



Vinda International Holdings Limited

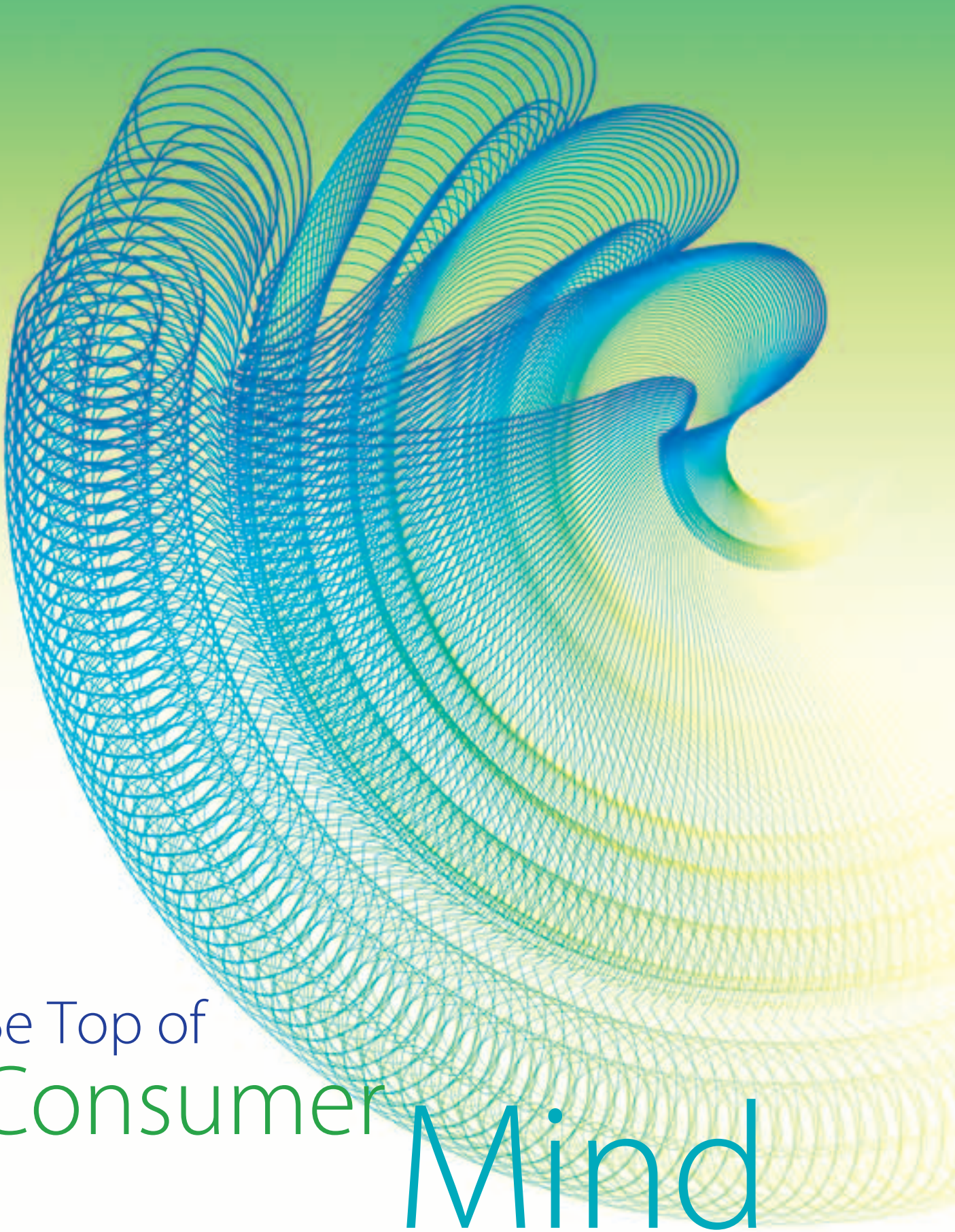
(incorporated in the Cayman Islands with limited liability) Stock Code: 3331

Interim Report

2012



Healthy
Lifestyle
Starts from **Vinda**



Be Top of
Consumer
Mind



Contents

Corporate Information	3
Interim Results and Financial Highlights	4
Management Discussion and Analysis	6
Other Information	13
Report on Review of Interim Financial Information	19
Interim Financial Information	
Interim Condensed Consolidated Balance Sheet	20
Interim Condensed Consolidated Statement of Comprehensive Income	22
Interim Condensed Consolidated Statement of Changes in Equity	23
Interim Condensed Consolidated Statement of Cash Flows	24
Notes to the Condensed Consolidated Interim Financial Information	25



韧在维达 乐在全家：)



Directors

Executive Directors

Mr. LI Chao Wang (Chairman)
 Ms. YU Yi Fang (Vice Chairman)
 Ms. ZHANG Dong Fang (Chief Executive Officer)
 Mr. DONG Yi Ping (Chief Technology Officer)

Non-Executive Directors

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 Director

Mr. CHIU Bun (alternate to Mr. MICHALSKI and
 Mr. SODERSTROM)

Audit Committee

Mr. KAM Robert (Chairman)
 Mr. HUI Chin Tong, Godfrey
 Mr. TSUI King Fai

Remuneration Committee

Dr. CAO Zhen Lei (Chairman)
 Mr. HUI Chin Tong, Godfrey
 Mr. TSUI King Fai

Nomination Committee

Mr. HUI Chin Tong, Godfrey (Chairman)
 Mr. LI Chao Wang
 Mr. TSUI King Fai

Authorised Representatives

Mr. LI Chao Wang
 Mr. TSANG Zee Ho, Paul

Company Secretary

Mr. TSANG Zee Ho, Paul, CPA, FCCA

Auditors

PricewaterhouseCoopers

Legal Advisers to the Company

Stevenson, Wong & Co. (as to Hong Kong law)
 Conyers Dill & Pearman (as to Cayman Islands law)

Registered Office

Cricket Square, Hutchins Drive
 P.O. Box 2681
 Grand Cayman KY1-1111
 Cayman Islands

Principal Place of Business in Hong Kong

Room 506, Tower 1, South Seas Centre
 75 Mody Road, Tsimshatsui East
 Kowloon, Hong Kong
 Tel: (852) 2366 9853
 Fax: (852) 2366 5805

Place of Listing and Stock Code

The Stock Exchange of Hong Kong Limited
 Stock Code: 3331

Principal Share Registrar and Transfer Office

Butterfield Fund Services (Cayman) Limited
 Butterfield House
 68 Fort Street
 P.O. Box 705
 Grand Cayman KY1-1107
 Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited
 Shops 1712–1716, 17th Floor
 Hopewell Centre, 183 Queen's Road East
 Wanchai, Hong Kong

Principal Bankers

Australia and New Zealand Banking Group Limited
 Bank of China Limited
 Bank of China (Hong Kong) Limited
 China Construction Bank Corporation
 Hang Seng Bank Limited
 The Hong Kong and
 Shanghai Banking Corporation Limited

Website

<http://www.vindapaper.com>
<http://www.hkexnews.hk>

4 Interim Results and Financial Highlights

Interim Results

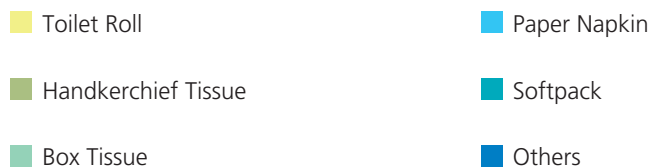
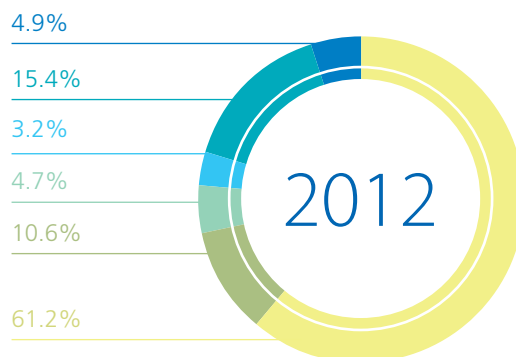
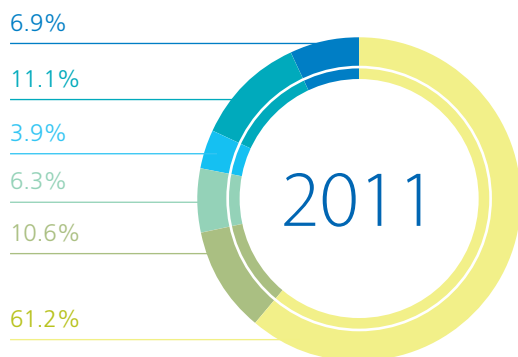
The Board of Directors (the "Board") of Vinda International Holdings Limited ("Vinda International" or the "Company") is pleased to present the unaudited interim condensed consolidated balance sheet as at 30 June 2012 and the unaudited interim condensed consolidated statement of comprehensive income, unaudited interim condensed consolidated statement of cash flows and unaudited interim condensed consolidated statement of changes in equity of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2012 (the "Period"), together with the comparative figures and selected explanatory notes. The unaudited interim financial statements have been reviewed by independent auditors and the Company's audit committee.

Financial Highlights

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2012

	2012	2011	Changes
Revenue (HK\$)	2,887,493,324	2,194,621,752	+31.6%
Gross profit (HK\$)	903,043,827	607,338,502	+48.7%
Profit attributable to equity holders of the Company (HK\$)	258,045,029	191,066,436	+35.1%
Gross profit margin	31.3%	27.7%	+3.6p.p.
Net profit margin	8.9%	8.7%	
Basic earnings per share (HK\$)	26.7 cents	20.4 cents	+30.9%
Stock turnover	123 days	145 days	
Finished goods turnover	37 days	33 days	
Debtors turnover	47 days	45 days	
Interim dividend declared (HK\$)	4.3 cents	3.3 cents	+30.3%

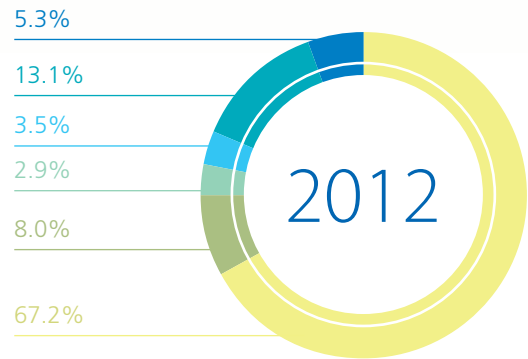
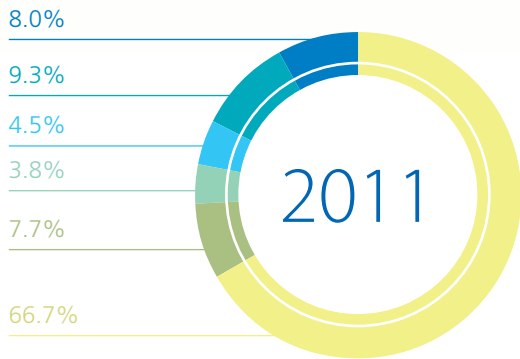
Turnover by Product Categories



Bobo Feel



Sales Volume by Product Categories



- Toilet Roll
- Handkerchief Tissue
- Box Tissue
- Paper Napkin
- Softpack
- Others

6 Management Discussion and Analysis



The escalating European debt crisis has exerted unprecedented pressure on the global economy during the first half of 2012. Despite China's economic growth slowdown and weakening export amidst uncertainty in global markets, steady development was seen in China's household paper industry. According to the China National Household Paper Industry Association, China's household paper market achieved double-digit growth year-on-year in 2011 for both sales revenue and volume, which is a solid reflection of the huge and increasing demand for household paper. Further urbanization and rising income per capita also bolstered the growth in demand for quality tissue paper.

Business Review

2012 marks the beginning of the Group's 6th five-year plan. To cope with the unstable external environment and severe competition within the industry, the Group has continued to carry on its development plan pragmatically, and has made substantial progress in its brand enhancement, product innovation, sales network development, production capacity expansion, production efficiency improvement, as well as the expansion of its business scope.

For the six months ended 30 June 2012, the Group's turnover achieved remarkable growth and rose by 31.6% year-on-year to reach HK\$2,887,493,324. In particular, the performance of softpack products was exceptional with sales increasing by 82.2%. During the period under review, gross profit surged by 48.7% to HK\$903,043,827 and the gross profit margin was up by 3.6 percentage points to 31.3% as raw materials prices eased back. Profit attributable to shareholders grew by 35.1% to HK\$258,045,029 while earnings per share amounted to 26.7 HK cents.

In appreciation of shareholders' support, the board of directors has recommended the payment of an interim dividend of 4.3 HK cents (1H2011: 3.3 HK cents) per share for the six months ended 30 June 2012 to shareholders.

Upholding Brand Position by Extending Product Lines

The “Vinda” brand is one of the Group’s core assets, and upholding the quality of the products under this brand has always been of paramount importance to its success. During the period, the Group focused on the promotion of “Star Products” and enlarging sales and market share of certain product lines in a bid to optimize its product portfolio and profit margin.

The Group reassessed the loyalty and aspiration value of the “Vinda” brand with consumer research studies conducted with the support of renowned professional market research agencies. Capitalizing on the findings from these studies, as well as our proprietary market insights, the Group successfully launched the ground-breaking “Ultra Strong” series featuring box tissues and softpacks with 3-ply-paper. Coupled with the slogan “韌在維達, 樂在全家” and comprehensive marketing campaigns, “Ultra Strong” successfully extended the Group’s product lines and reinforced Vinda’s brand position.

The Group’s successful brand strategy has helped it to obtain numerous honors, including the “Consumer’s Most Trusted Brand 2011 (2011年度消費者最信賴品牌)” and “Champion of National Best-selling Household Paper Product (生活用衛生紙類全國市場銷量第一名)” awarded by China Industrial Information Issuing Center (中國行業企業資訊發佈中心) in March, as well as the “Best Breakthrough Supplier 2011 — Consumables (2011年度快速消費品部最佳突破獎)” presented by Wal-Mart, a renowned and leading retailer, in February 2012.

By leveraging its effective cartoon marketing strategy, Vinda successfully captured a core customer group in recent years, namely families with children. Following the success of the “Pleasant Goat and Big Big Wolf” and “Kung Fu Panda” series, the Group has made further efforts by joining forces with 20th Century Fox Film Corporation (“Fox Film”), a Hollywood film studio in the United States. The Group collaborated with Fox Film to promote the movie — “Ice Age: Continental Drift”, via the launch of its “Ice Age” products. This project infused new impetus to the image of Vinda brand.





Heightening Efficiency of Sales & Marketing Management

A well-established and extensive sales network is another one of Vinda's core competencies. As at 30 June 2012, Vinda has 176 sales offices (31 December 2011: 155) and 1,295 distributors (31 December 2011: 1,174). In addition to the extensive traditional sales network, the rapidly expanding modern channels offer highly efficient platforms for FMCG companies to enlarge its sales and build their brand image. In fact, sales from modern channels have consistently commanded a larger split of the Group's overall sales year-on-year. As one of the leading household paper brands in China, the Group proactively maintains its good relationships with hypermarkets in order to secure the best shelf space at every point of sales. Apart from extending points of sales network, Vinda is also dedicated to cultivating its direct B2B channels which are of great importance as they generate stable income.

Proficient sales team management not only improves the sales efficiency, but also effectively enhances the market coverage. With a view to laying a solid foundation for penetrating into existing market and fostering new footholds, the Group has restructured the regional sales and marketing team by redefining the scope of work for each sales region during the period.

Expanding Capacity Steadily by Improving Production Technology

Production capacity expansion has always played a vital role in Vinda International's course of development. On account of the enormous, growing market demand for quality household paper, the Group has developed a solid and pragmatic capacity expansion plan at the beginning of the year which aims to increase the current total annual production capacity of 470,000 tons by 150,000 tons. In particular, the Group plans to increase capacity by 80,000 tons at the new Sanjiang plant in Jiangmen, Guangdong Province; 30,000 tons at the Anshan plant in Liaoning Province; and 40,000 tons at the Xiaogan

plant in Hubei Province. Total production capacity will reach 620,000 tons by 2012 year end. The Group targets to boost the production capacity to 1 million tons by 2015 to achieve even greater economies of scale while reducing logistic costs.

In tandem with capacity expansion, the Group will also focus on improving production efficiency and product quality. Besides introducing more highly-automated machineries and equipment to enhance processing and logistical efficiency, the Group has also imported numerous advanced European-made paper-making machines with an aim to reduce energy consumption, enhance efficiency and bring product quality up another level.

Improving Procurement Flexibility

Wood pulp is the major raw material used to produce household paper products. From the second half of 2011 to the first half of 2012, wood pulp prices began to ease as a result of the weakening demand in Europe and the United States. Consequently, the Group has adopted a flexible and proactive procurement strategy of increasing the wood pulp procurement volume whenever prices hit a relatively low level, while preserving healthy cash flow for the Group. Successful application of such a strategy has helped the Group to secure its gross profit margin to a certain extent.

The Group organized its first international suppliers' conference during the period whereat we showcased Vinda's roadmap of future developments to long-standing suppliers as a way to create common goals and strengthen alliances.

Developing the Personal Care Products Business

In respect of the personal care products business, V-Care Holdings Limited ("V-Care"), an associate of the Group, was executing plans at full swing for the in-house production of baby diapers during the period, which involves setting up three production lines plus a quality inspection center in the Xiaogan plant in Hubei. Riding on the pilot sale results gained from last year, V-Care innovated and upgraded Babifit™ baby diaper products to diversify its product offering and attract more consumers. In the second half of the year, a full-fledged roll-out of Babifit™ products will be staged to market them through distributors, supermarkets and other specialty outlets. Meanwhile, comprehensive marketing campaigns will be used to establish consumers' interest and cultivate loyalty towards the Babifit™ brand to help build another runway for the Group's long-term growth and ascension.

Adhering to Sustainable Development Principles

As a responsible household paper manufacturer guided by sustainable development principles, the Group always adheres to its commitment to environmental protection and to sustaining the ecological system. The Group is committed to operating in accordance with the central government's carbon reduction policy, and collaborates with suppliers that share the same aspiration. The Group also chooses environmental-friendly coal fuel with low sulfur content as its energy source. Moreover, the Group has effectively cut emissions of sulfur dioxide in its production processes by introducing advanced sulfur and dust filters. Meanwhile the Group improved its water recycling rate from 80% last year to over 90% by upgrading the equipment, thereby killing two birds with one stone: saving energy and resources while improving production efficiency.

The Group is equally devoted to the protection of the patents and results of its technological upgrades. During the period, the Group obtained 14 new patents, 5 software patents and 1 innovation patent in respect of energy saving and waste reduction. As at 30 June 2012, the Group had a total of 66 patents.

Nurturing Human Resources and Strengthening Corporate Governance

Employees of high caliber are the key to the Group's competitiveness and value creation. During the period, the Group has persistently enriched its human resources management system, through various actions including a revision of the performance management procedures and a reorganization of job positions and duties, with an aim of aligning it to international standards. The Group also started the second crop of its management trainee program in order to recruit young and hopeful university graduates from all over China to become a force behind Vinda's future development.

As at 30 June 2012, the Group had a total of 7,476 employees. Employee remuneration packages are reviewed regularly, with reference to local market conditions, as well as staff work experience and performance, to ensure the competitiveness of the Group's remuneration policy. Furthermore, the Group also maintains a share option scheme to attract and retain talent. During the period, the Group granted 16,771,000 share options to its directors and employees under its share option scheme.

The Group firmly believes that sound corporate governance is a cornerstone of every successful company and is fundamental to business development and shareholders' value. During the period under review, the Group organized corporate governance training to our directors and senior management in order to ensure their compliance with the latest listing rules and knowledge of best practice. 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.

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 30 June 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.

Future Prospects

The continuous growth of the Chinese economy year after year has created enormous room for the development of the household paper market and has driven the expansion in production capacity across the industry. Meanwhile, the central government has redoubled its efforts in eliminating outdated manufacturers, which will intensify consolidation in the industry. Therefore, the Group expects competition among leading players in the industry to heat up. In respect of wood pulp prices, the Group anticipates that the price trend to stabilize in the second half of the year due to the impacts of the volatile global economy on the international demand for wood pulp, and new wood pulp production capacity coming to the market.

Facing such challenges, the Group is confident in outperforming its peers. In 2012, the Group will focus on the following tasks:

1. Fortify the “Vinda” brand and its sales network, and optimize its product portfolio actively;
2. Foster the personal care products business and develop Babifit™ SKUs and dedicated sales channels aggressively;
3. Expand production capacity systematically, while emphasizing production safety, to reach a target capacity of 1 million tons by 2015;
4. Monitor raw materials market closely and employ a flexible and proactive procurement strategy;
5. Adhere to environmental principles and perfect its environmental protection projects; and
6. Further digitalize procedures and implement management information systems.

Looking ahead, the Group will adhere to and build on its strategy based on a solid brand image and first-in-class product quality so as to strengthen its market leadership and enlarge its market share.

Other Financial Information

Liquidity, Financial Resources and Bank Loans

The Group’s financial position remained healthy. As at 30 June 2012, the Group’s bank and cash balances amounted to HK\$1,335,846,329 (31 December 2011: HK\$714,611,721), and short-term and long-term loans in aggregate amounted to HK\$2,165,972,364 (31 December 2011: HK\$1,952,478,533). The annual interest rates of bank loans ranged from 1.51% to 6.90%.

As at 30 June 2012, the gross gearing ratio was 56.2% (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 bank balances and cash, and restricted deposits as a percentage of the total shareholders’ equity, was 21.5% (31 December 2011: 39.4%).

As at 30 June 2012, unutilized credit facilities amounted to approximately HK\$4.38 billion.

Contingent Liabilities

As at 30 June 2012 and 31 December 2011, the Group had no material contingent liabilities.

Capital Commitments

	As at	
	30 June	31 December
	2012	2011
	Unaudited	Audited
	HK\$	HK\$
Property, plant and equipment and intangible assets	1,084,498,218	488,722,501
Investment in an associate	61,500,000	61,500,000
	1,145,998,218	550,222,501

Interim Dividend

The Board has resolved to declare an interim dividend of HK\$0.043 per share for the period ended 30 June 2012 (2011: HK\$0.033) totaling approximately HK\$42,994,396. The interim dividend will be paid on or about 31 October 2012 to shareholders whose names appear on the register of members of the Company on 19 October 2012.

Close of Register of Members

The register of members of the Company will be closed from 17 October 2012 to 19 October 2012 (both days inclusive), during which period no transfer of shares will be registered. In order to establish entitlement to the interim dividend, all transfers 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, not later than 4:30 pm on 16 October 2012 for registration of transfer.

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares And Debentures

As at 30 June 2012, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") contained in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Long Positions In Shares, Underlying Shares And Debentures

Name	Company name of associated corporations	Nature of interest	Number of Shares	Number of underlying Shares ⁽⁴⁾	Aggregate interest	Approximate percentage of interest
Li Chao Wang ⁽¹⁾	The Company	Interest of controlled company Personal	237,306,235 Shares	999,000	239,241,235	23.93%
			<u>936,000 Shares</u>			
			238,242,235 Shares			
	Fu An International Company Limited	Interest of controlled company	282 shares of US\$1.00 each	—	—	74.21%
	Sentential Holdings Limited	Interest of controlled company	1 share of US\$1.00 each	—	—	100%
Eagle Power Assets Limited	Settlor and beneficiary of CW Li Family Trust	1 share of US\$1.00 each	—	—	100%	
Yu Yi Fang ⁽²⁾	The Company	Interest of controlled company Personal	237,306,235 Shares	360,000	246,754,235	24.68%
			<u>9,088,000 Shares</u>			
			246,394,235 Shares			
	Fu An International Company Limited	Interest of controlled company	60 shares of US\$1.00 each	—	—	15.79%
	Join Pride International Limited	Interest of controlled company	10 shares of US\$1.00 each	—	—	100%
Kingdom World Assets Limited	Settlor and beneficiary of YF Yu Family Trust	1 share of US\$1.00 each	—	—	100%	
Dong Yi Ping ⁽³⁾	The Company	Interest of controlled company Personal	237,306,235 Shares	360,000	246,704,235	24.67%
			<u>9,038,000 Shares</u>			
			246,344,235 Shares			
	Fu An International Company Limited	Interest of controlled company	38 shares of US\$1.00 each	—	—	10.00%
	Daminos Management Limited	Interest of controlled company	10 shares of US\$1.00 each	—	—	100%
Profit Zone Assets Limited	Settlor and beneficiary of YP Dong Family Trust	1 share of US\$1.00 each	—	—	100%	

Name	Company name of associated corporations	Nature of interest	Number of Shares	Number of underlying Shares ⁽⁴⁾	Aggregate interest	Approximate percentage of interest
Zhang Dong Fang	The Company	Personal	—	6,933,000	6,933,000	0.69%
Johann Christoph Michalski	The Company	Personal	—	290,000	290,000	0.03%
Ulf Olof Lennart Soderstrom	The Company	Personal	—	290,000	290,000	0.03%
Cao Zhen Lei	The Company	Personal	—	290,000	290,000	0.03%
Kam Robert	The Company	Personal	—	290,000	290,000	0.03%
Hui Chin Tong, Godfrey	The Company	Personal	100,000	290,000	390,000	0.03%
Tsui King Fai	The Company	Personal	—	290,000	290,000	0.03%

Notes:

1. The Shares are registered in the name of Fu An International Company Limited which is held as to 74.21% by Sentential Holdings Limited, 15.79% by Join Pride International Limited and 10.00% by Daminos Management Limited. The entire issued share capital of Sentential Holdings Limited is held by Eagle Power Assets Limited, whose entire issued share capital is held by HSBC International Trustee Limited in its capacity as trustee of CW Li Family Trust with LI Chao Wang as the settlor.
2. The Shares are registered in the name of Fu An International Company Limited which is held as to 74.21% by Sentential Holdings Limited, 15.79% by Join Pride International Limited and 10.00% by Daminos Management Limited. The entire issued share capital of Join Pride International Limited is held by Kingdom World Assets Limited, whose entire issued share capital is held by HSBC International Trustee Limited in its capacity as trustee of YF Yu Family Trust with YU Yi Fang as the settlor.
3. The Shares are registered in the name of Fu An International Company Limited which is held as to 74.21% by Sentential Holdings Limited, 15.79% by Join Pride International Limited and 10.00% by Daminos Management Limited. The entire issued share capital of Daminos Management Limited is held by Profit Zone Assets Limited, whose entire issued share capital is held by HSBC International Trustee Limited in its capacity as trustee of YP Dong Family Trust with DONG Yi Ping as the settlor.
4. Details of share options held by the directors are shown in the section of "Share Option Scheme".

Save as disclosed above, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

As at 30 June 2012, the interests and short positions of the substantial shareholders of the Company in the shares and underlying shares of the Company as recorded in the register of substantial shareholders required to be kept under section 336 of the SFO were as follows:

Long and short positions in shares and underlying shares

Name of shareholder	Nature of interest	Interest in Shares	Interest in underlying shares ⁽⁴⁾	Aggregate interest	Percentage of issued share capital
Long position					
Fu An International Company Limited	Beneficial owner	237,306,235	—	237,306,235	23.73%
Sentential Holdings Limited ⁽¹⁾	Interest of controlled company	237,306,235	—	237,306,235	23.73%
Eagle Power Assets Limited ⁽¹⁾	Interest of controlled company	237,306,235	—	237,306,235	23.73%
HSBC International Trustee Limited ⁽¹⁾	Trustee of CW Li Family Trust	237,306,235	—	237,306,235	23.73%
Li Chao Wang ⁽¹⁾	Settlor and beneficiary of CW Li Family Trust	237,306,235	} 999,000	239,241,235	23.93%
	Personal	936,000			
SCA Hygiene Holding AB	Beneficial owner	216,431,897	—	216,431,897	21.65%
SCA Group Holding BV ⁽²⁾	Interest of controlled company	216,431,897	—	216,431,897	21.65%
Svenska Cellulosa Aktiebolaget ⁽²⁾	Interest of controlled company	216,431,897	—	216,431,897	21.65%
Invesco Hong Kong Limited ⁽³⁾	Beneficial owner	64,649,000	—	64,649,000	6.47%
Morgan Stanley	Interest of controlled company	52,815,995	—	52,815,995	5.28%
UBS AG	Beneficial owner (1,008,388 shares)	50,802,388	—	50,802,388	5.08%
	Personal having a security interest in shares (1,354,000 shares)				
	Interest of controlled company (48,440,000 shares)				
Short position					
Morgan Stanley	Interest of controlled company	31,250,770	—	31,250,770	3.13%
UBS AG	Beneficial owner	1,079,000	—	1,079,000	0.11%

Notes:

- These Shares are registered in the name of Fu An International Company Limited which is held as to 74.21% by Sentential Holdings Limited, 15.79% by Join Pride International Limited and 10.00% by Daminos Management Limited. The entire issued share capital of Sentential Holdings Limited is held by Eagle Power Assets Limited, whose entire issued share capital is held by HSBC International Trustee Limited in its capacity as trustee of CW Li Family Trust with Li Chao Wang as the settler. Under the SFO, Sentential Holdings Limited, Eagle Power Assets Limited, HSBC International Trustee Limited and Li Chao Wang are all deemed to be interested in the Shares held by Fu An International Company Limited.
- These Shares are registered in the name of SCA Hygiene Holding AB, which is indirectly wholly-owned by Svenska Cellulosa Aktiebolaget, a company whose shares are traded on the Stockholm, London and New York (as ADRs) stock exchanges. Under the SFO, Svenska Cellulosa Aktiebolaget is deemed to be interested in the Shares held by SCA Hygiene Holding AB.
- Invesco Hong Kong Limited was interested in 64,649,000 shares of the Company as investment manager.
- Details of share options held by the directors are shown in the section of "Share Option Scheme".

Save as disclosed above, no other interests or short positions in the shares or underlying shares of the Company were recorded in the register required to be kept by the Company under section 336 of Part XV of the SFO.

Share Option Scheme

A long term incentive scheme (the "Scheme") was conditionally approved by a written resolution of the shareholders of the Company passed on 19 June 2007 and was adopted by a resolution of the Board on 19 June 2007. The terms of the Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules, where appropriate.

The purpose of the Scheme is to attract and retain the best available personnel, to provide additional incentive to employees, directors, shareholders of any member of the Group or any holder of any securities issued by any member of the Group, and to promote the success of the Group.

The Board may, at its discretion and on such terms as it may think fit, grant an employee, a director and any shareholder of any members of the Group or any holder of any securities issued by any member of the Group an award ("Award"), either by way of option ("Option") to subscribe for Shares, an award of Shares or a grant of a conditional right to acquire Shares as it may determine in accordance with the terms of the Scheme.

The Scheme shall be valid and effective for a period of 10 years commencing from 10 July 2007, after which period no further Awards may be offered or granted. The Board shall, subject to the rules of the Scheme and the Listing Rules, have the right to determine, among others, the exercise price of an Option, the minimum period for which the Award must be held before its vesting, performance, operating and financial targets and other criteria to be satisfied before the vesting of an Award and other terms and conditions of an Award, provided that, in respect of an Award of Option, the exercise price of an Option shall be a price determined by the Board at its absolute discretion but shall not be less than the highest of (i) the closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of offer; (ii) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of the offer; or (iii) the nominal value of the Shares on the date of Offer.

Subject to the Listing Rules, the overall limit on the number of Shares subject to Awards from time to time under the Scheme and any other schemes must not, in aggregate, exceed 30% of the Shares in issue from time to time. The total number of Shares issued and to be issued upon exercise of Options or vesting of Awards granted and to be granted to each participant or grantee (including exercised, cancelled and outstanding Options, and vested and outstanding Awards) in any 12-month period shall not exceed 1% of the Shares in issue at the offer date. Any further grant of Awards in excess of the above limit must be subject to shareholders' approval by ordinary resolution in general meeting. Where any offer proposed to be made to a substantial shareholder or an independent non-executive director of the Company or any of his associates would result in such person in any 12-month period up to and including the date of offer: (i) representing in aggregate over 0.1% of the Shares in issue at the date of offer; and (ii) having an aggregate value, based on the closing price of the Shares at the date of offer, in excess of HK\$5 million, then such offer and any acceptance thereof must be subject to approval of the shareholders in general meeting taken on a poll.

Options exercised during the period to 30 June 2012 resulted in 19,686,000 shares being issued with exercise proceeds of HK\$64,961,428.

Details of movements of the options granted under the Share Option Scheme for the six months ended 30 June 2012 are as follows:

	Date of Grant	Exercise price per Share HK\$	Number of Shares issuable under the options					as at 30/06/2012	Exercise period
			as at 01/01/2012	granted during the period	exercised during the period	forfeited during the period	cancelled during the period		
Directors									
Li Chao Wang	15/04/2011	8.648	936,000	—	(936,000)	—	—	—	15/04/2011 to 14/04/2021
	02/05/2012	14.060	—	999,000	—	—	—	999,000	(Note 3)
Yu Yi Fang	24/02/2009	2.980	9,038,000	—	(9,038,000)	—	—	—	24/02/2009 to 23/02/2019
	02/05/2012	14.060	—	360,000	—	—	—	360,000	(Note 3)
Zhang Dong Fang	15/04/2010	5.420	3,000,000	—	—	—	—	3,000,000	(Note 1)
	15/04/2011	8.648	936,000	—	—	—	—	936,000	15/04/2011 to 14/04/2021
	02/05/2012	14.060	—	2,997,000	—	—	—	2,997,000	(Note 3)
Dong Yi Ping	24/02/2009	2.980	9,038,000	—	(9,038,000)	—	—	—	24/02/2009 to 23/02/2019
	02/05/2012	14.060	—	360,000	—	—	—	360,000	(Note 3)
Johann Christoph Michalski	15/04/2011	8.648	80,000	—	—	—	—	80,000	15/04/2011 to 14/04/2021
	02/05/2012	14.060	—	210,000	—	—	—	210,000	(Note 3)
Ulf Olof Lennart Soderstrom	15/04/2011	8.648	80,000	—	—	—	—	80,000	15/04/2011 to 14/04/2021
	02/05/2012	14.060	—	210,000	—	—	—	210,000	(Note 3)
Cao Zhen Lei	15/04/2011	8.648	80,000	—	—	—	—	80,000	15/04/2011 to 14/04/2021
	02/05/2012	14.060	—	210,000	—	—	—	210,000	(Note 3)
Kam Robert	15/04/2011	8.648	80,000	—	—	—	—	80,000	15/04/2011 to 14/04/2021
	02/05/2012	14.060	—	210,000	—	—	—	210,000	(Note 3)
Hui Chin Tong, Godfrey	15/04/2011	8.648	80,000	—	—	—	—	80,000	15/04/2011 to 14/04/2021
	02/05/2012	14.060	—	210,000	—	—	—	210,000	(Note 3)
Tsui King Fai	15/04/2011	8.648	80,000	—	—	—	—	80,000	15/04/2011 to 14/04/2021
	02/05/2012	14.060	—	210,000	—	—	—	210,000	(Note 3)
Employees of the Group									
In aggregate	24/02/2009	2.980	3,574,000	—	(499,000)	—	—	3,075,000	(Note 2)
	15/04/2011	8.648	2,425,000	—	(175,000)	—	—	2,250,000	15/04/2011 to 14/04/2021
	02/05/2012	14.060	—	10,795,000	—	—	—	10,795,000	(Note 3)
			29,427,000	16,771,000	(19,686,000)	—	—	26,512,000	

Note 1. (i) Options representing 1,000,000 shares are exercisable from 15 April 2010 to 14 April 2020.

(ii) Options representing 1,000,000 shares are exercisable from 15 April 2011 to 14 April 2020.

(iii) Options representing 1,000,000 shares are exercisable from 15 April 2012 to 14 April 2020.

Note 2. (i) 20% of the option are exercisable on the expiry of 1 year of the date of grant, i.e. on/after 24 February 2010.

(ii) 30% of the option are exercisable on the expiry of 2 years of the date of grant, i.e. on/after 24 February 2011.

(iii) 50% of the option are exercisable on the expiry of 3 years of the date of grant, i.e. on/after 24 February 2012.

and in each case, no later than 23 February 2019.

Note 3. (i) up to 32% on or after 2 May 2012.

(ii) up to 66% on or after 2 May 2013.

(iii) all the remaining options on or after 2 May 2014.

and in each case, not later than 1 May 2022.

Vesting condition for (ii) — on condition that the Board of Directors has confirmed that the Company has met the 2012 (or combined 2012 and 2013) income and profit performance benchmarks as set by the Board and that the performance appraisal of the grantee has satisfied the requirements of the management of the Company.

Vesting condition for (iii) — on condition that the Board of Directors has confirmed that the Company has met the 2013 income and profit performance benchmarks as set by the Board and that the performance appraisal of the grantee has satisfied the requirements of the management 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 six months ended 30 June 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 six months ended 30 June 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 interim report for the six months ended 30 June 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.

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

During the six months ended 30 June 2012, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.



羅兵咸永道

**REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION
TO THE BOARD OF DIRECTORS OF
VINDA INTERNATIONAL HOLDINGS LIMITED**
(incorporated in Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 20 to 44, which comprises the interim condensed consolidated balance sheet of Vinda International Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2012 and the related interim condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 29 August 2012

PricewaterhouseCoopers, 22/F Prince’s Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

20 Interim Condensed Consolidated Balance Sheet

As at 30 June 2012

	Note	30 June 2012 Unaudited HK\$	31 December 2011 Audited HK\$
ASSETS			
Non-current assets			
Property, plant and equipment	7	3,205,196,607	3,022,040,685
Investment properties	7	30,218,795	—
Leasehold land and land use rights	7	186,714,324	184,797,092
Intangible assets	7	9,889,080	10,445,847
Deferred income tax assets		139,630,378	115,700,768
Investment in an associate	8	56,597,670	59,800,509
Total non-current assets		3,628,246,854	3,392,784,901
Current assets			
Inventories		1,346,261,921	1,372,221,620
Trade receivables, other receivables and prepayments	9	902,738,123	939,353,259
Prepayments to and receivables from related parties	22	60,871,319	43,273,883
Property held for sale	10	15,914,409	—
Restricted bank deposits		934,784	1,292,449
Cash and cash equivalents		1,335,846,329	714,611,721
Total current assets		3,662,566,885	3,070,752,932
Total assets		7,290,813,739	6,463,537,833
EQUITY			
Share capital	11	99,986,969	93,818,369
Share premium	11	1,675,209,700	1,119,423,427
Other reserves			
— Proposed dividend		42,994,396	81,621,981
— Others		2,036,196,832	1,843,730,722
Total equity		3,854,387,897	3,138,594,499

	Note	30 June 2012 Unaudited HK\$	31 December 2011 Audited HK\$
LIABILITIES			
Non-current liabilities			
Borrowings	13	994,225,873	1,151,334,272
Deferred government grants		91,709,053	74,289,746
Derivative financial instruments	14	21,782,276	17,424,745
Deferred income tax liabilities		3,080,953	1,662,617
Total non-current liabilities		1,110,798,155	1,244,711,380
Current liabilities			
Trade payables, other payables and accrued expenses	15	1,080,113,329	1,209,944,172
Due to a related party	22	267,165	1,779,362
Borrowings	13	1,171,746,491	801,144,261
Current income tax liabilities		73,500,702	67,364,159
Total current liabilities		2,325,627,687	2,080,231,954
Total liabilities		3,436,425,842	3,324,943,334
Total equity and liabilities		7,290,813,739	6,463,537,833
Net current assets		1,336,939,198	990,520,978
Total assets less current liabilities		4,965,186,052	4,383,305,879

The notes on pages 25 to 44 form an integral part of this condensed consolidated interim financial information.

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2012

	Note	Unaudited	
		Six months ended 30 June	
		2012 HK\$	2011 HK\$
Revenue	6	2,887,493,324	2,194,621,752
Cost of sales		(1,984,449,497)	(1,587,283,250)
Gross profit		903,043,827	607,338,502
Selling and marketing costs		(358,625,693)	(254,251,642)
Administrative expenses		(163,374,933)	(115,266,825)
Other income and gains — net		422,262	10,152,447
Operating profit	16	381,465,463	247,972,482
Interest expense		(26,802,383)	(17,075,118)
Net foreign exchange transaction (loss)/gain		(4,505,803)	19,974,794
Interest income		3,759,257	2,075,679
Finance (costs)/income, net		(27,548,929)	4,975,355
Share of post-tax loss of an associate	8	(3,136,224)	(825,716)
Profit before income tax		350,780,310	252,122,121
Income tax expense	17	(92,735,281)	(61,055,685)
Profit attributable to equity holders of the Company		258,045,029	191,066,436
Other comprehensive income:			
Currency translation differences		(20,536,247)	62,777,166
Hedging reserve		(4,607,295)	—
Total comprehensive income attributable to equity holders of the Company		232,901,487	253,843,602
Earnings per share for profit attributable to the equity holders of the Company			
— basic	18	0.267	0.204
— diluted	18	0.264	0.201

The notes on pages 25 to 44 form an integral part of this condensed consolidated interim financial information.

		Unaudited	
		Six months ended 30 June	
		2012 HK\$	2011 HK\$
Dividends	19	42,994,396	30,935,906

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2012

23

	Note	Unaudited			Total HK\$
		Attributable to equity holders of the Company Share capital HK\$	Share premium HK\$	Other reserves HK\$	
Balance as at 1 January 2011		93,673,169	1,113,265,875	1,481,216,626	2,688,155,670
Profit for the period		—	—	191,066,436	191,066,436
Other comprehensive income					
— Currency translation differences		—	—	62,777,166	62,777,166
Total comprehensive income for the six months ended 30 June 2011		—	—	253,843,602	253,843,602
Transaction with owners					
Employees share option scheme					
— Value of employee services		—	—	17,165,042	17,165,042
— Exercise of options	12	72,000	2,822,720	(749,120)	2,145,600
Dividends		—	—	(81,553,425)	(81,553,425)
Transaction with owners		72,000	2,822,720	(65,137,503)	(62,242,783)
Balance as at 30 June 2011		93,745,169	1,116,088,595	1,669,922,725	2,879,756,489
Balance as at 1 January 2012		93,818,369	1,119,423,427	1,925,352,703	3,138,594,499
Profit for the period		—	—	258,045,029	258,045,029
Other comprehensive income					
— Currency translation differences		—	—	(20,536,247)	(20,536,247)
— Hedging reserve		—	—	(4,607,295)	(4,607,295)
Total comprehensive income for the six months ended 30 June 2012		—	—	232,901,487	232,901,487
Transaction with owners					
Employees share option scheme					
— Value of employee services		—	—	32,006,667	32,006,667
— Exercise of options	12	1,968,600	87,073,794	(24,080,966)	64,961,428
Allotment of shares	11	4,200,000	468,712,479	—	472,912,479
Dividends	19	—	—	(86,988,663)	(86,988,663)
Transaction with owners		6,168,600	555,786,273	(79,062,962)	482,891,911
Balance as at 30 June 2012		99,986,969	1,675,209,700	2,079,191,228	3,854,387,897

The notes on pages 25 to 44 form an integral part of this condensed consolidated interim financial information.

For the six months ended 30 June 2012

	Note	Unaudited	
		Six months ended 30 June 2012 HK\$	2011 HK\$
Cash flows from operating activities:			
— continuing operations		303,239,144	260,182,517
Cash flows from investing activities:			
— purchases of property, plant and equipment		(331,171,051)	(345,665,717)
— purchases of intangible assets		(1,250,437)	(1,882,324)
— purchases of leasehold land and land use rights		(20,921,268)	—
— proceeds on disposal of property, plant and equipment		2,833,442	729,773
— investment in an unlisted associate		—	(61,500,000)
— other investing cash flows — net		3,759,257	2,075,679
Cash flows used in investing activities		(346,750,057)	(406,242,589)
Cash flows from financing activities:			
— dividends paid	19	(86,988,663)	(81,553,425)
— repayments of borrowings	13	(410,029,982)	(544,124,524)
— proceeds from borrowings	13	627,015,618	907,968,832
— proceeds from shares issued	11	537,873,907	2,145,600
Cash flows generated from financing activities		667,870,880	284,436,483
Net increase in cash and cash equivalents		624,359,967	138,376,411
Cash and cash equivalents at beginning of the period		714,611,721	389,551,782
Exchange differences		(3,125,359)	2,033,355
Cash and cash equivalents at end of the period		1,335,846,329	529,961,548

The notes on pages 25 to 44 form an integral part of this condensed consolidated interim financial information.

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 and financing services to its subsidiaries. The Company and its subsidiaries are collectively referred to as the “Group”. The principal activities of the Group are the manufacture and sale of household consumable paper.

The Company’s shares have been listed on The Stock Exchange of Hong Kong Limited 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.

This condensed consolidated interim financial information is presented in HK dollars, unless otherwise stated. This condensed consolidated interim financial information was approved for issue on 29 August 2012.

This condensed consolidated interim financial information has not been audited.

2 Basis of preparation

These condensed consolidated interim financial information for the six months ended 30 June 2012 have been prepared in accordance with HKAS 34 “Interim financial reporting”. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2011, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

3 Accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2011, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

(a) New and 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 “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.

3 Accounting policies *(continued)*

(b) Standards, amendments and interpretations to existing standards effective in 2012 but not relevant to the Group

HKFRS 1 (Amendment)	Severe hyperinflation and removal of fixed dates for first-time adopters
HKFRS 12 (Amendment)	Deferred tax: Recovery of underlying assets

(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 2012 and have not been early adopted

		Effective for annual periods beginning on or after
HKAS 1 (Amendment)	Presentation of financial statements	1 July 2012
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 — Offsetting financial assets and financial liabilities	1 January 2013
HKFRIC 20	Stripping costs in the production phase of a surface mine	1 January 2013
HKAS 32 (Amendment)	Financial instruments: Presentation — Offsetting financial assets and financial liabilities	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

4 Estimates

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2011.

5 Financial risk management

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The condensed consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2011.

There have been no changes in the risk management department since year end or in any risk management policies.

5.2 Liquidity risk

Compared to year end, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

As at 30 June 2012, the contractual maturities of the Group's non-derivative financial liabilities were as follows:

	On demand HK\$	Less than 1 year HK\$	Between 1 and 2 years HK\$	Between 2 and 5 years HK\$	Total Amount HK\$
As at 30 June 2012					
Term loans subject to a repayment on demand clause	323,500,000	—	—	—	323,500,000
Other bank loans	—	850,146,231	807,591,451	192,556,097	1,850,293,779
Interests payable on borrowings	7,972,396	46,010,732	27,307,339	4,665,284	85,955,751
Trade payables	—	574,398,787	—	—	574,398,787
Other payables	—	205,422,520	—	—	205,422,520
As at 31 December 2011					
Term loans subject to a repayment on demand clause	155,250,000	—	—	—	155,250,000
Other bank loans	—	646,374,532	444,873,135	715,770,208	1,807,017,875
Interests payable on borrowings	3,252,227	48,781,313	25,199,605	15,061,230	92,294,375
Trade payables	—	702,658,382	—	—	702,658,382
Other payables	—	209,612,929	—	—	209,612,929

5 Financial risk management (continued)

5.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities that are measured at fair value at 30 June 2012.

	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$	Total HK\$
Liabilities				
Derivative financial instruments	—	—	21,782,276	21,782,276

6 Segment information

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

	Unaudited	
	Six months ended 30 June 2012 HK\$	2011 HK\$
Sales of goods	2,831,958,459	2,116,354,861
Sales of semi-finished goods and other materials	51,816,336	76,708,125
Processing trade	3,039,566	1,558,766
Sales commission	678,963	—
Total revenue	2,887,493,324	2,194,621,752

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.

6 Segment information (continued)

Based on these reports, the executive committee has determined that no business segment information is presented as over 90% of the Group's sales and operating profits are derived from the sales of paper products, which is considered one business segment with similar risks and returns.

The executive committee has determined that no geographical segment information is presented as over 90% of the Group's sales are derived within the People's Republic of China ("PRC") and over 90% operating assets of the Group are located in the PRC, which is considered one geographic location with similar risks and returns.

The Company is domiciled in Hong Kong. The result of its revenue from external customers in Mainland China, Hong Kong and overseas for the six months ended 30 June 2012 is HK\$2,640,414,634 (for the six months ended 30 June 2011: HK\$1,964,513,405), HK\$237,090,446 (for the six months ended 30 June 2011: HK\$212,994,838), HK\$9,988,244 (for the six months ended 30 June 2011: HK\$17,113,509).

The total non-current assets are analysed as follows:

	As at	
	30 June	31 December
	2012	2011
	Unaudited	Audited
	HK\$	HK\$
Total non-current assets other than deferred tax assets and investment in an associate		
— Mainland China	3,312,329,153	3,148,109,528
— Hong Kong and overseas	119,689,653	69,174,096
Deferred tax assets	139,630,378	115,700,768
Investment in an associate	56,597,670	59,800,509
Total non-current assets	3,628,246,854	3,392,784,901

7 Capital expenditure

	Property, plant and equipment	Unaudited		
	HK\$	Investment properties	Leasehold land and land use rights	Intangible assets
	HK\$	HK\$	HK\$	HK\$
Six months ended 30 June 2011				
Opening net book amount as at				
1 January 2011	2,272,640,034	—	160,496,665	11,085,320
Additions	373,254,254	—	—	1,882,324
Disposals	(1,858,008)	—	—	—
Depreciation and amortisation (Note 16)	(71,365,918)	—	(2,378,987)	(1,476,697)
Exchange differences	55,365,772	—	3,839,114	260,815
Closing net book amount as at 30 June 2011	2,628,036,134	—	161,956,792	11,751,762
Six months ended 30 June 2012				
Opening net book amount as at				
1 January 2012	3,022,040,685	—	184,797,092	10,445,847
Additions	330,944,949	—	20,921,268	1,250,437
Reclassification (Note 10)	(30,522,319)	30,522,319	(15,914,409)	—
Disposals	(4,213,395)	—	—	—
Depreciation and amortisation (Note 16)	(95,351,317)	(206,834)	(2,014,247)	(1,751,006)
Exchange differences	(17,701,996)	(96,690)	(1,075,380)	(56,198)
Closing net book amount as at 30 June 2012	3,205,196,607	30,218,795	186,714,324	9,889,080

During the period, the Group has capitalized borrowing costs amounting to HK\$4,548,232 (2011: nil) on qualifying assets. Borrowing costs were capitalized at the weighted average rate of its general borrowings of 3.43%.

On 1 March 2012, the Group entered into a contract with V-Care (China) Limited (a subsidiary of V-Care Holdings Limited, the Group's associate) for the lease of plant. The lease term is 3 years starting from 1 March 2012 to 28 February 2015 with a monthly rental of RMB138,000. Accordingly, the Group transferred the leased plant from property, plant and equipment to investment property and has accounted for that investment property using cost method.

8 Investment in an associate

	Unaudited Six months ended 30 June 2012 HK\$
Beginning of the period	59,800,509
Share of post-tax results of an associate	(3,136,224)
Exchange differences	(66,615)
	56,597,670

The information of the unlisted associated company as at 30 June 2012 is as follows:

Name	Place of incorporation	Percentage of equity interest attributable to the Group	Assets HK\$	Liabilities HK\$	Revenues HK\$	Net loss HK\$
V-Care Holdings Limited ("V-Care")	British Virgin Islands	41%	151,537,655	13,494,557	13,304,473	(7,649,328)

9 Trade receivables, other receivables and prepayments

	As at 30 June 2012 Unaudited HK\$	31 December 2011 Audited HK\$
Trade receivables	746,812,861	723,534,882
Other receivables	131,087,626	181,939,392
Notes receivable	3,568,522	902,002
Prepayments	21,269,114	32,976,983
	902,738,123	939,353,259

9 Trade receivables, other receivables and prepayments (continued)

The majority of the Group's sales is with credit terms ranging from 30 to 90 days. As at 30 June 2012 and 31 December 2011, the ageing analysis of the trade and notes receivables based on invoice date were as follows:

	As at	
	30 June 2012 Unaudited HK\$	31 December 2011 Audited HK\$
Within 3 months	705,104,330	686,762,019
4 months to 6 months	40,441,183	37,079,956
7 months to 12 months	3,825,278	6,215,517
Over 1 year	1,010,592	4,311,821
	750,381,383	734,369,313

10 Property held for sale

	As at	
	30 June 2012 Unaudited HK\$	31 December 2011 Audited HK\$
Property held for sale	15,914,409	—

On 29 August 2011, Vinda Paper (Guangdong) Company Limited, a subsidiary of the Group, entered into an agreement with Jiangmen Bureau of Land Resources and Finance Bureau of Xinhui District. According to the agreement, Jiangmen Bureau of Land Resources will purchase back the land located in Jiangmen, Guangdong Province, at a consideration of HK\$34,960,746 by the end of 2012. The original cost of the land is HK\$18,222,605 and accumulated amortisation HK\$2,308,196, as of 30 June 2012.

11 Share capital and share premium

	Number of authorised shares	Number of issued and fully paid shares	Ordinary shares HK\$	Unaudited Amount Share premium HK\$	Total HK\$
Opening balance as 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 (Note 12) — Exercise of options	—	720,000	72,000	2,822,720	2,894,720
As at 30 June 2011	80,000,000,000	937,451,686	93,745,169	1,116,088,595	1,209,833,764
Opening balance as at 1 January 2012	80,000,000,000	938,183,686	93,818,369	1,119,423,427	1,213,241,796
Allotment of shares	—	42,000,000	4,200,000	468,712,479	472,912,479
Employee share option scheme (Note 12) — Exercise of options	—	19,686,000	1,968,600	87,073,794	89,042,394
As at 30 June 2012	80,000,000,000	999,869,686	99,986,969	1,675,209,700	1,775,196,669

On 12 April 2012, the Company, Fu An International Company Limited (a substantial shareholder of 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 12 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.

As at 30 June 2012 and 2011, the par value of authorised and issued ordinary shares is HK\$0.1 per share.

12 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.

12 Share-based payment *(continued)*

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. Within one month of its grant, all the directors and employees accepted the share options. 5,313,000 options were immediately exercisable. The vesting conditions are that the Company has met certain income and profit performance benchmarks as set by the Board of the Directors and the appraisal of the grantee has satisfied the requirements of the management of the Company. 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 32% on or after 2 May 2012;
- (b) up to 66% on or after 2 May 2013;
- (c) all the remaining options on or after 2 May 2014;

and in each case, not later than 1 May 2022.

12 Share-based payment (continued)

Movements in the number of share options outstanding and their related weighted average exercise prices for the six months period ended 30 June 2012 and 2011 were as follows:

	For the six months period ended 30 June 2012		2011	
	Average exercise price in HK\$	Number of options	Average exercise price in HK\$	Number of options
At 1 January	4.15	29,427,000	3.26	26,042,000
Granted	14.06	16,771,000	8.648	4,837,000
Exercised (a)	3.30	(19,686,000)	2.98	(720,000)
At 30 June	11.05	26,512,000	4.13	30,159,000

(a) Options exercised during the six months ended 30 June 2012 resulted in 19,686,000 shares being issued with net proceeds of HK\$64,961,428.

Options exercised during the six months ended 30 June 2011 resulted in 720,000 shares being issued with net proceeds of HK\$2,145,600.

Share options outstanding at 30 June 2012 have the following expiry dates and exercise prices:

Expiry date	Exercise price HK\$ per share	Number of options
23 February 2019	2.98	3,075,000
14 April 2020	5.42	3,000,000
14 April 2021	8.648	3,666,000
1 May 2022	14.06	16,771,000

The weighted average fair value of options granted in 2009 determined by using the Binomial Model was HK\$1.076 per option. The significant inputs into the model were share prices at the grant date, the exercise price shown above, volatility of 40%, dividend yield of 2.0%, and annual risk-free interest rate of 1.56%. The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices of the Company over the last two years and other comparable companies over the last five years.

The weighted average fair value of options granted in 2010 determined by using the Binomial Model was HK\$2.147 per option. The significant inputs into the model were share prices at the grant date, the exercise price shown above, volatility of 40%, dividend yield of 2.0%, and annual risk-free interest rate of 2.62%. The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices of the Company over the last two years and other comparable companies over the last five years.

12 Share-based payment (continued)

The weighted average fair value of options granted in 2011 determined by using the Binomial Model was HK\$3.212 per option. The significant inputs into the model were share prices at the grant date, the exercise price shown above, volatility of 40%, dividend yield of 2.0%, and annual risk-free interest rate of 2.42%. The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices of the Company over the last two years and other comparable companies over the last five years.

The weighted average fair value of options granted in 2012 determined by using the Binomial Model was HK\$5.148 per option. The significant inputs into the model were share prices at the grant date, the exercise price shown above, volatility of 40%, dividend yield of 2.0%, and annual risk-free interest rate of 4.1%. The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices of the Company over the last two years and other comparable companies over the last five years.

13 Borrowings

	As at	
	30 June	31 December
	2012	2011
	Unaudited	Audited
	HK\$	HK\$
Non-current	994,225,873	1,151,334,272
Current	1,171,746,491	801,144,261
	2,165,972,364	1,952,478,533

Movements in borrowings are analysed as follows:

	Unaudited
	HK\$
Six months ended 30 June 2011	
Opening amount as at 1 January 2011	1,087,677,371
New borrowings	907,968,832
Repayments of borrowings	(544,124,524)
Exchange differences	6,093,174
Closing amount as at 30 June 2011	1,457,614,853
Six months ended 30 June 2012	
Opening amount as at 1 January 2012	1,952,478,533
New borrowings	627,015,618
Repayments of borrowings	(410,029,982)
Exchange differences	(3,491,805)
Closing amount as at 30 June 2012	2,165,972,364

13 Borrowings (continued)

Interest expenses on borrowings for the six months ended 30 June 2012 were HK\$30,696,044 (six months ended 30 June 2011: HK\$17,075,118) including HK\$3,893,661 capitalised in the construction progress (six months ended 30 June 2011: nil).

14 Derivative financial instruments

	As at	
	30 June 2012 Unaudited HK\$	31 December 2011 Audited HK\$
Cross currency swap (Note (a))	13,615,028	13,762,577
Interest rate swap (Note (b)) — cash flow hedge	8,167,248	3,662,168
	21,782,276	17,424,745

The 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 or, 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 AUD floating interest and principal amounts while the Group would be obligated to pay HK\$ floating interest and principal. The aggregate principal receivable amounts to AUD17,441,455 while the aggregate principal repayable by the Group amounts to HK\$150,000,000. The swap also entitles the Group to receive AUD 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 AUD17,441,455 and HK\$150,000,000, both declining over the term of three years. The schedule of principal and interest exchanges are synchronized with the AUD 3-year term loan included under bank borrowing described under Note 13 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 as at 31 December 2011 was HK\$1,017,000,000. As at 30 June 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.

15 Trade payables, other payables and accrued expenses

	As at	
	30 June	31 December
	2012	2011
	Unaudited	Audited
	HK\$	HK\$
Trade payables	574,398,787	702,658,382
Notes payables	23,016,282	18,048,167
Other payables	267,411,139	314,627,585
Accrued expenses	215,287,121	174,610,038
	1,080,113,329	1,209,944,172

Ageing analysis of trade payables and notes payables as at 30 June 2012 and 31 December 2011 were as follows:

	As at	
	30 June	31 December
	2012	2011
	Unaudited	Audited
	HK\$	HK\$
Within 3 months	564,574,509	702,436,164
4 months to 6 months	23,678,965	11,652,403
7 months to 12 months	3,477,094	3,059,233
1 year to 2 years	2,535,889	2,988,304
2 years to 3 years	3,148,612	570,445
	597,415,069	720,706,549

16 Operating profit

The following items have been (credited)/charged to the operating profit during the six months ended 30 June 2012 and 2011:

	Unaudited	
	Six months ended 30 June	
	2012	2011
	HK\$	HK\$
Amortisation of deferred government grants	(1,323,175)	(2,518,594)
Foreign exchange loss/(gain), net	4,044,988	(2,828,294)
(Write-back)/provision for impairment of receivables	(585,866)	6,765,073
Write-back for impairment of inventories	—	(195,368)
Amortisation of share option	32,006,667	17,165,042
Depreciation of property, plant and equipment	95,351,317	71,365,918
Depreciation of investment properties	206,834	—
Amortisation of intangible assets	1,751,006	1,476,697
Amortisation of leasehold land and land use rights	2,014,247	2,378,987
Loss on disposal of property, plant and equipment	1,379,953	1,128,235

17 Income taxes

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 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 regions in which the Group operates.

	Unaudited	
	Six months ended 30 June	
	2012	2011
	HK\$	HK\$
Current income tax		
— Hong Kong profits tax	9,925,677	6,413,740
— PRC enterprise income tax	106,019,903	56,704,473
Deferred income tax	(23,210,299)	(2,062,528)
	92,735,281	61,055,685

Income tax expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the six months ended 30 June 2012 is 26.4% (the estimated tax rate for the six months ended 30 June 2011 was 24.2%).

18 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 period.

	Unaudited	
	Six months ended 30 June	
	2012	2011
Profit attributable to equity holders of the Company (HK\$)	258,045,029	191,066,436
Weighted average number of ordinary shares in issue	966,438,818	936,930,935
Basic earnings per share (HK\$ per share)	0.267	0.204

18 Earnings per share (continued)

(b) Diluted

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

	Unaudited	
	Six months ended 30 June	
	2012	2011
Profit attributable to equity holders of the Company (HK\$)	258,045,029	191,066,436
Weighted average number of ordinary shares in issue	966,438,818	936,930,935
Adjustments for share options	11,917,995	15,946,777
Weighted average number of ordinary shares for diluted earnings per share	978,356,813	952,877,712
Diluted earnings per share (HK\$ per share)	0.264	0.201

19 Dividends

On 27 March 2012, the Board of Directors proposed a final dividend in respect of the year ended 31 December 2011 of HK\$86,988,663, representing HK\$0.087 per ordinary share. The dividend was paid in June 2012.

In addition, an interim dividend of HK\$0.043 per share (2011: HK\$0.033 per share) was declared by the Board of Directors on 29 August 2012. This interim dividend, amounting to HK\$42,994,396 (2011: HK\$30,935,906), has not been recognised as a liability in this interim financial information. It will be recognised in shareholders' equity in the year ending 31 December 2012.

20 Commitments

(a) Capital Commitments

	As at	
	30 June 2012 Unaudited HK\$	31 December 2011 Audited HK\$
Property, plant and equipment and intangible assets	1,084,498,218	488,722,501
Investment in an associate	61,500,000	61,500,000
	1,145,998,218	550,222,501

20 Commitments (continued)

(b) Commitments under operating leases

As at 30 June 2012, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	As at	
	30 June 2012 Unaudited HK\$	31 December 2011 Audited HK\$
Not later than one year	41,969,468	1,669,909
Later than one year but not later than two years	56,752,420	364,201
Later than two years but not later than five years	168,960,228	107,314,666
Later than five years	477,551,521	357,715,554
	745,233,637	467,064,330

21 Contingent liabilities

As at 30 June 2012 and 31 December 2011, the Group had no material contingent liabilities.

22 Related-party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control.

(a) Information on related parties and their relationships with the Group are as follows:

Name of related party	Relationship
SCA Hygiene Holding AB ("SCA Hygiene")	A substantial shareholder
SCA Hygiene Australasia Pty Limited ("SCA HA")	A subsidiary of Svenska Cellulosa Aktiebolaget (the ultimate holding company of SCA Hygiene)
SCA Tissue Hong Kong Limited ("SCA (Hong Kong)")	A subsidiary of Svenska Cellulosa Aktiebolaget (the ultimate holding company of SCA Hygiene)
SCA Trading (Shanghai) Co. Ltd. ("SCA (Shanghai)")	A subsidiary of Svenska Cellulosa Aktiebolaget (the ultimate holding company of SCA Hygiene)
Fu An International Company Limited ("Fu An")	A substantial shareholder of the Company
V-Care (China) Limited ("V-Care (China)")	A subsidiary of V-Care
Jiangmen Taiyuan Paper Limited ("Taiyuan Paper")	A subsidiary of Fu An

22 Related-party transactions (continued)

(b) Significant related party transactions

In the opinion of the Company's directors, the related party transactions were conducted in the ordinary course of business. Other than the related party transactions disclosed elsewhere in the condensed consolidated interim financial information, significant related party transactions of the Group during the six months ended 30 June 2012 also include:

	Unaudited	
	Six months ended 30 June	
	2012	2011
	HK\$	HK\$
(1) Sales of products to related parties:		
— SCA HA	4,520,621	24,285,198
— SCA (Shanghai)	1,406,151	1,251,953
— V-Care (China)	1,196,808	843,053
	7,123,580	26,380,204

	Unaudited	
	Six months ended 30 June	
	2012	2011
	HK\$	HK\$
(2) Processing trade to a related party:		
— SCA (Hong Kong)	3,039,566	1,558,766

	Unaudited	
	Six months ended 30 June	
	2012	2011
	HK\$	HK\$
(3) Purchase of products from a related party:		
— V-Care (China)	1,620,175	—

	Unaudited	
	Six months ended 30 June	
	2012	2011
	HK\$	HK\$
(4) Sales commission from a related party:		
— V-Care (China)	678,963	—

22 Related-party transactions (continued)

(b) Significant related party transactions (continued)

	Unaudited	
	Six months ended 30 June	
	2012	2011
	HK\$	HK\$
(5) Rental from a related party: — V-Care (China)	679,301	—

	Unaudited	
	Six months ended 30 June	
	2012	2011
	HK\$	HK\$
(1) Key management compensation:		
Directors		
— Basic salaries, housing allowances, other allowances, benefits-in-kind, pensions and other benefits	4,890,534	4,731,867
— Share-based payments	15,642,667	9,080,042
Senior management		
— Basic salaries, housing allowances, other allowances, benefits-in-kind, pensions and other benefits	4,006,689	2,928,055
— Share-based payments	5,348,278	1,813,891
	29,888,168	18,553,855

(c) Period-end/year-end balances with related parties

	As at	
	30 June	31 December
	2012	2011
	Unaudited	Audited
	HK\$	HK\$
(1) Prepayments to and receivables from related parties		
— Taiyuan Paper (a)	56,182,532	35,771,555
— SCA HA	2,491,697	3,465,914
— SCA (Hong Kong)	931,436	816,989
— SCA (Shanghai)	177,409	360,195
— V-Care (China)	1,088,245	2,859,230
	60,871,319	43,273,883

22 Related-party transactions (continued)

(c) Period-end/year-end balances with related parties (continued)

- (a) On 22 November 2011, Vinda Paper (China) Limited ("Vinda China"), the former name Vinda (Xinhui) Company Limited, a wholly owned subsidiary of the Company incorporated in the PRC, entered into a lease agreement ("Lease Agreement I") with Taiyuan Paper, whereby Taiyuan Paper had agreed to lease to Vinda China a piece of land located in Xinhui District, Guangdong Province, the PRC, together with a factory and the relevant ancillary infrastructures. The initial lease term is 15 years with an initial fixed annual rental of RMB29,000,000. According to the Lease Agreement I, the Group paid RMB29,000,000 to Taiyuan Paper as prepaid rental. Taiyuan Paper would complete construction of the factory and the ancillary infrastructures and facilities for the use of Vinda China on or before 30 September 2012.

On 27 March 2012, Vinda China, entered into a lease agreement ("Lease Agreement II") with Taiyuan Paper, whereby Taiyuan Paper had agreed to lease to Vinda China an adjacent piece of land located in Xinhui District, Guangdong, the PRC, together with a factory and the relevant ancillary infrastructures. The Lease Agreement II will end on the date on which Lease Agreement I expires with an initial fixed annual rental of RMB16,800,000. According to the Lease Agreement II, the Group paid RMB16,800,000 as prepaid rental respectively before 30 June 2012.

Ageing analyses of prepayments to and receivables from related parties of the Group based on invoice date as at 30 June 2012 and 31 December 2011 are as below:

	As at	
	30 June 2012 Unaudited HK\$	31 December 2011 Audited HK\$
Within 3 months	24,239,610	42,527,338
4 months to 6 months	36,279,170	501,245
7 months to 12 months	352,539	245,300
	60,871,319	43,273,883

	As at	
	30 June 2012 Unaudited HK\$	31 December 2011 Audited HK\$
(2) Other payables to a related party: — V-Care (China)	267,165	1,779,362

Receivables/payables due from/to related parties of the Group are interest-free, without pledge and all due within 3 months as at 30 June 2012 and 31 December 2011 based on invoice date.