec 2009
Short-term debt	389.2	265.5
Long-term debt	529.9	597.7
Total debt	919.1	863.2
Cash and cash equivalent	332.5	346.9
Net gearing ratio*	26.5%	24.9%
EBITDA / Net interest	30.1 times	23.3 times

- Adopted a “prudent and consistent” financing policy. Net gearing ratio stood at 26.5% in 1H2010
- Total debt was HK\$919.1 million. 57.7% of bank borrowings are of medium to long term
- Interest coverage is 21.9 times, 23.2% improved compared to 2009 year end

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



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Outlook of Operating Environment and Strategies in 2010

Outlook in Operating Environment

- International wood pulp price has already risen to the historical high. It is expected to drop slightly and go up again in the long run
- Benefited from an array of measures implemented by the Central Government in response to the global financial crisis, measures included accelerating the reform of economic development mode and structural adjustment, driving China's economy to maintain a positive growth momentum
- In light of the environmental policies implemented by the Central Government, industry will be concentrating more on medium-to-high-end production plants. A few national enterprises that command nationwide brand recognition will be the winners
- With accelerated urbanization and growing affluence in China, consumers have developed more sophisticated consumption habits

Strategies



- Active implement action of branding promotion and improvement in product mix. Increase the sales proportion of higher margin products



- Closely monitor wood pulp price, strengthen cost control and enhance production efficiency



- Focus on "Quality and Efficiency" as our overall strategy and further integrate our core strengths in production capabilities and management know-how with adherence to safety, environmental protection, quality and cost-efficiency



- Set up R&D centre to develop products and expand product lines proactively

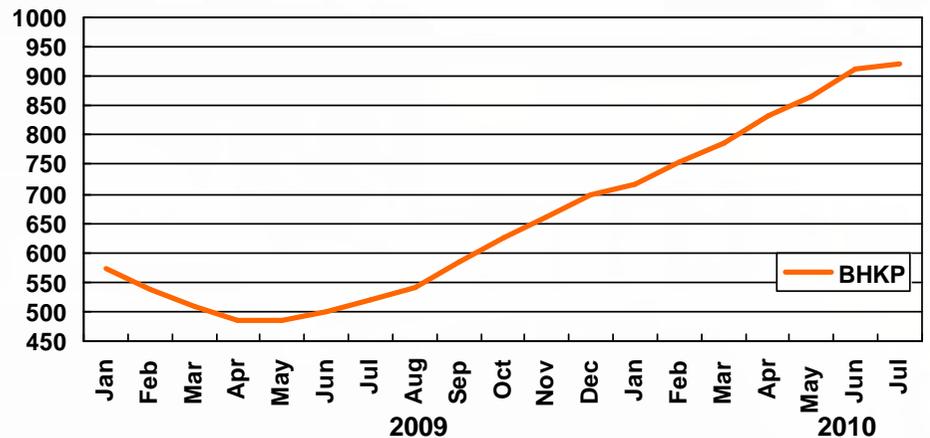


- Co-operate with large chain super store to broaden and expand distribution network to second- and third-tier cities

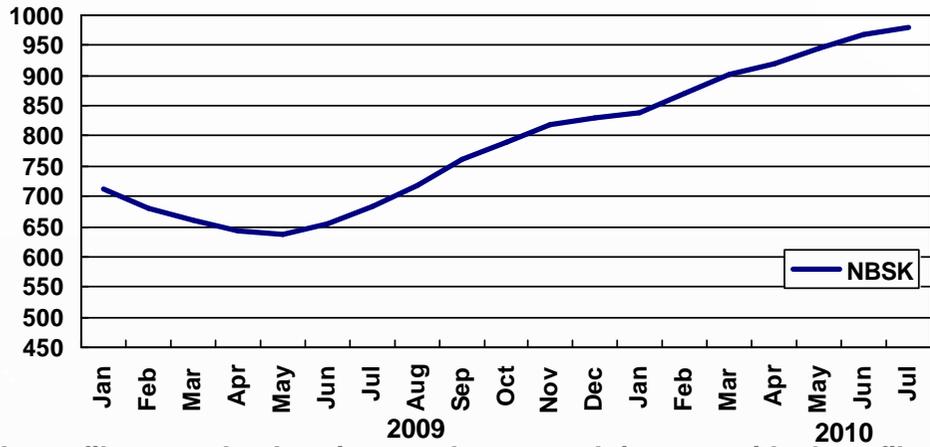
Strategies in Response to Increasing Wood Pulp Prices



International wood Pulp Price Trend



Short-fiber wood pulp prices began to surge in 2009 and are just stabilizing recently



Long-fiber wood pulp price trends are much in sync with short-fiber. Both saw a continuous upward trend recently

Strategies

Maintain good strategic partnership with suppliers

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 pricing strategy

Produce non-wood pulp products which are mainly made of sugar cane pulp

Product Expansion — “Dual Brand” Strategy



- Maintain the sales volume growth of primary-brand products, “Vinda”, and boost the sales of secondary-brand products, “Flower” and “Rewoo” in second-third-tier cities

Primary-brand Products



Secondary-brand Products



Product Expansion — Non-wood Pulp Products



- “Rewoo” brand - low carbon and eco-friendly products which is made of sugar cane pulp
- Targeting mid- to low-end markets and offering sales in second- and third-tier cities in China
- Relatively minor price fluctuation in sugar cane as compared to that of with wood pulp, enabling the Group to balance its cost structure gradually

Product Expansion – FEEL Series

Feel

PADDY FEEL



Feel

Bobo Feel



Feel

Chic Feel



FEEL Series

- Launch Day : July 2010
- Product Characteristics : targeting young consumers with unique and trendy design
- Target : to account for 10% of total revenue in 2011



25th Anniversary Marketing Promotion

- Launch new advertising theme 「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

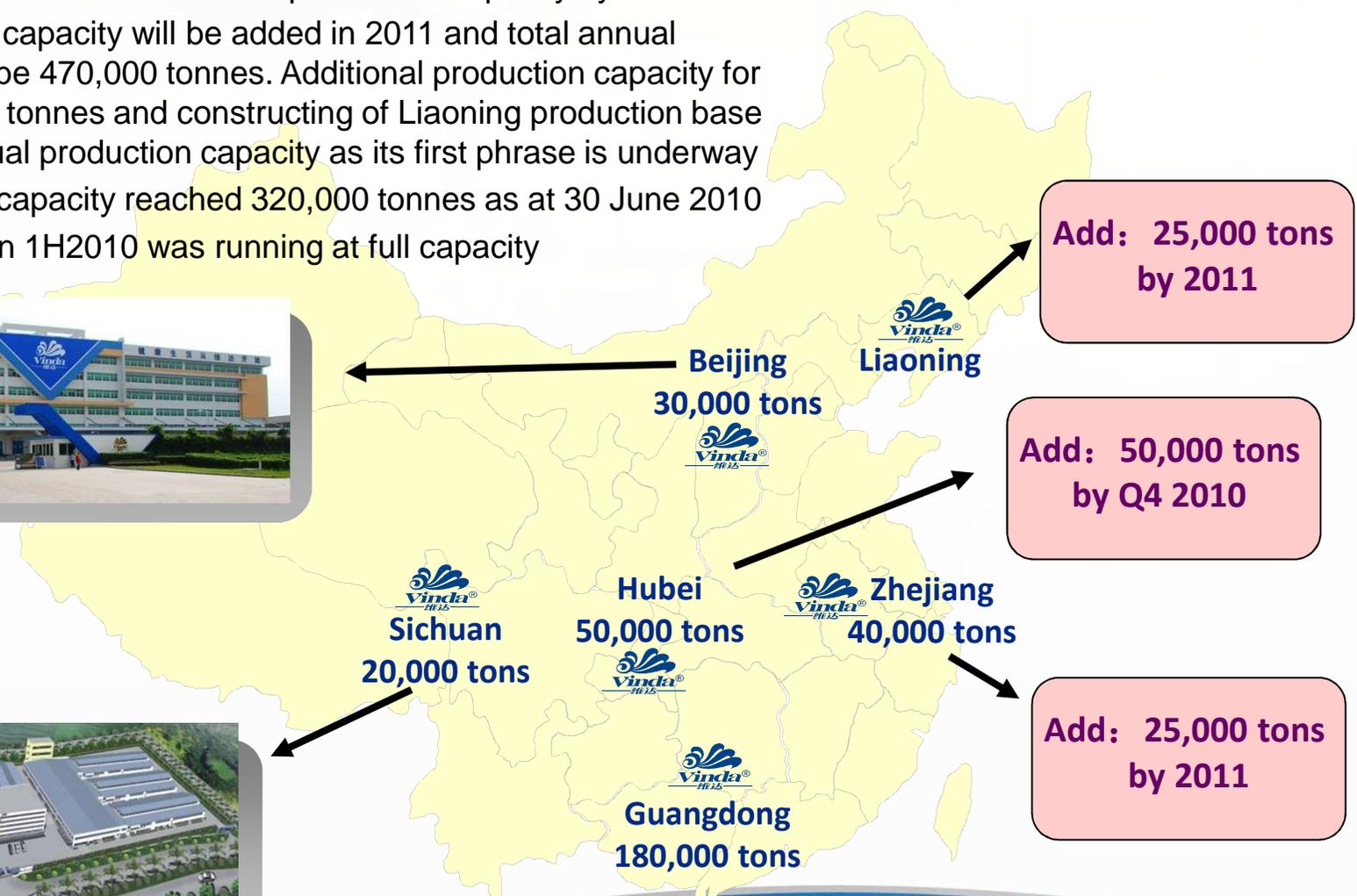


- National exhibition - "Witness Miracle of Softness", allowing customers to experience softness of Vinda's products

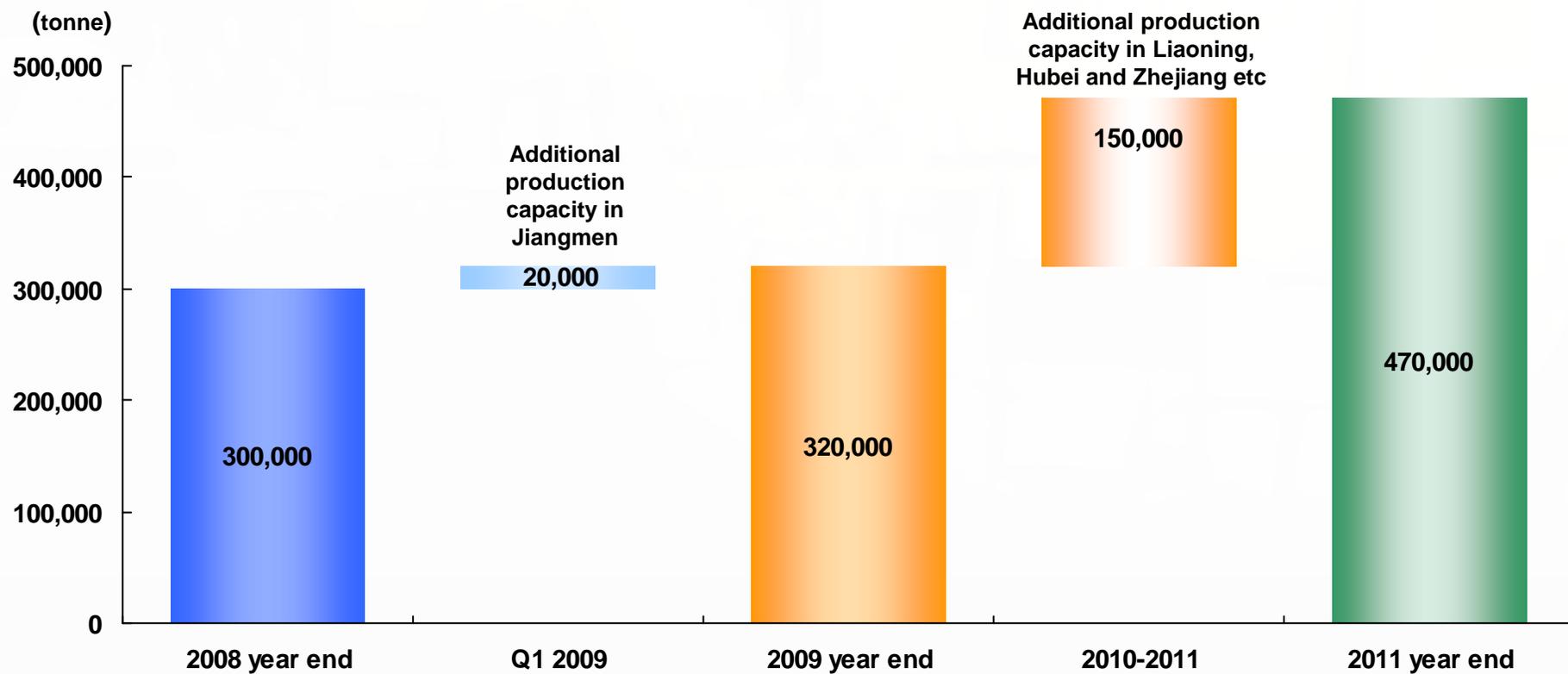
Well-Balanced National Geographical Coverage



- 7 strategically located production facilities
- Aim to reach 370,000 tonnes of total annual production capacity by Q4 2010
- 100,000 more tonnes of capacity will be added in 2011 and total annual production capacity will be 470,000 tonnes. Additional production capacity for Eastern China is 25,000 tonnes and constructing of Liaoning production base with 25,000 tonnes annual production capacity as its first phase is underway
- Total annual production capacity reached 320,000 tonnes as at 30 June 2010
- Average utilization rate in 1H2010 was running at full capacity



Prudent and Pragmatic Production Capacity Expansion Plan



Conclusion

- Continue to apply the successful branding strategy with primary-brand focusing on high-end market and secondary brands on second-to-third tiers cities, with an objection to achieve satisfactory growth in both segments
- In light of strong market demand, Vinda will expand the production capacity, thus its market share will be further widened. Production capacity is expected to reach 470,000 tonnes at the end of 2011
- Continue to strengthen promotion efforts and increase the market share of high margin products
- Cost control by keeping track of the trend of wood pulp price and adjusting purchasing strategy accordingly
- Continue multi-point layout strategy for production and distribution
- Actively involved in R&D of new products





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