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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 2013**

**FINANCIAL HIGHLIGHTS**

	<b>2013</b>	2012	Changes
Revenue ( <i>HK\$</i> )	<b>6,797,959,594</b>	6,024,046,812	+12.8%
Gross profit ( <i>HK\$</i> )	<b>1,971,681,554</b>	1,854,942,014	+6.3%
Profit attributable to equity holders of the Company ( <i>HK\$</i> )	<b>542,907,689</b>	536,561,755	+1.2%
Gross profit margin	<b>29.0%</b>	30.8%	
Net profit margin	<b>8.0%</b>	8.9%	
Earnings per share ( <i>HK\$</i> ) — <i>basic</i>	<b>54.3 cents</b>	54.6 cents	
Dividend per share ( <i>HK\$</i> )	<b>15.6 cents</b>	15.6 cents	
— interim dividend (paid) ( <i>HK\$</i> )	<b>4.8 cents</b>	4.3 cents	
— final dividend (proposed) ( <i>HK\$</i> )	<b>10.8 cents</b>	11.3 cents	
Stock turnover	<b>115 days</b>	122 days	
Finished goods turnover	<b>37 days</b>	34 days	
Debtors turnover	<b>48 days</b>	49 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 2013 (the “Year”).

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Audited	
		For the year ended	
		31 December	
		2013	2012
	Note	HK\$	HK\$
<b>Revenue</b>	4	<b>6,797,959,594</b>	6,024,046,812
Cost of sales	5	<b>(4,826,278,040)</b>	(4,169,104,798)
<b>Gross profit</b>		<b>1,971,681,554</b>	1,854,942,014
Selling and marketing costs	5	<b>(945,647,960)</b>	(770,366,428)
Administrative expenses	5	<b>(371,666,865)</b>	(367,866,260)
Other income and gains — net		<b>58,091,368</b>	58,407,732
<b>Operating profit</b>		<b>712,458,097</b>	775,117,058
Interest income	6	<b>3,792,450</b>	7,402,715
Foreign exchange gain, net	6	<b>43,978,603</b>	208,243
Finance costs	6	<b>(60,762,712)</b>	(48,322,993)
Finance costs, net	6	<b>(12,991,659)</b>	(40,712,035)
Share of post-tax loss of an associate		<b>(26,976,817)</b>	(15,934,119)
<b>Profit before income tax</b>		<b>672,489,621</b>	718,470,904
Income tax expense	7	<b>(129,581,932)</b>	(181,909,149)
<b>Profit attributable to equity holders of the Company</b>		<b>542,907,689</b>	536,561,755
<b>Other comprehensive income:</b>			
<i>Items that may be reclassified to profit or loss</i>			
Currency translation differences		<b>136,338,309</b>	(357,577)
Hedging reserve		<b>4,588,901</b>	(2,808,603)
<b>Total comprehensive income attributable to equity holders of the Company</b>		<b>683,834,899</b>	533,395,575
<b>Earnings per share for profit attributable to the equity holders of the Company for the year</b> <i>(expressed in HK\$ per share)</i>			
— basic	8(a)	<b>0.543</b>	0.546
— diluted	8(b)	<b>0.542</b>	0.541
<b>Dividends</b>	9	<b>155,744,579</b>	155,903,701

# CONSOLIDATED BALANCE SHEET

		<b>Audited</b>	
		<b>As at 31 December</b>	
		<b>2013</b>	<b>2012</b>
	<i>Note</i>	<i>HK\$</i>	<i>HK\$</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>5,101,881,171</b>	3,987,486,971
Leasehold land and land use rights		<b>290,468,442</b>	185,167,942
Intangible assets		<b>21,235,148</b>	12,954,724
Deferred income tax assets		<b>204,808,552</b>	175,685,073
Investment property		<b>32,427,614</b>	32,435,570
Investment in an associate	11	<b>58,757,692</b>	64,357,657
		<b><u>5,709,578,619</u></b>	<u>4,458,087,937</u>
<b>Current assets</b>			
Inventories		<b>1,642,844,200</b>	1,446,576,241
Trade receivables, other receivables and prepayments	10	<b>1,286,276,545</b>	1,115,984,965
Prepayments to and receivables from related parties		<b>40,961,155</b>	42,303,573
Restricted bank deposits		<b>3,567,270</b>	6,101,567
Cash and cash equivalents		<b>689,702,649</b>	753,586,651
		<b><u>3,663,351,819</u></b>	<u>3,364,552,997</u>
<b>Total assets</b>		<b><u><u>9,372,930,438</u></u></b>	<u><u>7,822,640,934</u></u>
<b>EQUITY</b>			
<b>Capital and reserves attributable to the Company's equity holders</b>			
Share capital	13	<b>99,836,269</b>	99,938,269
Share premium	13	<b>1,676,529,981</b>	1,668,318,024
Other reserves			
— Proposed final dividend		<b>107,823,170</b>	112,930,244
— Others		<b>2,762,686,977</b>	2,237,731,131
<b>Total equity</b>		<b><u><u>4,646,876,397</u></u></b>	<u><u>4,118,917,668</u></u>

		<b>Audited</b>	
		<b>As at 31 December</b>	
		<b>2013</b>	<b>2012</b>
	<i>Note</i>	<i>HK\$</i>	<i>HK\$</i>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	14	<b>1,705,003,809</b>	850,317,747
Deferred government grants		<b>102,873,484</b>	100,597,180
Derivative financial instruments	15	—	15,070,503
Deferred income tax liabilities		<b>7,222,427</b>	4,491,714
		<u><b>1,815,099,720</b></u>	<u>970,477,144</u>
<b>Current liabilities</b>			
Trade payables, other payables and accrued expenses	12	<b>1,820,064,171</b>	1,423,017,885
Borrowings	14	<b>1,032,432,973</b>	1,218,900,525
Derivative financial instruments	15	<b>12,918,422</b>	—
Due to a related party		<b>5,217,791</b>	2,144,516
Current income tax liabilities		<b>40,320,964</b>	89,183,196
		<u><b>2,910,954,321</b></u>	<u>2,733,246,122</u>
<b>Total liabilities</b>		<u><b>4,726,054,041</b></u>	<u>3,703,723,266</u>
<b>Total equity and liabilities</b>		<u><b>9,372,930,438</b></u>	<u>7,822,640,934</u>
<b>Net current assets</b>		<u><b>752,397,498</b></u>	<u>631,306,875</u>
<b>Total assets less current liabilities</b>		<u><b>6,461,976,117</b></u>	<u>5,089,394,812</u>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	<i>Note</i>	Audited			
		Attributable to equity holders of the Company			
		Share capital <i>HK\$</i>	Share premium <i>HK\$</i>	Other reserves <i>HK\$</i>	Total <i>HK\$</i>
<b>Balance at 1 January 2012</b>		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)
<b>Total comprehensive income for 2012</b>		—	—	533,395,575	533,395,575
<b>Transaction with owners</b>					
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)
<b>Transaction with owners</b>		6,119,900	548,894,597	(108,086,903)	446,927,594
<b>Balance at 31 December 2012</b>		99,938,269	1,668,318,024	2,350,661,375	4,118,917,668
<b>Balance at 1 January 2013</b>		99,938,269	1,668,318,024	2,350,661,375	4,118,917,668
Profit for the year		—	—	542,907,689	542,907,689
Other comprehensive income					
— Currency translation differences		—	—	136,338,309	136,338,309
— Hedging reserve		—	—	4,588,901	4,588,901
<b>Total comprehensive income for 2013</b>		—	—	683,834,899	683,834,899
<b>Transaction with owners</b>					
Employees share option scheme					
— Value of employee services		—	—	13,857,000	13,857,000
— Exercise of share options	13	48,000	3,413,728	(897,728)	2,564,000
— Cancellation of options		—	16,059,847	(16,059,847)	—
Repurchases and cancellation of shares		(150,000)	(11,261,618)	—	(11,411,618)
Dividends	9	—	—	(160,885,552)	(160,885,552)
<b>Transaction with owners</b>		(102,000)	8,211,957	(163,986,127)	(155,876,170)
<b>Balance at 31 December 2013</b>		99,836,269	1,676,529,981	2,870,510,147	4,646,876,397

## CONSOLIDATED CASH FLOW STATEMENT

	<b>Audited</b>	
	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2013</b>	<b>2012</b>
	<b>HK\$</b>	<b>HK\$</b>
<b>Cash flows from operating activities</b>		
Cash generated from operations	1,159,819,779	1,020,976,359
Interest paid	(99,608,419)	(63,739,339)
Income tax paid	(240,600,119)	(217,100,035)
	<u>819,611,241</u>	<u>740,136,985</u>
<b>Cash flows used in investing activities</b>		
Additional investment in an unlisted associate	(20,500,000)	(20,500,000)
Purchase of property, plant and equipment	(1,269,410,002)	(1,216,880,570)
Proceeds from disposal of property, plant and equipment	2,205,121	657,435
Proceeds from sales of land use rights	—	34,977,264
Payment for leasehold land and land use rights	(103,571,890)	(20,902,852)
Purchase of intangible assets	(13,493,666)	(5,814,312)
Interest received	3,792,450	7,402,715
	<u>(1,400,977,987)</u>	<u>(1,221,060,320)</u>
<b>Cash flows generated from financing activities</b>		
Proceeds from shares issued	2,564,000	538,647,487
Proceeds from borrowings	2,615,235,041	1,604,439,718
Repayments of borrowings	(1,939,632,724)	(1,487,240,556)
Repurchase and cancellation of shares	(11,411,618)	(7,983,107)
Dividends paid	(160,885,552)	(129,962,119)
	<u>505,869,147</u>	<u>517,901,423</u>
<b>Net cash generated from financing activities</b>		
	<u>505,869,147</u>	<u>517,901,423</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<u>(75,497,599)</u>	<u>36,978,088</u>
Effect of foreign exchange rate changes	<u>11,613,597</u>	<u>1,996,842</u>
<b>Cash and cash equivalents, beginning of the year</b>	<u>753,586,651</u>	<u>714,611,721</u>
<b>Cash and cash equivalents, end of the year</b>	<u><u>689,702,649</u></u>	<u><u>753,586,651</u></u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

## 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.

On 9 September 2013, SCA Group Holding BV (“SCA BV”) made a voluntary conditional cash offer to acquire all outstanding shares of the Company. The cash offer was finally closed on 11 November 2013. After the close of the cash offer, SCA BV and SCA Hygiene Holdings AB (together, the “SCA Group”) became the substantial shareholder of the Company.

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 27 March 2014.

## 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 of financial liabilities (including derivative instruments) at fair value through consolidated statement of comprehensive income.

## 3 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

### (a) New and amended standards adopted by the Group

The following new and amended standards are mandatory for the first time for the financial year beginning 1 January 2013:

HKAS 1 (Amendment) “Presentation of financial statements” is effective for annual periods beginning on or after 1 July 2012. The main change resulting from these amendments is a requirement for entities to group items presented in ‘other comprehensive income’ (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI.

HKFRS 10 “Consolidated financial statements”, with related amendment for transition guidance, is effective for annual periods beginning on or after 1 January 2013. The objective of HKFRS 10 is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities to present consolidated financial statements. Defines the principle of control, and establishes controls as the basis for consolidation. Set out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee. It also sets out the accounting requirements for the preparation of consolidated financial statements.

HKFRS 12 “Disclosure of interests in other entities” is effective for annual periods beginning on or after 1 January 2013. HKFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

HKFRS 13 “Fair value measurements” is effective for annual periods beginning on or after 1 January 2013. HKFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs.

- (b) Standards, amendments and interpretations to existing standards effective in 2013 but not relevant to the Group.

		<b>Effective for annual periods beginning on or after</b>
HKAS 1 (Amendment)	First time adoption, on government loans	1 January 2013
HKAS 16	Property plant and equipment	1 January 2013
HKAS 19 (Amendment)	Employee benefits	1 January 2013
HKAS 27 (Revised 2011)	Separate financial statements	1 January 2013
HKAS 28 (Revised 2011)	Associates and joint ventures	1 January 2013
HKAS 32	Financial instruments: Presentation	1 January 2013
HKFRS 7 (Amendment)	Financial instruments: Disclosures — Offsetting financial assets and financial liabilities	1 January 2013
HKFRS 11 (Amendment)	Transition guidance	1 January 2013
HKFRS 11	Joint arrangements	1 January 2013
HKFRIC 20	Stripping costs in the production phase of a surface mine	1 January 2013

- (c) The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning on 1 January 2013 and have not been early adopted:

		<b>Effective for annual periods beginning on or after</b>
HKAS 32 (Amendment)	Financial instruments: Presentation -Offsetting financial assets and financial liabilities	1 January 2014
Amendments to HKAS 36	Impairment of assets	1 January 2014
Amendments to HKAS 39	Financial instruments: Recognition and measurement, on novation of derivatives	1 January 2014
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (revised 2011)	Investment entities	1 January 2014
HK (IFRIC) Interpretation 21	Levies	1 January 2014
Amendments to HKAS 19	Defined benefit plans	1 July 2014
HKFRS 9	Financial Instruments: Classification and measurement	1 January 2015
Amendments to HKFRS 9	Financial instruments, regarding general hedge accounting	To be determined

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 statements. 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 which addresses several issues in the 2011-2013 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 July 2014
HKFRS 3	Business Combinations	1 July 2014
HKFRS 13	Fair value measurement	1 July 2014
HKAS 40	Investment property	1 July 2014

#### 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	
	2013 <i>HK\$</i>	2012 <i>HK\$</i>
Sales of goods	6,707,355,925	5,913,271,100
Sales of semi-finished goods and other materials	84,260,667	104,375,973
Processing trade	6,343,002	5,721,610
Sales commission	—	678,129
	<u>6,797,959,594</u>	<u>6,024,046,812</u>
Total revenue	<u>6,797,959,594</u>	<u>6,024,046,812</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 92% of the Group's sales are derived within Mainland China and over 94% 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\$6,248,262,580 (2012: HK\$5,502,930,034), HK\$531,361,704 (2012: HK\$499,181,176), HK\$18,335,310 (2012: HK\$21,935,602) respectively.

The total non-current assets are analysed as follows:

	As at 31 December	
	2013 <i>HK\$</i>	2012 <i>HK\$</i>
Total non-current assets other than deferred tax assets and investment in an associate		
— Mainland China	5,416,066,216	4,189,012,110
— Hong Kong and overseas	29,946,159	29,033,097
Deferred tax assets	204,808,552	175,685,073
Investment in an associate	58,757,692	64,357,657
	<u>5,709,578,619</u>	<u>4,458,087,937</u>
Total non-current assets	<u>5,709,578,619</u>	<u>4,458,087,937</u>

## 5 EXPENSES BY NATURE

	For the year ended 31 December	
	2013	2012
	HK\$	HK\$
Material costs	3,530,486,506	3,160,364,438
Staff costs	685,144,390	560,611,450
Utilities	544,255,207	469,775,992
Transportation expenses	271,224,897	248,635,433
Promotion expenses	375,612,850	277,334,981
Depreciation of property, plant and equipment	262,605,791	192,290,672
Advertising costs	39,035,271	58,894,380
Travel and office expenses	40,391,608	33,527,811
Real estate tax, stamp duty and other taxes	25,887,012	22,504,357
Operating lease rent	89,244,727	46,975,882
Bank charges	12,882,381	10,106,637
(Reversal of)/provision for impairment of receivables ( <i>Note 10</i> )	(1,882,453)	490,496
Auditor's remuneration	6,266,384	6,145,526
Amortisation of leasehold land and land use rights	5,548,596	4,526,495
Amortisation of intangible assets	5,610,447	3,443,122
(Reversal of)/provision for write-down of inventories	(153,726)	1,141,009
Other expenses	251,432,977	210,568,805
	<u>6,143,592,865</u>	<u>5,307,337,486</u>
Total cost of sales, selling and marketing costs and administrative expenses		

## 6 FINANCE COSTS

	For the year ended 31 December	
	2013	2012
	HK\$	HK\$
Interest expense		
— bank borrowings (a)	(60,762,712)	(48,322,993)
Foreign exchange gain, net	43,978,603	208,243
Interest income		
— bank deposits	3,792,450	7,402,715
	<u>(12,991,659)</u>	<u>(40,712,035)</u>
Net finance costs		

- (a) During the year, the Group has capitalised borrowing costs amounting to HK\$11,430,280 (2012: HK\$13,952,054) on qualifying assets. Borrowing costs were capitalised at the weighted average rate of its general borrowings of 1.05% (2012: 1.04%).

## 7 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 16.5%) on the estimated assessable profit for the year. The applicable corporate income tax rate for Mainland China subsidiaries are 25% except for subsidiaries which are qualified as High and New Technology Enterprises (“HNTE”) and would be entitled to enjoy a beneficial tax rate of 15%. The subsidiaries which are qualified as HNTE can additionally deduct 50% of qualified research and development expenses when calculating the taxable income. Taxation on profits outside Mainland China and 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	
	2013	2012
	HK\$	HK\$
Current income tax		
— Hong Kong and overseas profits tax	37,416,323	20,983,416
— PRC enterprise income tax	113,477,625	217,053,108
— (Over)/under provision of income tax for prior year	(347,016)	882,548
Deferred income tax	(20,965,000)	(57,009,923)
	<u>129,581,932</u>	<u>181,909,149</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	
	2013	2012
Profit attributable to equity holders of the Company (HK\$)	<u>542,907,689</u>	<u>536,561,755</u>
Weighted average number of ordinary shares in issue	<u>999,024,220</u>	<u>983,101,828</u>
Basic earnings per share (HK\$ per share)	<u>0.543</u>	<u>0.546</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	
	2013	2012
Profit attributable to equity holders of the Company (HK\$)	<u>542,907,689</u>	<u>536,561,755</u>
Weighted average number of ordinary shares in issue	<u>999,024,220</u>	<u>983,101,828</u>
Adjustments for share options	<u>3,386,050</u>	<u>8,459,554</u>
Weighted average number of ordinary shares for diluted earnings per share	<u>1,002,410,270</u>	<u>991,561,382</u>
Diluted earnings per share (HK\$ per share)	<u>0.542</u>	<u>0.541</u>

## 9 DIVIDENDS

	2013	2012
	HK\$	HK\$
Interim dividend paid of HK\$0.048 (2012: HK\$0.043) per ordinary share	<u>47,921,409</u>	<u>42,973,457</u>
Proposed final dividend of HK\$0.108 (2012: HK\$0.113) per ordinary share	<u>107,823,170</u>	<u>112,930,244</u>

On 27 March 2014, the Board of Directors proposed a final dividend in respect of the year ended 31 December 2013 of HK\$107,823,170, representing HK\$0.108 per ordinary share. 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 2012 was HK\$112,964,143 based on the 999,682,686 issued shares outstanding at that time.

The dividends actually paid in 2013 and 2012 were HK\$160,885,552 and HK\$129,962,119 respectively based on the number of issued shares outstanding at relevant time.

## 10 TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

	As at 31 December	
	2013 HK\$	2012 HK\$
Trade receivables	915,812,348	872,928,805
Less: Provision for impairment of trade receivables	(9,617,461)	(11,321,967)
Trade receivables, net	<u>906,194,887</u>	<u>861,606,838</u>
Other receivables		
— creditable input VAT	264,427,416	197,972,301
— prepaid income tax recoverable	41,190,955	2,484,832
— purchase rebates	21,129,484	11,701,929
— others	19,759,089	21,515,214
Other receivables	<u>346,506,944</u>	<u>233,674,276</u>
Trade and other receivables, net	1,252,701,831	1,095,281,114
Notes receivable	6,382,988	4,485,197
Prepayments		
— purchase of raw materials	6,274,931	5,686,579
— prepayment of utility fee	7,156,360	2,655,644
— others	7,070,051	1,641,828
	<u>20,501,342</u>	<u>9,984,051</u>
Prepaid expenses	<u>6,690,384</u>	<u>6,234,603</u>
	<u>1,286,276,545</u>	<u>1,115,984,965</u>

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

	As at 31 December	
	2013 HK\$	2012 HK\$
RMB	1,183,081,594	1,006,953,848
HK\$	78,365,857	85,176,449
US\$	24,688,708	21,393,059
Other currencies	140,386	2,461,609
	<u>1,286,276,545</u>	<u>1,115,984,965</u>

As at 31 December 2013 and 2012, 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 60 to 90 days.

Ageing analyses of trade receivables of the Group based on invoice date as at 31 December 2013 and 2012 are as below:

	<b>As at 31 December</b>	
	<b>2013</b>	2012
	<b>HK\$</b>	<b>HK\$</b>
Within 3 months	<b>854,781,509</b>	823,478,886
4 months to 6 months	<b>46,992,878</b>	37,906,658
7 months to 12 months	<b>8,841,000</b>	6,972,542
Over 1 year	<b>5,196,961</b>	4,570,719
	<b><u>915,812,348</u></b>	<b><u>872,928,805</u></b>

As at 31 December 2013, trade receivables of HK\$51,413,378 (2012: HK\$38,127,952) 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:

	<b>As at 31 December</b>	
	<b>2013</b>	2012
	<b>HK\$</b>	<b>HK\$</b>
4 months to 6 months	<b>46,992,878</b>	34,293,054
7 months to 12 months	<b>4,420,500</b>	3,834,898
	<b><u>51,413,378</u></b>	<b><u>38,127,952</u></b>

As at 31 December 2013, trade receivables of HK\$9,617,461 (2012: HK\$11,321,967) 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:

	<b>As at 31 December</b>	
	<b>2013</b>	2012
	<b>HK\$</b>	<b>HK\$</b>
4 months to 6 months	—	3,613,604
7 months to 12 months	<b>4,420,500</b>	3,137,644
Over 1 year	<b>5,196,961</b>	4,570,719
	<b><u>9,617,461</u></b>	<b><u>11,321,967</u></b>

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:

	<b>For the year ended 31 December</b>	
	<b>2013</b>	2012
	<b>HK\$</b>	<b>HK\$</b>
As at 1 January	<b>(11,321,967)</b>	(10,834,431)
Reversal of/(provision for) impairment of receivables ( <i>Note 5</i> )	<b>1,882,453</b>	(490,496)
Exchange differences	<b>(177,947)</b>	2,960
	<hr/>	<hr/>
As at 31 December	<b><u>(9,617,461)</u></b>	<b><u>(11,321,967)</u></b>

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

	2013	2012
	<b>HK\$</b>	<b>HK\$</b>
1 January	<b>64,357,657</b>	59,800,509
Share of post-tax loss of an associate	<b>(26,976,817)</b>	(15,934,119)
Additional investment in an unlisted associate (i)	<b>20,500,000</b>	20,500,000
Exchange differences	<b>876,852</b>	(8,733)
	<hr/>	<hr/>
31 December	<b><u>58,757,692</u></b>	<b><u>64,357,657</u></b>

- (i) On 16 December 2010, the Company entered into the Investment and Shareholders' Agreement with Fu An International Company Limited (a shareholder has significant influence over 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. As at 31 December 2012, the Company paid HK\$82,000,000 in cash for the subscription of the new shares issued by V-Care.

On 6 June 2013, the Company paid HK\$ 20,500,000 in cash for the subscription of the new shares issued by V-Care.

Up to 31 December 2013, the Company has paid capital of HK\$102,500,000, representing 41% of V-Care's share capital then outstanding.

## 12 TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES

	As at 31 December	
	2013	2012
	<i>HK\$</i>	<i>HK\$</i>
Trade payables	1,113,007,617	731,309,628
Notes payable	3,412,027	25,289,873
Other payables		
— salaries payable	67,386,956	64,599,665
— taxes payable other than income tax	35,755,149	39,761,089
— advances from customers	45,350,343	37,164,241
— payables for property, plant and equipment	123,684,552	154,135,195
— others	167,597,855	128,989,985
Accrued expenses		
— promotion fees	151,992,207	130,468,811
— utility charges	35,257,652	31,409,261
— transportation fees	47,387,787	46,435,257
— advertising fee	4,778,931	6,971,406
— accrued interest	4,249,666	11,004,129
— others	20,203,429	15,479,345
	<u>1,820,064,171</u>	<u>1,423,017,885</u>

As at 31 December 2013 and 2012, the carrying amounts of the Group's trade payables, notes payable 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	
	2013	2012
	<i>HK\$</i>	<i>HK\$</i>
RMB	983,368,591	808,028,996
US\$	571,243,174	369,952,270
HK\$	61,170	1,429,089
Other currencies	1,521,564	1,839,321
	<u>1,556,194,499</u>	<u>1,181,249,676</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 2013 and 2012 are as follows:

	As at 31 December	
	2013	2012
	<i>HK\$</i>	<i>HK\$</i>
Within 3 months	1,066,381,206	688,507,764
4 months to 6 months	21,918,953	57,299,553
7 months to 12 months	26,850,535	9,748,523
Over 1 year	1,268,950	1,043,661
	<u>1,116,419,644</u>	<u>756,599,501</u>

### 13 SHARE CAPITAL AND SHARE PREMIUM

	Group & Company				
	Number of authorised shares	Number of issued and fully paid shares	Ordinary shares <i>HK\$</i>	Amount Share premium <i>HK\$</i>	Total <i>HK\$</i>
<b>At 1 January 2012</b>	80,000,000,000	938,183,686	93,818,369	1,119,423,427	1,213,241,796
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)
<b>At 31 December 2012</b>	<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>
Employee share option scheme					
—Exercise of share options	—	480,000	48,000	3,413,728	3,461,728
—Options cancelled	—	—	—	16,059,847	16,059,847
Repurchased and cancelled (ii)	—	(1,500,000)	(150,000)	(11,261,618)	(11,411,618)
<b>At 31 December 2013</b>	<u>80,000,000,000</u>	<u>998,362,686</u>	<u>99,836,269</u>	<u>1,676,529,981</u>	<u>1,776,366,250</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.

The proceeds were used for expanding production capacity in Mainland China.

- (ii) During the year ended 31 December 2013, the Company repurchased its own shares of 1,500,000 shares in aggregate with the price range from HK\$7.36 to HK\$7.77 per share, together with related expenses, the total consideration is HK\$ 11,411,618. Those repurchased shares were subsequently cancelled and the issued share capital of the Company was reduced by nominal value of these shares accordingly.
- (iii) As at 31 December 2013 and 2012, the par value of authorised and issued ordinary shares is HK\$0.1 per share.



## 14 BORROWINGS

	As at 31 December	
	2013	2012
	HK\$	HK\$
<b>Non-current</b>		
Unsecured Bank borrowings	1,697,713,043	843,234,694
Unsecured other borrowings ( <i>Note (a)</i> )	7,290,766	7,083,053
Total non-current borrowings	<u>1,705,003,809</u>	<u>850,317,747</u>
<b>Current</b>		
Portion of loans from banks due for repayment within one year		
— Unsecured	853,563,179	1,141,650,525
Portion of loans from banks due for repayment after one year which contain a repayment on demand clause		
— Unsecured	178,869,794	77,250,000
Total current borrowings	<u>1,032,432,973</u>	<u>1,218,900,525</u>
<b>Total borrowings</b>	<u><u>2,737,436,782</u></u>	<u><u>2,069,218,272</u></u>

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

(b) The maturity of borrowings is as follows:

	Bank borrowings		Other borrowings	
	As at 31 December		As at 31 December	
	2013	2012	2013	2012
	HK\$	HK\$	HK\$	HK\$
Portion of loans due for repayment within 1 year	853,563,179	1,141,650,525	—	—
Loans due for repayment after 1 year ( <i>Note 1</i> )				
Between 1 and 2 years	1,113,903,226	761,954,776	7,290,766	—
Between 2 and 5 years	762,679,611	158,529,918	—	7,083,053
	<u>2,730,146,016</u>	<u>2,062,135,219</u>	<u>7,290,766</u>	<u>7,083,053</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:

	<b>Bank borrowings</b>		<b>Other borrowings</b>	
	<b>As at 31 December</b>		<b>As at 31 December</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>HK\$</b>	<b>HK\$</b>	<b>HK\$</b>	<b>HK\$</b>
HK\$	<b>1.40%~3.35%</b>	0.48~2.90%	—	—
US\$	<b>1.20%~3.57%</b>	1.31~3.57%	—	—
RMB	<b>4.50%~6.90%</b>	3.50~6.90%	—	—
AUS	<b>2.88%~3.35%</b>	1.71~3.08%	—	—
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 discounted cash flows using a rate based on the borrowing rate. The effective interest rates (per annum) at the balance sheet date were as follows:

	<b>Bank borrowings</b>	
	<b>As at 31 December</b>	
	<b>2013</b>	<b>2012</b>
HK\$	<b>2.64%</b>	2.32%
US\$	<b>2.91%</b>	2.81%
RMB	<b>5.86%</b>	5.41%
AUS	<b>2.89%</b>	2.23%
EU€	—	1.56%

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

	<b>As at 31 December</b>	
	<b>2013</b>	<b>2012</b>
	<b>HK\$</b>	<b>HK\$</b>
HK\$	<b>2,154,245,161</b>	1,251,301,737
US\$	<b>153,022,262</b>	459,960,978
RMB	<b>385,028,972</b>	225,248,206
AUS	<b>45,140,387</b>	123,014,254
EU€	—	9,693,097
	<b><u>2,737,436,782</u></b>	<b><u>2,069,218,272</u></b>

(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 and the scheduled repayments of the loans. The Group 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	
	2013	2012
	<i>HK\$</i>	<i>HK\$</i>
Cross currency swap ( <i>Note(a)</i> )	11,112,636	8,675,816
Interest rate swap ( <i>Note(b)</i> )		
— cash flow hedge	<u>1,805,786</u>	<u>6,394,687</u>
	<u><b>12,918,422</b></u>	<u><b>15,070,503</b></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\$6,540,546 (2012: AU\$15,261,273) while the aggregate principal payable by the Group amounts to HK\$56,250,000 (2012: HK\$131,250,000). 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\$6,540,546 (2012 :AU\$15,261,273) and HK\$56,250,000 (2012: HK\$131,250,000), both declining over the term of three years. The schedule of principal and interest expenses are synchronized with the AU\$ 3-year term loan included under 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 2013 was HK\$535,500,000 (2012: HK\$924,000,000). At 31 December 2013, the fixed interest rate was from 0.58% to 1.28% (2012: 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

### Business Review

China's economy decelerated in 2013, causing retailers of all sizes to hold back from store expansion. Sales of fast-moving consumer goods also slowed down. Meanwhile, expanded household paper production capacity led to fierce price competition, especially in the second half of 2013. Facing unprecedented challenge, Vinda International redoubled its marketing and promotion efforts during the year to maintain its competitiveness in the short term. To gear up for its long-term development, the Group allocated more resources for enhancing product quality and building its brand.

During the year, the Group's revenue increased by 12.8% to HK\$6,798.0 million (2012: HK\$6,024.0 million) while gross profit increased by 6.3% to HK\$1,971.7 million (2012: HK\$1,854.9 million). Profit attributable to equity holders increased by 1.2% to HK\$542.9 million (2012: HK\$536.6 million), and basic earnings per share was 54.3 HK cents (2012: 54.6 HK cents). As a token of gratitude for shareholders' long-term support, the Board proposed a payment of a final dividend of 10.8 HK cents per share for the financial year ended 31 December 2013.

### Building a Leading Brand and Developing Mainstay Products

The Group persevered in building its brand with product launches and marketing campaigns. For instance, the introduction of its "Ultra-Strong" product series into the market in 2012 boosted consumer loyalty and recognition of the Vinda brand, and the Group's share of China's household-paper market has been growing since then. According to Nielsen data, Vinda International achieved a 11.9% market share in PRC in 2013, up by 0.9 percentage points when compared to that of 2012. Meanwhile, the Group has been awarded "2013 No.1 Market Share in Toilet Roll by Sales Volume" and "Most Reliable Brand — 2013" again by China Industrial Information Issuing Center, as recognition of Vinda brand's toilet rolls. During the year under review, the Group organized various brand promotion events, notably the "Ultra Strong National Bus Tour 維達超韌全民見證 — 中國行" and "Vinda Tissue-made Wedding Gown 維達紙婚紗" exhibition which were well received by the public. These publicity campaigns facilitated the Group's joint promotions with supermarkets, thus building up Vinda's customer relationship successfully. In August 2013, the Group was designated as the official tissue supplier of "The 23rd Qingdao International Beer Festival 第二十三屆青島國際啤酒節" and this would give a new impetus to Vinda International's sales network expansion in Shandong Province.

With an aim of expanding its market shares with a number of best-selling products, the Group optimized its product portfolio under its strategy of "consolidating its leading position in the toilet rolls market, jockeying for position in the market for softpack products and forging ahead with its hanky product business". During the period, the Group boosted the sales of facial tissues, wet wipes and kitchen rolls which command high margins. In particular, softpack and wet wipes stood out with increases of 35.0% and 81.0% respectively in sales. A new product series featuring "SpongeBob SquarePants", a world-famous cartoon character, was launched in the second half of 2013, and successfully attracted such customers as families with children and youngsters.

In 2013, the revenue contributed by traditional distributors, modern supermarket & supermarkets, corporate clients and E-commerce were 46.8%, 37.6%, 13.0% & 2.6% respectively. As of 31 December 2013, the Group had a total of 210 sales offices and 1,387 distributors. The Group maintained its market leadership in Guangdong, Hubei, Beijing and Hong Kong with its well-established sales network. To expand its presence in Shandong province and its surrounding areas, the Group had a new plant built in Laiwu, a city in the province. The factory started operating in the second half of the year. We have also mapped out a plan of developing the markets of provinces and counties that

the Group has yet to set foot on to expand Vinda International's market coverage. It is expected that the proportion of e-commerce will gradually expand and the Group will continue to develop E-commerce in the future.

### **Enhancing Production Capacity Systematically**

The Group sold a total of 481,929 tons of paper in 2013, up by 13.6% year-on-year. During the year, an aggregate of the Group's new annual production capacity of 220,000 tons came on stream, including 90,000 tons at the plant in Sanjiang County, Jiangmen City, Guangdong Province, 80,000 tons at the Xiaogan plant in Hubei Province, and 50,000 tons at its new plant in Laiwu City, Shandong Province. The Group's total annual designed production capacity reached 760,000 tons by 2013 year end. In fourth quarter 2014, the Group plans to expand 70,000 tons and 60,000 tons of capacity in Guangdong and Zhejiang Province respectively. The Group's total designed annual production capacity is expected to rise to 890,000 tons by the end of 2014.

With many new entrants to the household paper market, more production capacity is expected to spring up there. To capitalize on this trend, the Group is now evaluating the viability of implementing a two-pronged development strategy, which combines the current investment-driven growth model with a brand-new asset-light model, in 2015. The prerequisite for adopting this new model is that it will bring cost advantage to the Group without sacrificing its product quality. The Group will select some of the new entrants to be its strategic partners and will contract out its mother reel production to them so as to make up the shortfall in its own production capacity to satisfy its clients' demand. We hope such an initiative will effectively reduce the Group's capital expenditure, enhance its free cash flow and return on assets, and will benefit the development of the industry.

### **Flexible Wood Pulp Procurement Strategy**

Wood pulp is the major raw material in the production of household paper products. The rise in wood pulp prices during the year drove up the Group's procurement costs. The wood pulp quote is expected to fluctuate continually in 2014. To bolster its bargaining power in wood pulp procurement and reduce the production costs, the Group adopts a flexible procurement strategy while maintaining strong ties with its long-term suppliers.

### **Personal Care Business**

The Group's diversified business portfolio was taking shape. In 2013, V-Care Holdings Limited, an associate of the Group, rolled out its self-developed mid-range and high-end sanitary napkin brand, VIA, which is aimed at young and stylish females. Manufactured under an asset-light business model, the VIA products have been launched in southern and central China through Vinda International's extensive marketing network to gauge market reaction. The market's initial responses to VIA has been positive. Moreover, there are prospects for growth and thus more business opportunities in the baby diaper market as the Chinese government has recently adopted a policy that allows a couple to have two children if either member of that couple is the only offspring. Nevertheless, that market will probably become extremely competitive. It will call for substantial resources and enormous efforts to develop Babifit, a new brand of the Group's baby diapers, into a leading brand. The Group will have to develop sales channels and raise the awareness of the brand through integrated marketing. The personal care business will accelerate its development in an attempt to start contributing to the Group's growth.

## **Creating Synergies with SCA**

SCA, which is Europe's largest and the world's second largest personal care enterprise, increased its equity stake in the Group in 2013 as a vote of confidence in the Group's future development. SCA and the Group each has its own competitive advantages and both companies are actively exploring opportunities for cooperation in business development, brand management, supply chain management, procurement management and R&D etc. The Group believes that the synergies created by both companies will certainly enhance the competitiveness of Vinda International.

## **Advocating Green Production and Being Socially Responsible**

Based on the principle of sustainable development, the Group dedicates itself to environmental protection and ecological sustainability, and advocates green manufacturing through energy saving and emission reduction. During the year, the Group's production base in Jiangmen was rated as one of the model projects in the Cleaner Production Partnership Programme by the Hong Kong Productivity Council. The Group also actively participated in the national and provincial governments' work on energy-saving research and setting environmental standards, including the carbon footprint study by the China National Pulp and Paper Research Institute and the energy efficiency work organized by the Guangdong Paper Association, aiming at reducing manufacturing cost and improving energy efficiency. In terms of the usage of water resources, the Group has improved its sewage treatment system to maintain the recycling rate at 95%, while upgrading the automated production equipment to improve supply chain efficiency. In order to support its green manufacturing, the Group purchased raw materials from pulp suppliers which had International Forest Certification.

As a conscientious enterprise, the Group strives to fulfill its corporate social responsibilities. It has set up "Vinda Charity Foundation" to give care and assistance directly to the needy people in China. The foundation operates such welfare facilities as rest houses and welfare houses, and programmes to take care of those who are living on very low social security benefits and the disabled. The Group also organized volunteer teams regularly to participate in community service. Moreover, the Group has set up the "Vinda Environmental Conservation Scholarship" scheme at the Department of Geography and Resource Management in the Chinese University of Hong Kong to encourage students who are interested in environmental studies to pursue careers in environmental protection in the future. The students are expected to work for the sustainable development of society after they graduated.

## **Improving Management Performance and Enhancing Human Resources Management**

During the year, in order to improve the management performance, strengthen cost control and achieve operating synergies, Vinda Paper (China) Co., Ltd. merged two subsidiaries in Southern China.

The Group recognizes the importance of sound corporate governance to a successful company as well as its business development and shareholder value. Training in corporate governance is organized for the directors and senior management from time to time, and the disclosure system is regularly reviewed so as to improve transparency. To integrate internal control work into daily operations, the Group has established a mechanism to monitor and review the internal control continuously, and has improved the code of practice for each of its departments.

High-caliber staff is the key to the Group's competitiveness and value creation. The Group consistently enhances its human resources management by carrying out performance management reform and organizational restructuring, reorganizing job positions and duties, as well as providing professional training and education subsidies for employees, with an aim of aligning the Group's practices with

international standards. As at 31 December 2013, the Group had a total of 7,997 employees. Employee remuneration packages are reviewed regularly and benchmarked to local market conditions as well as the staff's experience and performance to ensure the competitiveness of the Group's remuneration package. Furthermore, the Group operates a share option scheme to attract and retain talents. During the year, the Group granted 1,359,000 share options to its director 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 2013, 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.

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 directors.

- (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.
- (c) The third tranche of 5,729,000 options are exercisable during the period from 2 May 2014 to 1 May 2022.

On 2 May 2013, 1,359,000 share options were granted to a director and certain employees at an exercise price of HK\$10.34 per share. The Group has no legal or constructive obligation to repurchase or settle the options in cash. All the director and employees accepted the share options.

The options are exercisable during the following periods when the Company meet certain performance conditions as set by the board of directors:

- (a) The first tranche of 1,134,000 options are exercisable during the period from 2 May 2013 to 1 May 2023.
- (b) The second tranche of 225,000 options are exercisable during the period from 2 May 2014 to 1 May 2023.

On 9 September 2013, SCA Group made a voluntary conditional cash offer to acquire and cancel the outstanding share options. After the close of the cash offer on 11 November 2013, valid acceptances of the option offer have been received in respect of 6,902,000 options. Additionally due to unfulfilled vesting conditions in relation to the financial results for the year ended 31 December 2013, 5,469,000 options were forfeited.

## **Prospects**

China has a huge and fragmented household paper manufacturing industry, which produces products of varying quality. To reduce wastage and standardize the product quality, the Chinese government has determined to eliminate outdated paper production capacity. The market looks set to be consolidated. In view of the fierce market competition, the Group believes that only leading enterprises with strong brands and a sound financial standing can give their brands and economies of scale full play, and hence win out in the market consolidation. Meanwhile, the central government's sweeping urbanization programme, its policy of allowing a couple to have two children if either member of that couple is the only offspring, and the population aging will also stimulate demand for quality household paper and personal care products.



Vinda International, as one of the dominant players in the industry, has already prepared well for the current and upcoming challenges and will seize any business opportunities. We are confident of our ability to outperform our peers with our competitive strengths. Looking ahead, the Group will adhere to the philosophy of “Stabilizing Growth, Controlling Costs and Enhancing Product Mix” and focus on the following major goals:

1. Brand innovation: to keep revitalizing the Vinda brand;
2. Product innovation: to optimize the product mix and seek breakthroughs in the diversified business;
3. Marketing innovation: to expand e-commerce platforms and sales network;
4. Procurement innovation: to seek synergies in wood pulp procurement;
5. Supply chain innovation: to exploit the asset-light model; and
6. Green innovation: to step up the low-carbon emission programme in its operations and enhance its sustainable development model.

Vinda International, with the concerted effort of both its management team and employees, aspires to be consumers’ most preferred household hygiene brand and to deliver the best returns to its shareholders.

#### **Liquidity, Financial Resources and Bank Loans**

The Group’s financial position remained healthy. In March 2013, the Group concluded a syndicated loan of HK\$1 billion with a tenor of 3 years. As at 31 December 2013, the Group’s bank and cash balances (including restricted bank deposits of HK\$3,567,270 (31 December 2012: HK\$6,101,567)) amounted to HK\$693,269,919 (31 December 2012: HK\$759,688,218), and short-term and long-term loans amounted to HK\$2,737,436,782 (31 December 2012: HK\$2,069,218,272). 62.3% of the bank borrowings are medium- to long- term (2012: 41.1%). The annual interest rates of bank loans ranged from 1.20% to 6.90%.

As at 31 December 2013, the gearing ratio was 58.9% (31 December 2012: 50.2%), 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 44.0% (31 December 2012: 31.8%). Total borrowings are defined as the aggregate of short-term and long-term loans and other borrowings.

As at 31 December 2013, unutilized credit facilities amounted to approximately HK\$4.82 billion (2012: HK\$4.50 billion).

#### **Final Dividend**

The Board has resolved to propose to shareholders the distribution of a final dividend for the year ended 31 December 2013 at HK10.8cents (2012: HK11.3 cents) totaling HK\$107,823,170, subject to approval by shareholders at the annual general meeting (the “AGM”) on 20 May 2014. If so approved by shareholders, it is expected that the final dividend will be paid on or about 20 June 2014 to shareholders whose names appear on the register of member of the Company on 3 June 2014.

## **Closure of Register of Members**

The register of members of the Company will be closed from 16 May 2014 to 20 May 2014, 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 15 May 2014.

In addition, the register of members of the Company will be closed from 3 June 2014 to 5 June 2014, 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 30 May 2014.

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

During the year ended 31 December 2013, the Company repurchased its own shares of 1,500,000 shares in aggregate with the price range from HK\$7.36 to HK\$7.77 per share, together with related expenses, the total consideration is HK\$11,411,618. Those repurchased shares were subsequently cancelled and the issued share capital of the Company was reduced by nominal value of these shares accordingly.

## **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 2013, the Company has complied with all the code provisions set out in the Code on Corporate Governance Code, as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules")

In order to comply with a new code provision under the Listing Rules which became effective on 1 September 2013, the Board has adopted a policy on board diversity ("Board Diversity Policy"). Pursuant to the Board Diversity Policy, the Board shall consider the benefits of diversity when it reviews the Board composition, in addition to examining whether it has a balance of skills, experience and independence.

## **Directors' Securities Transactions**

The Company has adopted a code for securities transactions by directors of the Company (the "Code of Conduct") on terms no less exacting than the required standard of the Model Code for Securities Transaction by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules on the Stock Exchange. Having made specific enquiry with all the directors of the Company (the "Directors" or individually the "Director"), all of them confirmed that they have complied with the required standard set out in the Model Code and the Code of Conduct regarding securities transactions by the Directors during the year ended 31 December 2013.

## **Updates on Directors' Information under Rule 13.51B(1) of the Listing Rules**

With effect from 1 January 2014, Mr. Jan Christer JOHANSSON and Mr. Jan Lennart PERSSON were appointed as non-executive Directors of the Company. Ms. LI Jielin was appointed as alternate director to Mr. LI Chao Wang, Ms. YU Yi Fang and Mr. DONG Yi Ping. Mr. Gert Mikael SCHMIDT was appointed as alternate director to Mr. Jan Christer JOHANSSON and Mr. Jan Lennart PERSSON.

With effect from 1 January 2014, Mr. LI Chao Wang resigned as an authorised representative of the Company and Ms. ZHANG Dong Fang was appointed as an authorised representative of the Company for the purpose of Rule 3.05 of the Listing Rules on the same day.

Details of the above changes are set out in the announcement of the Company dated 31 December 2013.

### **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 2013.

### **Remuneration Committee**

The Company's remuneration committee has three members of independent non-executive directors, namely, 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 (www.vindapaper.com) and the Stock Exchange (www.hkexnews.hk). The 2013 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, 27 March 2014

*As at the date of this announcement, the Board of the Company comprises:*

#### *Executive Directors:*

Mr. LI Chao Wang  
Ms. YU Yi Fang  
Ms. ZHANG Dong Fang  
Mr. DONG Yi Ping

#### *Non-executive Directors:*

Mr. Jan Christer JOHANSSON  
Mr. Jan Lennart PERSSON  
Mr. Johann Christoph MICHALSKI  
Mr. Ulf Olof Lennart SODERSTROM

#### *Independent Non-executive Directors:*

Dr. CAO Zhen Lei  
Mr. KAM Robert  
Mr. HUI Chin Tong, Godfrey  
Mr. TSUI King Fai

#### *Alternate Directors:*

Ms. LI Jielin (alternate to Mr. LI, Ms YU and Mr. DONG)  
Mr. CHIU Bun (alternate to Mr. MICHALSKI and Mr. SODERSTROM)  
Mr. Gert Mikael SCHMIDT (alternate to Mr. JOHANSSON and Mr. PERSSON)