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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”

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2012

FINANCIAL HIGHLIGHTS

	2012	2011	Changes
Revenue (<i>HK\$</i>)	6,024,046,812	4,765,299,413	+26.4%
Gross profit (<i>HK\$</i>)	1,854,942,014	1,296,507,669	+43.1%
Profit attributable to equity holders of the Company (<i>HK\$</i>)	536,561,755	405,714,390	+32.3%
Gross profit margin	30.8%	27.2%	
Net profit margin	8.9%	8.5%	
Earnings per share (<i>HK\$</i>) — <i>basic</i>	54.6 cents	43.3 cents	+26.1%
Dividend per share (<i>HK\$</i>)	15.6 cents	12.0 cents	+30.0%
— interim dividend (paid) (<i>HK\$</i>)	4.3 cents	3.3 cents	
— final dividend (proposed) (<i>HK\$</i>)	11.3 cents	8.7 cents	
Finished goods turnover	34 days	33 days	
Debtors turnover	49 days	48 days	

RESULTS

The Board of Vinda International Holdings Limited (“Vinda International” or the “Company”) is pleased to present the annual results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2012 (the “Year”).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Audited	
		For the year ended	
		31 December	
		2012	2011
	<i>Note</i>	<i>HK\$</i>	<i>HK\$</i>
Revenue	4	6,024,046,812	4,765,299,413
Cost of sales	5	(4,169,104,798)	(3,468,791,744)
Gross profit		1,854,942,014	1,296,507,669
Selling and marketing costs	5	(770,366,428)	(574,773,574)
Administrative expenses	5	(367,866,260)	(238,878,433)
Other income and gains—net		58,407,732	22,786,442
Operating profit		775,117,058	505,642,104
Interest income		7,402,715	4,816,589
Foreign exchange gain, net		208,243	57,812,949
Finance costs		(48,322,993)	(43,982,615)
Finance (costs)/income, net	6	(40,712,035)	18,646,923
Share of post-tax loss of an associate		(15,934,119)	(2,358,175)
Profit before income tax		718,470,904	521,930,852
Income tax expense	7	(181,909,149)	(116,216,462)
Profit attributable to equity holders of the Company		536,561,755	405,714,390
Other comprehensive income:			
Currency translation differences		(357,577)	137,951,695
Hedging reserve		(2,808,603)	(3,586,084)
Total comprehensive income attributable to equity holders of the Company		533,395,575	540,080,001
Earnings per share for profit attributable to the equity holders of the Company for the year <i>(expressed in HK\$ per share)</i>			
— basic	8(a)	0.546	0.433
— diluted	8(b)	0.541	0.426
Dividends	9	155,903,701	112,559,768

CONSOLIDATED BALANCE SHEET

		Audited	
		As at 31 December	
		2012	2011
	<i>Note</i>	HK\$	HK\$
ASSETS			
Non-current assets			
Property, plant and equipment		3,987,486,971	3,022,040,685
Leasehold land and land use rights		185,167,942	184,797,092
Intangible assets		12,954,724	10,445,847
Deferred income tax assets		175,685,073	115,700,768
Investment properties		32,435,570	—
Investment in an associate	11	64,357,657	59,800,509
		<u>4,458,087,937</u>	<u>3,392,784,901</u>
Current assets			
Inventories		1,446,576,241	1,372,221,620
Trade receivables, other receivables and prepayments	10	1,115,984,965	939,353,259
Prepayments to and receivables from related parties		42,303,573	43,273,883
Restricted bank deposits		6,101,567	1,292,449
Cash and cash equivalents		753,586,651	714,611,721
		<u>3,364,552,997</u>	<u>3,070,752,932</u>
Total assets		<u><u>7,822,640,934</u></u>	<u><u>6,463,537,833</u></u>
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	13	99,938,269	93,818,369
Share premium	13	1,668,318,024	1,119,423,427
Other reserves			
— Proposed final dividend		112,930,244	81,621,981
— Others		2,237,731,131	1,843,730,722
Total equity		<u><u>4,118,917,668</u></u>	<u><u>3,138,594,499</u></u>

CONSOLIDATED BALANCE SHEET (continued)

		Audited	
		As at 31 December	
		2012	2011
	<i>Note</i>	<i>HK\$</i>	<i>HK\$</i>
LIABILITIES			
Non-current liabilities			
Borrowings	14	850,317,747	1,151,334,272
Deferred government grants		100,597,180	74,289,746
Derivative financial instruments	15	15,070,503	17,424,745
Deferred income tax liabilities		4,491,714	1,662,617
		<u>970,477,144</u>	<u>1,244,711,380</u>
Current liabilities			
Trade payables, other payables and accrued expenses	12	1,423,017,885	1,209,944,172
Borrowings	14	1,218,900,525	801,144,261
Due to related parties		2,144,516	1,779,362
Current income tax liabilities		89,183,196	67,364,159
		<u>2,733,246,122</u>	<u>2,080,231,954</u>
Total liabilities		<u>3,703,723,266</u>	<u>3,324,943,334</u>
Total equity and liabilities		<u>7,822,640,934</u>	<u>6,463,537,833</u>
Net current assets		<u>631,306,875</u>	<u>990,520,978</u>
Total assets less current liabilities		<u>5,089,394,812</u>	<u>4,383,305,879</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	<i>Note</i>	Audited			Total <i>HK\$</i>
		Attributable to equity holders of the Company			
		Share capital <i>HK\$</i>	Share premium <i>HK\$</i>	Other reserves <i>HK\$</i>	
Balance at 1 January 2011		93,673,169	1,113,265,875	1,481,216,626	2,688,155,670
Profit for the year		—	—	405,714,390	405,714,390
Other comprehensive income					
— Currency translation differences		—	—	137,951,695	137,951,695
— Hedging reserve		—	—	(3,586,084)	(3,586,084)
Total comprehensive income for 2011		—	—	540,080,001	540,080,001
Transaction with owners					
Employees share option scheme					
— Value of employee services		—	—	18,183,000	18,183,000
— Exercise of share options	13	145,200	6,157,552	(1,635,712)	4,667,040
Dividends	9	—	—	(112,491,212)	(112,491,212)
Transaction with owners		145,200	6,157,552	(95,943,924)	(89,641,172)
Balance at 31 December 2011		<u>93,818,369</u>	<u>1,119,423,427</u>	<u>1,925,352,703</u>	<u>3,138,594,499</u>
Balance at 1 January 2012		93,818,369	1,119,423,427	1,925,352,703	3,138,594,499
Profit for the year		—	—	536,561,755	536,561,755
Other comprehensive income					
— Currency translation differences		—	—	(357,577)	(357,577)
— Hedging reserve		—	—	(2,808,603)	(2,808,603)
Total comprehensive income for 2012		—	—	533,395,575	533,395,575
Transaction with owners					
Employees share option scheme					
— Value of employee services		—	—	46,225,333	46,225,333
— Exercise of share options	13	1,986,000	88,099,125	(24,350,117)	65,735,008
Allotment of shares		4,200,000	468,712,479	—	472,912,479
Repurchases and cancellation of shares		(66,100)	(7,917,007)	—	(7,983,107)
Dividends	9	—	—	(129,962,119)	(129,962,119)
Transaction with owners		6,119,900	548,894,597	(108,086,903)	446,927,594
Balance at 31 December 2012		<u>99,938,269</u>	<u>1,668,318,024</u>	<u>2,350,661,375</u>	<u>4,118,917,668</u>

CONSOLIDATED CASH FLOW STATEMENT

	Audited	
	For the year ended	
	31 December	
	2012	2011
	<i>HK\$</i>	<i>HK\$</i>
Cash flows from operating activities		
Cash generated from operations	1,020,976,359	489,872,661
Interest paid	(63,739,339)	(36,272,218)
Income tax paid	(217,100,035)	(131,759,793)
	<u>740,136,985</u>	<u>321,840,650</u>
Cash flows from investing activities		
Additional investment in an unlisted associate	(20,500,000)	(61,500,000)
Purchase of property, plant and equipment	(1,216,880,570)	(748,840,772)
Proceeds from disposal of property, plant and equipment	657,435	7,468,948
Proceeds from sales of land use rights	34,977,264	—
Payment for leasehold land and land use rights	(20,902,852)	(20,791,090)
Purchase of intangible assets	(5,814,312)	(2,056,201)
Interest received	7,402,715	4,816,589
	<u>(1,221,060,320)</u>	<u>(820,902,526)</u>
Cash flows from financing activities		
Proceeds from shares issued	538,647,487	4,667,040
Proceeds from borrowings	1,604,439,718	2,304,597,210
Repayments of borrowings	(1,487,240,556)	(1,383,974,240)
Repurchase and cancellation of shares	(7,983,107)	—
Dividends paid	(129,962,119)	(112,491,212)
	<u>517,901,423</u>	<u>812,798,798</u>
Net cash generated from financing activities		
	<u>517,901,423</u>	<u>812,798,798</u>
Net increase in cash and cash equivalents	<u>36,978,088</u>	<u>313,736,922</u>
Effect of foreign exchange rate changes	<u>1,996,842</u>	<u>11,323,017</u>
Cash and cash equivalents, beginning of the year	<u>714,611,721</u>	<u>389,551,782</u>
Cash and cash equivalents, end of the year	<u>753,586,651</u>	<u>714,611,721</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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 Company’s shares have been listed on The Stock Exchange of Hong Kong Limited (“HKSE”) 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.

These consolidated financial statements are presented in Hong Kong dollar (“HK\$”) unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 26 March 2013.

2 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation financial liabilities (including derivative instruments) at fair value through consolidated statement of comprehensive income.

3 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

(a) Amended standards adopted by the Group

The following amendments to standards are mandatory for the first time for the financial year beginning 1 January 2012.

Amendment to HKFRS 7 “Financial instruments: Disclosures — Transfers of financial assets” is effective for annual periods beginning on or after 1 July 2011. This amendment will promote transparency in the reporting of transfer transactions and improve users’ understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity’s financial position, particularly those involving securitisation of financial assets. The adoption of this amendment will result in additional disclosures where necessary.

(b) New standards, amendments and interpretations have been issued but are not effective for the financial year beginning 1 January 2012 and have not been early adopted.

		Effective for annual periods beginning on or after
HKAS 1 (Amendment)	Financial statements presentation	1 July 2012
HKFRS 1 (Amendment)	‘First time adoption’, on government loans	1 January 2013
HKFRSs 10, 11 and 12 (Amendment)	Transition guidance	1 January 2013
HKFRS 10	Consolidated financial statements	1 January 2013
HKAS 27 (Revised 2011)	Separate financial statements	1 January 2013
HKFRS 11	Joint arrangements	1 January 2013
HKAS 28 (Revised 2011)	Associates and joint ventures	1 January 2013
HKFRS 12	Disclosure of interests in other entities	1 January 2013
HKFRS 13	Fair value measurements	1 January 2013
HKAS 19 (Amendment)	Employee benefits	1 January 2013

HKFRS 7 (Amendment)	‘Financial instruments: Disclosures’ on asset and liability offsetting	1 January 2013
HKIFRIC 20	Stripping costs in the production phase of a surface mine	1 January 2013
HKAS 32 (Amendment)	‘Financial instruments: Presentation’ on asset and liability offsetting	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

The Group is assessing the full impact of the amendments and standards, and according to the preliminary assessment, there is no significant impact on the consolidated financial statement. The Group intends to adopt the amendments no later than the respective effective dates of the amendments.

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. The Group has not applied the following revised HKFRSs published in the annual improvements project.

		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

4 SEGMENT INFORMATION

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

	For the year ended 31 December	
	2012	2011
	HK\$	HK\$
Sales of goods	5,913,271,100	4,599,009,257
Sales of semi-finished goods and other materials	104,375,973	161,117,318
Processing trade	5,721,610	3,913,466
Sales commission	678,129	1,259,372
Total revenue	<u>6,024,046,812</u>	<u>4,765,299,413</u>

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.

The executive committee has determined that no business segment information is presented as over 98% of the Group’s sales and operating profits are derived from the sales of paper products, which is considered one business segment with similar economic characteristics.

The executive committee has also determined that no geographical segment information is presented as about 90% of the Group’s sales are derived within Mainland China and over 90% of the operating assets of the Group are located in Mainland China, which is considered one geographic location with similar risks and returns.

The Company is domiciled in Hong Kong. The amount of its revenue from external customers in Mainland China, Hong Kong and overseas is HK\$5,502,930,034 (2011: HK\$4,315,161,411), HK\$499,181,176 (2011: HK\$418,420,353), HK\$21,935,602 (2011: HK\$31,717,649) respectively.

The total non-current assets are analysed as follows:

	As at 31 December	
	2012	2011
	HK\$	HK\$
Total non-current assets other than deferred tax assets and investment in an associate		
— Mainland China	4,208,186,522	3,209,148,713
— Hong Kong and overseas	9,858,685	10,134,911
Deferred tax assets	175,685,073	115,700,768
Investment in an associate	64,357,657	57,800,509
	<u>4,458,087,937</u>	<u>3,392,784,901</u>
Total non-current assets	<u>4,458,087,937</u>	<u>3,392,784,901</u>

5 EXPENSES BY NATURE

	For the year ended 31 December	
	2012	2011
	HK\$	HK\$
Material costs	3,160,364,438	2,729,260,066
Staff costs	560,611,450	398,843,794
Utilities	469,775,992	346,041,168
Transportation expenses	248,635,433	198,781,200
Promotion expenses	277,334,981	213,927,598
Depreciation of property, plant and equipment	192,290,672	152,323,987
Advertising costs	58,894,380	29,906,962
Travel and office expenses	33,527,811	29,679,166
Real estate tax, stamp duty and other taxes	22,504,357	17,291,351
Operating lease rent	46,975,882	16,470,468
Bank charges	10,106,637	6,946,156
Provision for impairment of receivables (<i>Note 10</i>)	490,496	2,787,019
Auditor's remuneration	6,145,526	6,039,377
Amortisation of leasehold land and land use rights	4,526,495	4,595,187
Amortisation of intangible assets	3,443,122	3,201,389
Provision for/(reversal of) write-down of inventories	1,141,009	(119,746)
Other expenses	210,568,805	126,468,609
	<u>5,307,337,486</u>	<u>4,282,443,751</u>
Total cost of sales, selling and marketing costs and administrative expenses	<u>5,307,337,486</u>	<u>4,282,443,751</u>

6 FINANCE (COSTS)/INCOME

	For the year ended 31 December	
	2012	2011
	HK\$	HK\$
Interest expense		
— bank borrowings (a)	(48,322,993)	(43,982,615)
Foreign exchange gain, net	208,243	57,812,949
Interest income		
— bank deposits	7,402,715	4,816,589
	<u>7,402,715</u>	<u>4,816,589</u>
Net finance (costs)/income	<u>(40,712,035)</u>	<u>18,646,923</u>

- (a) During the year, the Group has capitalized borrowing costs amounting to HK\$13,952,054 (2011: HK\$1,418,684) on qualifying assets. Borrowing costs were capitalized at the weighted average rate of its general borrowings of 3.34% (2011: 3.26%).

7 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 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 cities in which the Group operates.

	For the year ended 31 December	
	2012 HK\$	2011 HK\$
Current income tax		
— Hong Kong profits tax	19,128,001	9,306,262
— PRC enterprise income tax	217,053,108	130,158,980
— Under provision of income tax for prior year	2,737,963	—
Deferred income tax	(57,009,923)	(23,248,780)
	<u>181,909,149</u>	<u>116,216,462</u>

8 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 year.

	For the year ended 31 December	
	2012	2011
Profit attributable to equity holders of the Company (HK\$)	536,561,755	405,714,390
Weighted average number of ordinary shares in issue	983,101,828	937,275,733
Basic earnings per share (HK\$ per share)	<u>0.546</u>	<u>0.433</u>

(b) Diluted

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

	For the year ended 31 December	
	2012	2011
Profit attributable to equity holders of the Company (HK\$)	536,561,755	405,714,390
Weighted average number of ordinary shares in issue	983,101,828	937,275,733
Adjustments for share options	8,459,554	15,769,809
Weighted average number of ordinary shares for diluted earnings per share	<u>991,561,382</u>	<u>953,045,542</u>
Diluted earnings per share (HK\$ per share)	<u>0.541</u>	<u>0.426</u>

9 DIVIDENDS

	2012 <i>HK\$</i>	2011 <i>HK\$</i>
Interim dividend paid of HK\$0.043 (2011: HK\$0.033) per ordinary share	<u>42,973,457</u>	<u>30,937,787</u>
Proposed final dividend of HK\$0.113 (2011: HK\$0.087) per ordinary share	<u>112,930,244</u>	<u>81,621,981</u>

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 on the 999,382,686 (31 December 2011: 938,183,686) issued shares outstanding as at 31 December 2012. Such dividend is to be approved by the shareholders at the Annual General Meeting of the Company. These financial statements do not reflect this dividend payable.

The actual final dividends paid for the year ended 31 December 2011 was HK\$86,988,662 based on the 999,869,686 issued shares outstanding at that time.

The dividends actually paid in 2012 and 2011 were HK\$129,962,119 and HK\$112,491,212 respectively based on the number of issued shares outstanding at relevant time.

10 TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

	As at 31 December 2012	2011
Trade receivables	872,928,805	734,369,313
Less: Provision for impairment of trade receivables	<u>(11,321,967)</u>	<u>(10,834,431)</u>
Trade receivables, net	<u>861,606,838</u>	<u>723,534,882</u>
Other receivables		
— creditable input VAT	197,972,301	143,966,986
— prepaid income tax recoverable	2,484,832	8,715,640
— purchase rebates	11,701,929	15,631,760
— others	<u>24,170,858</u>	<u>13,625,006</u>
Other receivables	<u>236,329,920</u>	<u>181,939,392</u>
Trade and other receivables, net	1,097,936,758	905,474,274
Notes receivable	4,485,197	902,002
Prepayments		
— purchase of raw materials	5,686,579	7,277,991
— prepayment of utility fee	—	18,883,572
— others	<u>1,641,828</u>	<u>2,599,867</u>
	<u>7,328,407</u>	<u>28,761,430</u>
Prepaid expenses	<u>6,234,603</u>	<u>4,215,553</u>
	<u>1,115,984,965</u>	<u>939,353,259</u>

The carrying amounts of trade receivables, other receivables and prepayments are denominated in the following currencies:

	As at 31 December	
	2012	2011
	HK\$	HK\$
RMB	1,006,953,848	845,793,189
HK\$	85,176,449	73,305,682
US\$	21,393,059	15,628,860
Other currencies	2,461,609	4,625,528
	<u>1,115,984,965</u>	<u>939,353,259</u>

As at 31 December 2012 and 2011, the carrying amounts of the Group's trade and other receivables approximated their fair values due to short duration.

Customers are generally granted with credit terms ranging from 30 to 90 days.

Ageing analyses of trade receivables of the Group based on invoice date as at 31 December 2012 and 2011 are as below:

	As at 31 December	
	2012	2011
	HK\$	HK\$
Within 3 months	823,478,886	686,762,019
4 months to 6 months	37,906,658	37,079,956
7 months to 12 months	6,972,542	6,215,517
Over 1 year	4,570,719	4,311,821
	<u>872,928,805</u>	<u>734,369,313</u>

As of 31 December 2012, trade receivables of HK\$38,127,952 (2011: HK\$36,772,863) were past due but not impaired. These balances relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables based on invoice date is as follows:

	As at 31 December	
	2012	2011
	HK\$	HK\$
4 months to 6 months	34,293,054	33,382,581
7 months to 12 months	3,834,898	3,390,282
	<u>38,127,952</u>	<u>36,772,863</u>

As at 31 December 2012, trade receivables of HK\$11,321,967 (2011: HK\$10,834,431) were impaired and fully provided for. The individually impaired receivables mainly relate to customers with different credit ratings. The ageing of these receivables is as follows:

	As at 31 December	
	2012 HK\$	2011 HK\$
4 months to 6 months	3,613,604	3,697,375
7 months to 12 months	3,137,644	2,825,235
Over 1 year	4,570,719	4,311,821
	<u>11,321,967</u>	<u>10,834,431</u>

The Group recognised provision for impairment of trade and other receivables in the administrative expenses in the consolidated statement of comprehensive income.

Movements on the provision for impairment of trade receivables are as follows:

	For the year ended 31 December	
	2012 HK\$	2011 HK\$
As at 1 January	(10,834,431)	(8,646,148)
Provision for impairment of receivables (Note 5)	(490,496)	(2,787,019)
Receivables written off as uncollectible during the year	—	1,085,750
Exchange differences	2,960	(487,014)
As at 31 December	<u>(11,321,967)</u>	<u>(10,834,431)</u>

The maximum exposure to credit risk at the reporting date is the carrying amounts of each category of receivable mentioned above.

11 INVESTMENT IN AN ASSOCIATE

	2012 HK\$	2011 HK\$
1 January	59,800,509	—
Share of post-tax loss of an associate	(15,934,119)	(2,358,175)
Additional investment in an unlisted associate (i)	20,500,000	61,500,000
Exchange differences	(8,733)	658,684
31 December	<u>64,357,657</u>	<u>59,800,509</u>

- (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.

Up to 31 December 2011, the Company paid HK\$61,500,000 in cash for the subscription of the new shares issued by V-Care.

On 16 November 2012, the Company paid HK\$20,500,000 in cash for the subscription of the new shares issued by V-Care.

Up to 31 December 2012, the Company has paid capital of HK\$82,000,000, representing 41% of V-Care's share capital then outstanding.

The Group's share of the results of its principal associate, and its aggregated assets and liabilities, are as follows:

Name	Place of incorporation	Percentage of equity interest attributable to the Group	Assets HK\$	Liabilities HK\$	Revenue HK\$	Net loss HK\$
V-Care	British Virgin Islands	41%	261,392,915	104,223,497	68,312,403	(38,863,705)

12 TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES

	As at 31 December	
	2012 HK\$	2011 HK\$
Trade payables	731,309,628	702,658,382
Notes payable	25,289,873	18,048,167
Other payables		
— salaries payable	64,599,665	52,156,181
— taxes payable other than income tax	39,761,089	24,651,661
— advances from customers	37,164,241	46,254,981
— payables for property, plant and equipment	154,135,195	99,291,083
— others	128,989,985	92,273,679
Accrued expenses		
— promotion fees	130,468,811	88,936,554
— utility charges	31,409,261	23,236,311
— transportation fees	46,435,257	34,254,343
— advertising fee	6,971,406	5,169,777
— accrued interest	11,004,129	10,417,535
— others	15,479,345	12,595,518
	<u>1,423,017,885</u>	<u>1,209,944,172</u>

As at 31 December 2012 and 2011, the carrying amounts of the Group's trade payables, notes payables and other payables approximated their fair values.

The carrying amounts of the trade payables, notes payable and other payables are denominated in the following currencies:

	As at 31 December	
	2012 HK\$	2011 HK\$
RMB	808,028,996	556,162,513
US\$	369,952,270	465,551,451
HK\$	1,429,089	10,075,582
Other currencies	1,839,321	3,544,588
	<u>1,181,249,676</u>	<u>1,035,334,134</u>

The credit period granted by the creditors generally ranged from 30 to 90 days. Ageing analysis of trade and notes payables as at 31 December 2012 and 2011 are as follows:

	As at 31 December	
	2012	2011
	HK\$	HK\$
Within 3 months	688,507,764	702,436,164
4 months to 6 months	57,299,553	11,652,403
7 months to 12 months	9,748,523	3,059,233
1 year to 2 years	985,431	2,988,304
2 years to 3 years	55,908	570,445
Over 3 years	2,322	—
	<u>756,599,501</u>	<u>720,706,549</u>

13 SHARE CAPITAL AND SHARE PREMIUM

	Group & Company				
	Number of authorised shares	Number of issued and fully paid shares	Ordinary shares HK\$	Amount Share premium HK\$	Total HK\$
At 1 January 2011	80,000,000,000	936,731,686	93,673,169	1,113,265,875	1,206,939,044
Employee share option scheme					
— Exercise of share options	—	1,452,000	145,200	6,157,552	6,302,752
At 31 December 2011	<u>80,000,000,000</u>	<u>938,183,686</u>	<u>93,818,369</u>	<u>1,119,423,427</u>	<u>1,213,241,796</u>
Employee share option scheme					
— Exercise of share options	—	19,860,000	1,986,000	88,099,125	90,085,125
Allotment of shares (i)	—	42,000,000	4,200,000	468,712,479	472,912,479
Repurchased and cancelled	—	(661,000)	(66,100)	(7,917,007)	(7,983,107)
At 31 December 2012	<u>80,000,000,000</u>	<u>999,382,686</u>	<u>99,938,269</u>	<u>1,668,318,024</u>	<u>1,768,256,293</u>

- (i) On 10 April 2012, the Company, Fu An (together, “the Vendors”) and the Placing Agent entered into an agreement, pursuant to which, the Placing Agent agreed to place 42,000,000 existing shares, at the placing price of HK\$11.68 per share, to independent investors.

After the placing was completed, the Company issued 42,000,000 new shares on 10 April 2012 (4.39% of the total share capital issued then outstanding) to Fu An. The shares issued have the same rights as the other shares in issue. The fair value of the shares issued amounted to HK\$490,560,000 (HK\$11.68 per share). The related transaction costs of HK\$17,647,521 have been netted off with the actual proceeds.

During the year ended 31 December 2012, the Company repurchased its own shares of 661,000 shares in aggregate with the price range from HK\$12.00 to HK\$12.04 per share, together with related expenses, the total consideration is HK\$7,983,107. Those repurchased shares were subsequently cancelled and the issued share capital of the Company was reduced by nominal value of these shares accordingly.

As at 31 December 2012 and 2011, the par value of authorised and issued ordinary shares is HK\$0.1 per share.

14 BORROWINGS

	As at 31 December	
	2012	2011
	HK\$	HK\$
Non-current		
Unsecured bank borrowings	843,234,694	1,129,729,628
Unsecured other borrowings (<i>Note (a)</i>)	7,083,053	21,604,644
Total non-current borrowings	<u>850,317,747</u>	<u>1,151,334,272</u>
Current		
Portion of loans from banks due for repayment within one year		
— Unsecured	1,141,650,525	645,400,860
Portion of loans from banks due for repayment after one year which contain a repayment on demand clause		
— Unsecured	77,250,000	155,250,000
Unsecured other borrowings (<i>Note (a)</i>)	—	493,401
Total current borrowings	<u>1,218,900,525</u>	<u>801,144,261</u>
Total borrowings	<u><u>2,069,218,272</u></u>	<u><u>1,952,478,533</u></u>

(a) Other borrowings are granted by PRC local governments, unsecured and interest-free.

(b) The maturity of borrowings is as follows:

	Bank borrowings		Other borrowings	
	As at 31 December		As at 31 December	
	2012	2011	2012	2011
	HK\$	HK\$	HK\$	HK\$
Portion of loans due for repayment within 1 year	1,141,650,525	645,400,860	—	493,401
Loans due for repayment after 1 year (<i>Note 1</i>)				
Between 1 and 2 years	761,954,776	522,336,704	—	536,431
Between 2 and 5 years	158,529,918	762,642,924	7,083,053	21,068,213
	<u>2,062,135,219</u>	<u>1,930,380,488</u>	<u>7,083,053</u>	<u>22,098,045</u>

Note 1: The above amounts due are based on the scheduled repayment dates set out in the loan agreements and ignore the effect of any repayment on demand clause.

(c) The effective interest rates at the balance sheet date were as follows:

	Bank borrowings		Other borrowings	
	As at 31 December		As at 31 December	
	2012	2011	2012	2011
HK\$	0.48%~2.90%	1.70%~2.78%	—	—
US\$	1.31%~3.57%	1.11%~3.49%	—	—
RMB	3.50%~6.90%	4.86~6.65%	—	—
AUS	1.71%~3.08%	1.70~2.78%	—	—
EU€	1.51%~1.65%	—	—	—

- (d) The carrying values of the borrowings approximate their fair values, as the impact of discounting is not significant.

The fair values are based on cash flows discounted using a rate based on the borrowing rate. The effective interest rates (per annum) at the balance sheet date were as follows:

	Bank borrowings	
	As at 31 December	
	2012	2011
HK\$	2.32%	2.24%
US\$	2.81%	2.07%
RMB	5.41%	4.95%
AUS	2.23%	2.24%
EU€	1.56%	—

- (e) The carrying amounts of the borrowings are denominated in the following currencies:

	As at 31 December	
	2012	2011
	HK\$	HK\$
HK\$	1,251,301,737	1,366,916,926
US\$	459,960,978	176,208,700
RMB	225,248,206	271,462,792
AUS	123,014,254	137,890,115
EU€	9,693,097	—
	<u>2,069,218,272</u>	<u>1,952,478,533</u>

- (f) Most of the banking facilities are subject to the fulfilment of covenants relating to certain of the Group's balance sheet ratios. If the Group were to breach the covenants, the drawn down facilities would become repayable on demand. In addition, certain of the Group's term loan agreements contain clauses which give the lender the right at its sole discretion to demand immediate repayment at any time irrespective of whether the Group has complied with the covenants and met the scheduled repayment obligations.

The Group regularly monitors its compliance with these covenants, is up to date with the scheduled repayments of the loans and does not consider it probable that the bank will exercise its discretion to demand repayment for so long as the Group continues to meet these requirements.

15 DERIVATIVE FINANCIAL INSTRUMENTS

	As at 31 December	
	2012	2011
	HK\$	HK\$
Cross currency swap (<i>Note (a)</i>)	8,675,816	13,762,577
Interest rate swap (<i>Note (b)</i>)		
— cash flow hedge	6,394,687	3,662,168
	<u>15,070,503</u>	<u>17,424,745</u>

The full fair value of a derivative financial instrument is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and, as a current asset or liability, if the maturity of the hedged item is less than 12 months.

- (a) The cross currency swap is an agreement entered into by the Group and Australia and New Zealand Banking Group Limited (“ANZ Bank”) whereby the Group would receive AU\$ floating interest and principal amounts while the Group would be obligated to pay HK\$ floating interest and principal. The aggregate principal receivable amounts to AU\$15,261,273 (2011: AU\$17,441,455) while the aggregate principal payable by the Group amounts to HK\$131,250,000 (2011: HK\$150,000,000). The swap also entitles the Group to receive AU\$ floating interest rate at 3 month Bank Bill Swap Rates of Australia plus a certain spread while the Group is obligated to pay interest at 3 month HIBOR plus a certain spread, respectively by reference to initial notional principal amounts of AU\$15,261,273 (2011: AU\$17,441,455) and HK\$131,250,000 (2011: HK\$150,000,000), both declining over the term of three years. The schedule of principal and interest exchanges are synchronized with the AU\$ 3-year term loan include under non-current bank borrowing described under Note 14 above.
- (b) The interest rate swaps are entered into between the Group and various banks whereby the payment of fixed interest is exchanged for the receipt of floating interest. The notional principal amount of the outstanding interest rate swap contract at 31 December 2012 was HK\$924,000,000 (2011: HK\$1,017,000,000). At 31 December 2012, the fixed interest rate was from 0.58% to 1.28% per annum and the floating rate was with reference to the 1 month/3 month HIBOR.

MANAGEMENT DISCUSSION AND ANALYSIS

The promising prospect of the household paper industry has attracted more market players. During the year under review, peers of all sizes unveiled plans to expand production capacity, the threat of a vicious competition has become a key concern in the industry. Nevertheless, we believe the industry development is generally healthy and normal. The Chinese government has earlier announced its policy to require a number of industries to shut down obsolete and inefficient production facilities. It is expected that the household paper manufacturing industry has just begun its path of consolidation in light of technology upgrade. The conditions for China's economic development are changing as operating costs such as wages and raw materials costs have been surging, corners companies running on old business models. In order to emerge as a winner amid intensive competition, an enterprise has to advance in the value chain with a focus on product quality and added value. Although household paper is a traditional industry, there is still room for breakthroughs in technology. Vinda International will embrace technological innovation as its core competence, centre around consumers' needs when planning development direction and achieve new heights with its global perspective, aiming to develop the Group into a sizeable and strong enterprise and turn a small paper tissue manufacturing company into a large enterprise for long-term and sustainable development.

Brand-building as Core Development Strategy and Softpack as Product Focus

Ever since its establishment, the Group has been committed to building its brand and offering products of the best quality to consumers. During the year, the Group has reviewed the consumer loyalty and reputation of its "Vinda" brand, and the ground-breaking "Ultra Strong" series was launched after the brand assessment process. With the slogan "韌在維達，樂在全家", comprehensive marketing campaigns were conducted to promote sales of this new product, thereby successfully extending the Group's product lines and reinforcing the leading position of the "Vinda" brand.

Although tissue rolls category currently accounts for more than 50% share of the household paper market in China, growth rate of softpack product is the highest among all categories. With an objective of gaining bigger market share in mind, the Group has strived to consolidate its leading position in tissue rolls market and promote sales of its softpack products. In light of the tremendous growth potential of softpack, we endeavoured to nurture a "Star Product" within this category which could enjoy the highest sales and attention. For the year ended 31 December 2012, sales of our softpack products experienced extraordinary growth rate of 70.1%.

During the year, our cartoon marketing strategy proved to be a huge success. We collaborated with 20th Century Fox Film Corporation, a Hollywood film studio in the United States, to promote the movie "Ice Age: Continental Draft" and launched our "Ice Age" products in order to attract the core customer group of families with children.

Speeding up Network Expansion and Enhancing Frontline Management

As at 31 December 2012, the numbers of our sales offices and distributors have reached 182 (31 December 2011: 155) and 1,374 (31 December 2011: 1,174), respectively. The well-established sales network enabled us to secure our leading positions in Guangdong, Hubei, Beijing and Hong Kong.

In respect of provinces and regions where we have yet to establish our foothold, our sales team has formulated comprehensive expansion strategies, which involve strengthening regional marketing management, establishing clear regional division of sales and marketing, and deepening penetration through active expansion campaigns. In addition, in order to extend the market coverage of our products, we need to strengthen our control and supervision of the sales channels through more frequent inspections of the points of sale and product display at the shelves.

Strive for Production Capacity Expansion and Logistics Infrastructures

The Group had originally aimed to add a total of 150,000 tons to its capacity in 2012. However, as the Italian TOSCOtec paper-making machines introduced to the Group for the first time required additional adjustment and testing time, the commencement of operation for certain new capacity was delayed until January 2013. During the year, the Group's capacity has increased by a total of 70,000 tons, which included 30,000 tons at the Anshan plant in Liaoning Province and 40,000 tons at a new plant in Sanjiang County, Jiangmen City, Guangdong Province in Southern China. Despite the increase in capacity, demand still outstripped supply. With a view to alleviating the imbalance between demand and supply, the Group purchased jumbo rolls from third parties and redeployed products between different provinces, both actions have, in turn, increased the production and transportation costs. Having since advanced up the learning curve for commissioning of the new equipment, the Group is confident of timely completing various capacity expansion projects by end of 2013, including 50,000 tons at the newly built Laiwu plant in Shandong Province, 90,000 tons at the Sanjiang plant in Guangdong Province and 80,000 tons at the Xiaogan plant in Hubei Province. With a view to addressing market demand in an efficient way, the logistics center of the Xiaogan plant is currently under revamp and expansion so as to enhance the efficiency of logistics and distribution in Central China. However, the production of one paper-making machine there with a capacity of 10,000 tons will be affected by this exercise. Taking all of the above factors into consideration, our design capacity at the end of 2013 is expected to reach 750,000 tons. Our goal is to achieve the production capacity target of 1,000,000 tons for 2015 ahead of schedule so as to attain greater economies of scale.

In addition to expanding production capacity, we also attach great importance to efficiency enhancement. The Sanjiang plant boasts fully automated processing and production lines as well as automated stereoscopic warehousing system arrangement. Such designs combined and arranged various advanced automated packing equipment based on a number of state-of-the-art warehouse systems around the world. Upon completion, the plant will be able to save manpower and enhance efficiency of production while greatly increasing the efficiency of logistical supply and delivery, thereby setting a new standard of production and logistics efficiency for the industry.

Adopting Flexible and Efficient Procurement Strategy

Wood pulp is the major raw material used to produce household paper products. During the year, wood pulp prices began to ease as a result of weakening demand from Europe and the United States. Consequently, backed by our strong liquidity, the Group has adopted a flexible and proactive procurement strategy of tuning wood pulp procurement volume ahead of market price movements. Successful application of such strategy has helped stabilize the Group's gross profit margin to a certain extent.

As the global economy steadily revives and new production capacity for household paper products will emerge in China and abroad, market demand for wood pulp, in particular hardwood pulp, is relatively strong. In terms of supply, new and retired production capacities for softwood largely offset each other, while new capacity for hardwood pulp will only emerge in mid to late 2013. Therefore, we expect the prices of wood pulp in 2013 to fluctuate.

In spite of our flexible and effective procurement policy in place to manage our way through the fluctuation in wood pulp prices, the Group will continue to strengthen our alliances with core suppliers in order to secure stable supply of quality wood pulp and enhance our bargaining power. While ensuring product quality, we will also try out new wood pulp sources so as to reinforce our flexibility in procurement.

Equipping Personal Care Products Business for Expansion

In respect of the personal care products business, baby, feminine and elderly care product businesses are now under the umbrella of V-Care Holdings Limited (“V-Care”), our 41% associate. In July 2012, V-Care commenced the self-production of baby diapers under the name of “Babifit” and three production lines were up and running. The marketing campaigns focusing on direct market assess and sales through distributors and regional supermarkets resulted in satisfactory sales of V-Care baby diapers. The team of V-Care has also completed a study of feminine care product business during the year. Planning has been made to prepare for the pilot sale of sanitary napkins under the self-developed “VIA” brand in 2013. An asset-light business model has been applied and the products are targeting middle and upper class young and fashionable female college students and teenagers. It is expected that “VIA” is set to become the Group’s new growth driver.

Taking up Corporate Social Responsibility

In accordance with sustainable development principles, the Group always adheres to its commitment to environmental protection and sustaining the ecological system. We actively advocate for carbon reduction policy and collaborate only with suppliers that share the same aspiration for environmental protection. The Group also chooses environmental-friendly coal fuel with low sulfur content as our energy source. Moreover, the Group has effectively cut emissions of sulfur dioxide in our production processes by introducing advanced desulphurization system and precipitator. Meanwhile, we have improved our water recycling rate from 80% last year to over 90% by investing in the upgrades of our water treatment equipment, thus consuming water in a responsible manner. Our production processes are also undergoing energy-saving transformation, thereby reducing standard coal consumption and costs per product unit while improving energy and production efficiency.

The Group has always been equally devoted to the protection of its intellectual properties, such as patents and results of its technological upgrades. During the year, the Group obtained 20 utility model patents and 5 invention patents in respect of various technologies. As at 31 December 2012, the Group had a total of 78 patents.

The Group is also fully committed to corporate social responsibilities. It has set up the “Vinda Environmental Conservation Scholarship” at the Department of Geography and Resource Management in the Chinese University of Hong Kong during the year in order to encourage students aspiring to careers in environmental studies to join environmental protection works in the future, thus working together for the sustainable development of our society.

Strengthening Corporate Governance and Nurturing Human Resources

The Group firmly believes that sound corporate governance is a cornerstone of every successful company and is fundamental to business development and shareholders’ value. The Group organized corporate governance training to our directors and senior management from time to time in order to ensure their compliance with the latest listing rules. The Group also reviewed the disclosure systems so as to improve transparency. The Group then reinforced internal control measures through continuous review and optimization of the code of practice for each functional department.

Employees of high caliber are key to the Group’s competitiveness and value creation. The Group has persistently enriched its human resources management system through various actions including a revision of the performance management procedures, a reform in our organization structure, a reorganization of job positions and duties and the provision of professional training and education subsidies to employees, with an aim of aligning ourselves with international standards. As at 31 December 2012, the Group had a total of 8,242 employees. Employee remuneration packages are

reviewed regularly with reference to local market conditions as well as staff's work experience and performance to ensure the competitiveness of the Group's remuneration policy. Furthermore, the Group maintains a share option scheme to attract and retain talents. During the year, the Group granted 16,771,000 share options to our directors and employees under the share option scheme.

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 31 December 2012, 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.

Share-Based Payment

As approved by the Board meeting on 24 February 2009, 27,546,000 share options were granted to the directors and certain employees at an exercise price of HK\$2.98 per share. The Group has no legal or constructive obligation to repurchase or settle the options in cash. The options are exercisable during the following periods:

- (i) in respect of the options granted to directors, on or after 24 February 2009;
- (ii) in respect of the options granted to employees,
 - (a) up to 20% on or after 24 February 2010;
 - (b) up to 50% on or after 24 February 2011;
 - (c) all the remaining options on or after 24 February 2012;and in each case, not later than 23 February 2019.

In February 2009, all the directors and employees accepted the share options.

On 15 April 2010, 3,000,000 share options were granted to a director at an exercise price of HK\$5.42 per share. The Group has no legal or constructive obligation to repurchase or settle the options in cash. The options are exercisable during the following periods:

- (a) up to 33% on or after 15 April 2010;
 - (b) up to 67% on or after 15 April 2011;
 - (c) all the remaining options on or after 15 April 2012;
- and in each case, not later than 14 April 2020.

In April 2010, the director accepted the share options.

On 15 April 2011, 4,837,000 share options were granted to the directors and certain employees at an exercise price of HK\$8.648 per share. The Group has no legal or constructive obligation to repurchase or settle the options in cash. The options are exercisable on or after 15 April 2011 and no later than 14 April 2021.

In April 2011, all the directors and employees accepted the share options.

On 2 May 2012, 16,771,000 share options were granted to the directors and certain employees at an exercise price of HK\$14.06 per share. The Group has no legal or constructive obligation to repurchase or settle the options in cash. All the directors and employees accepted the share options.

The options are exercisable during the following period when the Company meet certain performance conditions as set by the board of director.

- (a) The first tranche of 5,313,000 options are exercisable during the period from 2 May 2012 to 1 May 2022.
- (b) The second tranche of 5,729,000 options are exercisable during the period from 2 May 2013 to 1 May 2022, subject to vesting.
- (c) The third tranche of 5,729,000 options are exercisable during the period from 2 May 2014 to 1 May 2022, subject to vesting.

Future Prospects

Notwithstanding the challenges ahead, the Group is confident of outperforming its peers. In 2013, we will focus on the following tasks:

1. Promote the “Vinda” brand, expand and consolidate our sales network and strengthen our frontline management;
2. Foster the personal care products business and develop “Babifit” and “VIA”;
3. Enhance production capacity and equipment comprehensively and systematically, and strive to achieve our capacity target of 1,000,000 tons for 2015 ahead of schedule;
4. Increase the flexibility of our procurement strategy;
5. Perfect our environmental protection projects; and
6. Optimize digitalized management systems.

Liquidity, Financial Resources and Bank Loans

The Group’s financial position remained healthy. As at 31 December 2012, the Group’s bank and cash balances (including restricted bank deposits of HK\$6,101,567 (31 December 2011: HK\$1,292,449)) amounted to HK\$759,688,218 (31 December 2011: HK\$715,904,170), and short-term and long-term loans amounted to HK\$2,069,218,272 (31 December 2011: HK\$1,952,478,533). 41.1% of the bank borrowings are medium- to long- term (2011: 59.0%). The annual interest rates of bank loans ranged from 0.48% to 6.90%.

As at 31 December 2012, the gearing ratio was 50.2% (31 December 2011: 62.2%), 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 31.8% (31 December 2011: 39.4%).

Final Dividend

The Board has resolved to propose to shareholders the distribution of a final dividend for the year ended 31 December 2012 at HK11.3 cents (2011: HK8.7 cents) totaling HK\$112,930,244, on the 999,382,686 issued shares outstanding as at 31 December 2012, subject to approval by shareholders at the annual general meeting (the "AGM") on 24 May 2013. If so approved by shareholders, it is expected that the final dividend will be paid on or about 24 June 2013 to shareholders whose names appear on the register of members of the Company on 6 June 2013.

Closure of Register of Members

The register of members of the Company will be closed from 21 May 2013 to 24 May 2013, both dates inclusive, during which period no transfer of shares will be registered in order to ascertain shareholders' eligibility to attend and vote at the AGM, all transfers documents 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 for registration not later than 4:30 p.m. on 20 May 2013.

In addition, the register of members of the Company will be closed from 6 June 2013 to 10 June 2013, both dates inclusive, during which period no transfer of shares will be registered in order to ascertain shareholders' entitlement to the proposed final dividend, all transfer documents 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 for registration not later than 4:30 p.m. on 5 June 2013.

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

During the year ended 31 December 2012, the Company repurchased a total of 661,000 ordinary shares of HK\$0.10 each of the Company on the Stock Exchange at an aggregate consideration of HK\$7,954,480, excluding transaction cost. The repurchase of the Company's shares during the year was effected by the Board, pursuant to the repurchase mandate granted by the shareholders, with a view to benefit shareholders as a whole by enhancing the net asset value per share and earning per share of the Company.

Corporate Governance

The Company is committed to maintaining 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 year ended 31 December 2012, the Company has complied with all the code provisions set out in the Code on Corporate Governance Practices (effective until 31 March 2012) and Corporate Governance Code (effective from 1 April 2012) as stated in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), except the following deviation:

Code Provision A.6.7

The code provision A.6.7 of the Corporate Governance Code provides that independent non-executive directors and other non-executive directors, as equal board members as other directors, should attend general meetings of the company. Due to business commitment, Mr Tsui King Fai, an independent non-executive director of the Company, was unable to attend the annual general meeting of the Company held on 23 May 2012.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transaction by Directors of Listed Issuers (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. Having made specific enquiry with all the directors of the Company, all of them confirmed that they have complied with the required standard set out in the Model Code during the year ended 31 December 2012.

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 audited financial statement of the Group for the year ended 31 December 2012.

Remuneration Committee

The Company’s remuneration committee comprises 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 Annual Report

This announcement is published on the websites of the Company (www.vindapaper.com) and the Stock Exchange (www.hkexnews.hk). The 2012 annual 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, 26 March 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.