A large, abstract graphic composed of many thin, overlapping lines in shades of blue and purple, forming a shape reminiscent of a seashell or a wave. The lines are dense and create a sense of depth and movement.

Healthy
Lifestyle
Starts from
Vinda

Vinda International Holdings Limited

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

Interim Report 2011

Be Top of Consumer Mind





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柔软一张幸福主张 😊



Corporate Information

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 (Hong Kong) Limited
 Hang Seng Bank Limited
 Standard Chartered Bank (Hong Kong) Limited
 The Hong Kong and Shanghai Banking Corporation Limited

Website

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

Interim Results and Financial Highlights

Interim Results

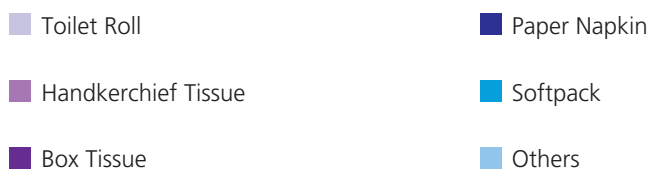
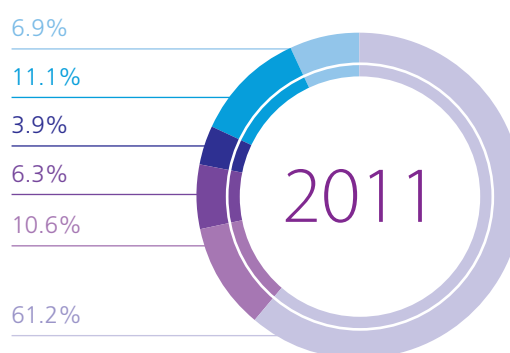
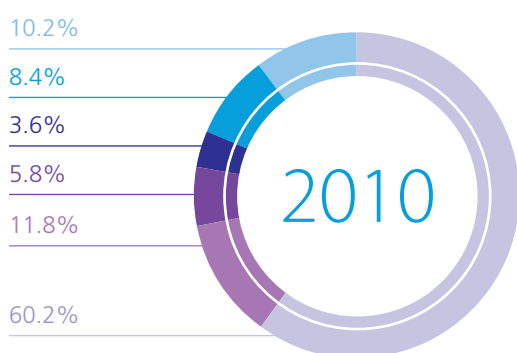
The Board of Directors (the "Board") of Vinda International Holdings Limited ("Vinda International" or the "Company") is pleased to present the unaudited interim condensed consolidated balance sheet as at 30 June 2011 and the unaudited interim condensed consolidated statement of comprehensive income, unaudited interim condensed consolidated cash flow statement and unaudited interim condensed consolidated statement of changes in equity of the Company and its subsidiaries (the "Group") for the period ended 30 June 2011 (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 2011

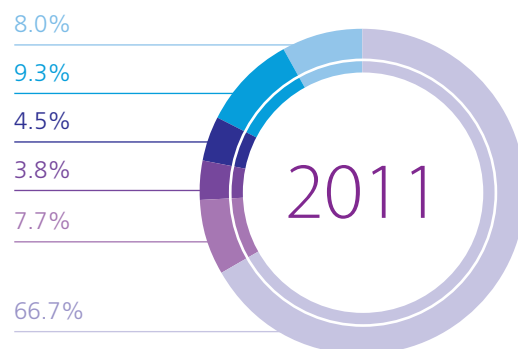
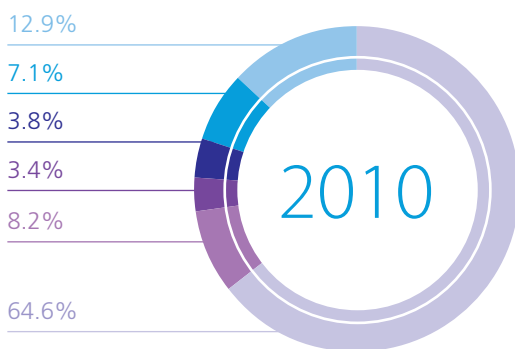
	2011	2010	Changes
Revenue (HK\$)	2,194,621,752	1,682,163,641	+30.5%
Gross profit (HK\$)	607,338,502	538,465,732	+12.8%
Profit attributable to equity holders of the Company (HK\$)	191,066,436	198,363,839	-3.7%
Gross profit margin	27.7%	32.0%	
Net profit margin	8.7%	11.8%	
Basic earnings per share (HK\$)	20.4 cents	21.9 cents	-6.8%
Stock turnover	145 days	154 days	
Finished goods turnover	33 days	32 days	
Debtors turnover	45 days	46 days	
Interim dividend declared (HK\$)	3.3 cents	3.3 cents	

Turnover by Product Categories





Sales Volume by Product Categories



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

Management Discussion and Analysis



During the first half of 2011, the global economy maintained its growth impetus from 2010, and China's gross domestic product (GDP) grew 9.6% compared to the same period last year. Nevertheless, global economic growth was hindered by uncertainties lingering over political upheavals in North Africa, the European debt crisis, as well as the tsunami and nuclear leak crisis sparked by the earthquake in north-eastern Japan. In China, the operating environment for corporations large and small, and also the daily lives of its citizens were under immense pressure from rising raw material commodity prices, continual shortage of electricity and water, and worsening inflation.

Nevertheless, China's demand for household paper products, particularly quality household paper, remains robust as the living standard of the Chinese continues to improve. Annual per capita consumption of household paper in China increased from 3.14 kilograms in 2009 to 3.48 kilograms in 2010. In the past, market growth was driven by consumption volume, but today, product quality upgrade is gradually becoming the driving force instead; thus, creating a favourable operating environment for Vinda International ("the Group").

Wood pulp is the major raw material used in household paper products. During the period under review, the price of wood pulp entered a trend of stabilization after hitting its peak at the end of last year. The Group managed to maintain its profitability and mitigate the risk of falling margins by launching products with higher gross profit margins and adopting flexible pricing strategies. On the other hand, the Central Government has further tightened environmental regulations and eliminated 7.45 million tons of obsolete production capacity in the paper production industry. As such, industry consolidation has accelerated and has paved the way for the Group's healthy development.

For the six months ended 30 June 2011, the Group's turnover surged 30.5% year-on-year to HK\$2,194,621,752 with a gross profit of HK\$607,338,502. Profit attributable to shareholders amounted to HK\$191,066,436 while earnings per share reached HK\$20.4 cents.

Business Review

2011 marks the 26th year of Vinda International's establishment. Based on its extensive experience in the household paper industry and its distinct insight into the needs of the market, the Group has formulated its 6th five-year plan which lays down the development blueprint for the next five years. The five-year plan sets clear objectives and maps out well-defined and practical strategies for all areas such as business development, brand and product enhancement as well as sales channel and capacity expansion.

The "Vinda" brand is one of the strongest competitive advantages of the Group. In the six-month period of this first year of the 6th five-year plan, the Group has dedicated great effort and achieved an impressive 30.5% growth in turnover. Sales of toilet rolls grew by 32.7%, while that of handkerchief tissue, box tissue, softpack and wet tissue, which are targeted at mid-market and up-market consumers, posted a year-on-year growth of 39.8%. Building on the success of the Pleasant Goat series, the Group further empowered the Vinda brand during the period, by co-launching the new Kung Fu Panda series with Dreamworks Inc., a renowned animation company in the United States. Employing an online and offline marketing campaign named "維達柔韌有功夫", the Group has expanded its market to adults with higher purchasing power and youths with passion for animation.

In order to fully capture the soaring demand, the Group has devised a detailed plan for production expansion, which is being implemented progressively. During the period under review, the Group's additional capacity of 25,000 tons in Zhejiang commenced operation. In late August, trial runs for a total of 50,000 tons of new capacity in Liaoning and Zhejiang were completed. When another 25,000 tons of new capacity in Sichuan commences operation in the fourth quarter, the Group will have an aggregate annual production capacity of 470,000 tons by the end of 2011. Furthermore, the Group is preparing for construction of a plant in Laiwu, Shandong Province. The construction plan has passed environmental assessment and completion of this plant is expected to equip the Group with the means to meet the strong demand for household paper products in the region, allowing the Group to achieve more savings in logistics cost and benefit from greater economies of scale.

With respect to cost of sales, international wood pulp price rose continuously since 2009, and has stabilized after reaching the all-time high in the third quarter of 2010. Despite the stable trend in the first half of 2011, the price of wood pulp has risen substantially as compared to the corresponding period last year. In response to such high raw material prices, the Group has made several adjustments to the selling prices of its products since last year, and was able to largely offset the adverse impacts caused by the price fluctuations of wood pulp. During the period, the Group deepened its well-established partnerships with certain selected wood pulp suppliers and continued to create new alliances. It adhered to achieving stable profitability by introducing products with higher gross profit margins and adopting flexible pricing strategies.

Business Strategy

After 25 years of efforts, Vinda International has extended its national market coverage to approximately 220,000 points of sales and solidified its leading position in southern China, central China, Beijing and Hong Kong. Given its wide experience in the household paper product operations and brand equity, coupled with the detailed plan of production capacity and sales network expansion, the Group will further develop its existing markets and dedicate additional efforts in extending into the eastern, western and north-eastern China markets.

 Management Discussion and Analysis


With its healthy and strong distribution network, there is a good reason to believe that the Group can sustain business growth. The Group not only works closely with distributors, outlets and direct clients to boost retail performance, but is also dedicated to supporting its distributors and partners, actively sourcing new clients and enhancing market coverage of its products. During the period, Vinda International's first ever national distributor conference was launched. The conference theme was “我愛維達·幸福共贏” and successfully lifted the sales while strengthening bonds with the distributors. As at 30 June 2011, there were a total of 155 (31 December 2010: 141) sales offices and 1,050 (31 December 2010: 856) distributors.

The Group remains market-oriented and has fostered various “Star Products” aimed at different consumer clusters. Utilizing diverse and targeted marketing strategies, the Group has raised the competitiveness of each product, aiming to secure a larger market share. We have also actively optimized our product mix by promoting the sales of non-toilet roll products which command higher gross profit margins, with a view to gradually strengthening and enhancing the Group's profitability.

Personal Care Product Business Rollout

With regards to the expansion of the personal care product business, V-Care Holdings Limited (“V-Care”), an associate established by the Group and other investors at the end of 2010, has recorded satisfactory progress during the period. The baby diaper products are marketed under the Group’s first diaper brand, “Babifit”. At present, V-Care has not only established a strong product development team and sales and marketing team, but it has also completed the trial production and test marketing of Babifit products with encouraging initial market reception. Since August, V-Care has begun systematically rolling-out all product series under the Babifit brand so as to offer more choices to the consumers and cater to the needs of babies of different age groups. It not only further broadened our product offerings but also laid a solid foundation for the Group to increase its revenue and earnings in the long run.

Adherence to Green Management and Improved Operational Efficiency

Vinda International has always adhered to the production and management concepts of “high quality, low wastage and high efficiency” and persistently worked towards its target of achieving “safety, environmental protection, quality and cost reduction” in its production.

Environmental requirements in China are tightening, and the Central Government has set defined goals of reducing carbon emission, determined to eliminate small factories that cannot meet environmental standards. In view of this situation, the Group has continually strengthened its technological upgrades and reiterated its energy-saving and emission reduction policies during the period. These upgrades included optimizing its sewage treatment system by utilizing biological sewage treatment and water recycle technologies, which effectively reduced the water usage per ton of paper at our factories, resulting in annual water savings of approximately 1 million tons. The Group also improved the incoming water temperature control and waste emission systems of boilers and employed steam reuse technique that enhanced its production efficiency to reduce energy usage by approximately 15,000 tons of coal equivalent per annum.

While constantly introducing technical upgrades, the Group has also actively protected the intellectual property of its self-developed upgrades. During the period, the Group obtained 11 new patents, 4 copyright patents on software and 1 invention patent, all of which are for achievements in energy saving. These achievements have made contributions to our workshop management and help us increase the production efficiency of our factories.

Human Resources and Management

Our high-caliber employees are vital to sustaining the Group’s competitiveness and ability to create value. During the period, the Group actively recruited fresh university graduates under its newly-launched management trainee programme to source and groom talents who will be instrumental in our pursuit for corporate excellence. Moreover, we are honored to have Mr. Ouyang Heping join us as Chief Human Resources Officer. Mr. Ouyang has held various senior human resources management positions in a number of local and multi-national corporations. With his extensive experience in the industry, Mr. Ouyang will help the Group effectively address its rising human resources needs by devising and implementing a series of professional enhancement and personal development programmes.

Our staff remuneration packages are reviewed regularly, taking into account local market conditions, individual experience and performance to ensure their competitiveness in the industry. Furthermore, the Group attracts and retains able staff with our share option scheme. During the period under review, the Group granted 4,837,000 share options to its employees and directors pursuant to its share option scheme. The aggregate cost of the grant of HK\$15,538,000 was fully reflected in the results of the first half 2011.

As at 30 June 2011, the Group had 6,189 staff members.

Foreign Exchange and Interest Rate Risks

The majority of the Group's assets and businesses are located in Mainland China and Hong Kong. Most transactions are denominated and settled in RMB while the greater part of key raw materials are imported from overseas and paid in US dollars. The Group borrows both in the mainland and Hong Kong at interest rates on a floating basis. As at 30 June 2011, the Group had outstanding bilateral financial contracts with certain financial institutions to hedge part of its interest rate exposure in Hong Kong into fixed interest rates and currency exposure. The surplus or deficit, if any, arising from the contracts will be dealt with in the balance sheet.

Future Prospects

2011 marks the start of China's 12th Five-Year Plan as well as the beginning of Vinda International's 6th five-year plan. We anticipate that the economy of China will maintain its strong growth momentum and the consolidation of our industry will accelerate as the Central Government will continue to implement stricter environmental policies.

In 2011, the focus will be on implementing the following strategies:

1. Intensify efforts to build the "Vinda" brand and expand the sales network, optimize the product mix and cultivate the personal care product business;
2. Closely monitor market developments, pay attention to and evaluate wood pulp quality from domestic suppliers so as to increase flexibility in choosing raw materials without jeopardizing the quality of Vinda's products;
3. Continue to expand production capacity in a systematic manner and to implement production safety standards, working towards a medium- to long-term output goal of 700,000 tons of paper;
4. Adhere to principles of environmental protection and enhance the environmental protection efforts; and
5. Further optimize the information flow, and promote the management of information systems

Looking forward, the Group will remain committed to quality, enhance our brand image and improve our operational efficiency. With our solid brand presence and foundation, we believe that the Group will be able to maintain its leading position in the industry.

Other Financial Information

Liquidity, Financial Resources and Bank Loans

The Group's financial position remained healthy. As at 30 June 2011, the Group's bank and cash balances amounted to HK\$529,961,548 (31 December 2010: HK\$389,551,782), and short-term and long-term loans in aggregate amounted to HK\$1,457,614,853 (31 December 2010: HK\$1,087,677,371). The annual interest rates of bank loans ranged from 1.15% to 6.65%.

As at 30 June 2011, the gross gearing ratio was 50.6% (31 December 2010: 40.5%), 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 32.2% (31 December 2010: 26.0%).

As at 30 June 2011, unutilized credit facilities amounted to approximately HK\$3.29 billion, including the committed syndicated term loan facility of HK\$750 million obtained in June 2011.

Contingent Liabilities

As at 30 June 2011 and 31 December 2010, the Group had no material contingent liabilities.

Capital Commitments

	As at	
	30 June 2011 Unaudited HK\$	31 December 2010 Audited HK\$
Property, plant and equipment and intangible assets	130,401,305	226,840,451
Investment in an associate	61,500,000	123,000,000
	191,901,305	349,840,451

Investment in an Associate

On 16 December 2010, the Company together with Fu An International Company Limited ("Fu An"), Dynasty Fortune Partners, L.P. ("Dynasty Fortune"), Cathay Capital Holdings II, L.P. ("Cathay Capital") entered into an Investment and Shareholders' Agreement with V-Care Holdings Limited ("V-Care"). Pursuant to the Investment and Shareholders' Agreement, the Company, Fu An, Dynasty Fortune and Cathay Capital undertook to invest an aggregate sum of HK\$300,000,000 into V-Care by way of subscription of new shares issued by V-Care. Upon completion of the subscription, V-Care is held as to 41% by the Company, 39% by Fu An, 7% by Dynasty Fortune and 13% by Cathay Capital. Details of the acquisition were disclosed in the announcement of the Company dated 16 December 2010.

Interim Dividend

The Board has resolved to declare an interim dividend of HK\$0.033 per share for the period ended 30 June 2011 (2010: HK\$0.033) totaling approximately HK\$30,935,906. The interim dividend will be paid on or about 31 October 2011 to shareholders whose names appear on the register of members of the Company on 19 October 2011.

Close of Register of Members

The register of members of the Company will be closed from 17 October 2011 to 19 October 2011 (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 14 October 2011 for registration of transfer.

 Other Information

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

As at 30 June 2011, 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	284,206,235 Shares	936,000	285,142,235	30.42%
	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	284,206,235 Shares	9,038,000	293,244,335	31.28%
	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	284,206,235 Shares	9,038,000	293,244,235	31.28%
	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	—	3,936,000	3,936,000	0.42%
Johann Christoph Michalski	The Company	personal	—	480,000	480,000	0.05%
Ulf Olof Lennart Soderstrom	The Company	personal	—	80,000	80,000	0.01%
Cao Zhen Lei	The Company	personal	—	80,000	80,000	0.01%
Kam Robert	The Company	personal	—	80,000	80,000	0.01%
Hui Chin Tong, Godfrey	The Company	personal	—	80,000	80,000	0.01%
Tsui King Fai	The Company	personal	—	80,000	80,000	0.01%

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 Options".

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 2011, 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 positions in shares and underlying shares

Name of shareholder	Nature of interest	Interest in Shares	Interest in underlying shares ⁽⁵⁾	Aggregate interest	Percentage of issued share capital
Fu An International Company Limited	Beneficial owner	284,206,235	—	284,206,235	30.32%
Sentential Holdings Limited ⁽¹⁾	Interest of controlled company	284,206,235	—	284,206,235	30.32%
Eagle Power Assets Limited ⁽¹⁾	Interest of controlled company	284,206,235	—	284,206,235	30.32%
HSBC International Trustee Limited ⁽¹⁾	Trustee of CW Li Family Trust	284,206,235	—	284,206,235	30.32%
Li Chao Wang ⁽¹⁾	Settlor and beneficiary of CW Li Family Trust	284,206,235	936,000	285,142,235	30.42%
SCA Hygiene Holding AB	Beneficial owner	169,531,897	—	169,531,897	18.08%
SCA Group Holding BV ⁽²⁾	Interest of controlled company	169,531,897	—	169,531,897	18.08%
Svenska Cellulosa Aktiebolaget ⁽²⁾	Interest of controlled company	169,531,897	—	169,531,897	18.08%
Invesco Hong Kong Limited ⁽³⁾	Beneficial owner	64,649,000	—	64,649,000	6.89%
Prime Capital Management (Cayman) Limited ⁽⁴⁾	Beneficial owner	46,989,000	—	46,989,000	5.01%

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 Mr. LI Chao Wang as the settlor. 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.
- Prime Capital Management (Cayman) Limited was interested in 46,989,000 shares of the Company as investment manager.
- Details of share options held by the directors are shown in the section of "Share Options".

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 2011 resulted in 720,000 shares being issued with exercise proceeds of HK\$2,145,000.

 Other Information

Details of movements of the options granted under the Share Option Scheme for the six months ended 30 June 2011 are as follows:

	Date of Grant	Exercise price per Share HK\$	Number of Shares issuable under the options						as at 30/06/2011	Exercise period
			as at 01/01/2011	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	
Yu Yi Fang	24/02/2009	2.980	9,038,000	—	—	—	—	9,038,000	24/02/2009 to 23/02/2019	
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	
Dong Yi Ping	24/02/2009	2.980	9,038,000	—	—	—	—	9,038,000	24/02/2009 to 23/02/2019	
Johann Christoph Michalski	24/02/2009	2.980	400,000	—	—	—	—	400,000	24/02/2009 to 23/02/2019	
	15/04/2011	8.648	—	80,000	—	—	—	80,000	15/04/2011 to 14/04/2021	
Ulf Olof Lennart Soderstrom	15/04/2011	8.648	—	80,000	—	—	—	80,000	15/04/2011 to 14/04/2021	
Chiu Bun	24/02/2009	2.980	400,000	—	(400,000)	—	—	—	24/02/2009 to 23/02/2019	
Cao Zhen Lei	15/04/2011	8.648	—	80,000	—	—	—	80,000	15/04/2011 to 14/04/2021	
Kam Robert	15/04/2011	8.648	—	80,000	—	—	—	80,000	15/04/2011 to 14/04/2021	
Hui Chin Tong, Godfrey	15/04/2011	8.648	—	80,000	—	—	—	80,000	15/04/2011 to 14/04/2021	
Tsui King Fai	15/04/2011	8.648	—	80,000	—	—	—	80,000	15/04/2011 to 14/04/2021	
Employees of the Group										
In aggregate	24/02/2009	2.980	4,166,000	—	(320,000)	—	—	3,846,000	(Note 2)	
	15/04/2011	8.648	—	2,485,000	—	—	—	2,485,000	15/04/2011 to 14/04/2021	
			26,042,000	4,837,000	(720,000)	—	—	30,159,000		

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.

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 2011, the Company has complied with all the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules.

Model Code for Securities Transactions by Directors

The Company has adopted 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 2011.

Audit Committee

The audit committee of the Company comprises three 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 2011.

Remuneration Committee

The Company's remuneration committee comprises three independent non-executive directors, namely Dr. Cao Zhen Lei, Mr. Hui Chin Tong, Godfrey and Mr. Tsui King Fai. 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 the levels of their remuneration and compensation are appropriate.

Nomination Committee

The Company's nomination committee comprises two independent non-executive directors, namely Mr. Hui Chin Tong, Godfrey and Mr. Tsui King Fai, and one executive director, namely 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 become directors and to review 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 2011, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.



Report on Review of Interim Financial Information



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 19 to 40, 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 2011 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, 31 August 2011

PricewaterhouseCoopers, 22/F Prince’s Building, Central, Hong Kong
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Interim Condensed Consolidated Balance Sheet 

As at 30 June 2011

	Note	30 June 2011 Unaudited HK\$	31 December 2010 Audited HK\$
ASSETS			
Non-current assets			
Property, plant and equipment	7	2,628,036,134	2,272,640,034
Leasehold land and land use rights	7	161,956,792	160,496,665
Intangible assets	7	11,751,762	11,085,320
Deferred income tax assets		92,345,156	87,688,594
Investment in an associate	8	60,852,712	—
Total non-current assets		2,954,942,556	2,531,910,613
Current assets			
Inventories		1,230,415,922	1,321,689,469
Trade receivables, other receivables and prepayments	9	711,873,658	647,011,913
Due from related parties	20	17,376,274	1,100,830
Derivative financial instruments		197,842	—
Pledged bank deposits		56,139	45,689
Cash and cash equivalents		529,961,548	389,551,782
Total current assets		2,489,881,383	2,359,399,683
Total assets		5,444,823,939	4,891,310,296
EQUITY			
Share capital	10	93,745,169	93,673,169
Share premium	10	1,116,088,595	1,113,265,875
Other reserves		1,669,922,725	1,481,216,626
Total equity		2,879,756,489	2,688,155,670

The notes on pages 24 to 40 form an integral part of this condensed consolidated interim financial information.

 Interim Condensed Consolidated Balance Sheet

As at 30 June 2011

	Note	30 June 2011 Unaudited HK\$	31 December 2010 Audited HK\$
LIABILITIES			
Non-current liabilities			
Borrowings	12	649,942,541	530,262,883
Deferred government grants		69,064,244	69,980,811
Deferred income tax liabilities		2,815,468	1,713,636
Total non-current liabilities		721,822,253	601,957,330
Current liabilities			
Trade payables, other payables and accrued expenses	13	935,192,006	980,263,434
Due to a related party	20	34,271,284	—
Borrowings	12	807,672,312	557,414,488
Current income tax liabilities		66,109,595	63,519,374
Total current liabilities		1,843,245,197	1,601,197,296
Total liabilities		2,565,067,450	2,203,154,626
Total equity and liabilities		5,444,823,939	4,891,310,296
Net current assets		646,636,186	758,202,387
Total assets less current liabilities		3,601,578,742	3,290,113,000

The notes on pages 24 to 40 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 2011

	Note	Unaudited Six months ended 30 June 2011 HK\$	2010 HK\$
Revenue	6	2,194,621,752	1,682,163,641
Cost of sales		(1,587,283,250)	(1,143,697,909)
Gross profit		607,338,502	538,465,732
Selling and marketing costs		(254,251,642)	(189,210,966)
Administrative expenses		(115,266,825)	(88,540,721)
Other income and gains — net		10,152,447	3,838,608
Operating profit	14	247,972,482	264,552,653
Interest expense		(17,075,118)	(12,268,987)
Net foreign exchange transaction gain		19,974,794	3,293,162
Interest income		2,075,679	1,220,578
Share of post-tax loss of an associate		(825,716)	—
Profit before income tax		252,122,121	256,797,406
Income tax expense	15	(61,055,685)	(58,433,567)
Profit attributable to equity holders of the Company		191,066,436	198,363,839
Other comprehensive income			
Currency translation differences		62,777,166	20,436,037
Total comprehensive income attributable to equity holders of the Company		253,843,602	218,799,876
Earnings per share for profit attributable to the equity holders of the Company			
— basic	16	0.204	0.219
— diluted	16	0.201	0.216

The notes on pages 24 to 40 form an integral part of this condensed consolidated interim financial information.

		Unaudited Six months ended 30 June 2011 HK\$	2010 HK\$
Dividends	17	30,935,906	29,915,282



Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2011

	Note	Unaudited			Total HK\$
		Share capital HK\$	Share premium HK\$	Other reserves HK\$	
Balance as at 1 January 2010		90,464,169	838,018,579	1,141,425,655	2,069,908,403
Profit for the period		—	—	198,363,839	198,363,839
Other comprehensive income					
— Currency translation differences		—	—	20,436,037	20,436,037
Total comprehensive income for the six months ended 30 June 2010		—	—	218,799,876	218,799,876
Transaction with owners					
Employees share option scheme					
— Value of employee services		—	—	3,657,261	3,657,261
— Exercise of options	11	188,200	7,452,572	(2,032,412)	5,608,360
Dividends		—	—	(81,417,752)	(81,417,752)
Transaction with owners		188,200	7,452,572	(79,792,903)	(72,152,131)
Balance as at 30 June 2010		90,652,369	845,471,151	1,280,432,628	2,216,556,148
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	11	72,000	2,822,720	(749,120)	2,145,600
Dividends	17	—	—	(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

The notes on pages 24 to 40 form an integral part of this condensed consolidated interim financial information.

Interim Condensed Consolidated Cash Flow Statement 

For the six months ended 30 June 2011

	Note	Unaudited	
		Six months ended 30 June	
		2011	2010
		HK\$	HK\$
Cash flows from operating activities		260,192,967	162,508,393
Cash flows from investing activities:			
— purchases of property, plant and equipment		(345,665,717)	(136,760,184)
— purchases of intangible assets		(1,882,324)	(2,777,239)
— purchases of leasehold land and land use rights		—	(14,443,188)
— proceeds from disposal of property, plant and equipment		729,773	120,748
— investment in an unlisted associate		(61,500,000)	—
— other investing cash flows — net		2,075,679	1,220,578
Cash flows used in investing activities		(406,242,589)	(152,639,285)
Cash flows from financing activities:			
— dividends paid	17	(81,553,425)	(81,417,752)
— repayments of borrowings	12	(544,124,524)	(439,138,499)
— proceeds from borrowings	12	907,968,832	486,767,240
— (increase)/decrease in pledged deposits		(10,450)	675,792
— proceeds from shares issued	11	2,145,600	5,608,360
Cash flows generated from/(used in) financing activities		284,426,033	(27,504,859)
Net increase/(decrease) in cash and cash equivalents		138,376,411	(17,635,751)
Cash and cash equivalents at beginning of the period		389,551,782	346,949,107
Exchange differences		2,033,355	3,218,128
Cash and cash equivalents at end of the period		529,961,548	332,531,484

The notes on pages 24 to 40 form an integral part of this condensed consolidated interim financial information.



Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2011

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 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 31 August 2011.

This condensed consolidated interim financial information has not been audited.

2 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2011 has 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 2010, 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 2010, 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 new standard and amendment to standard are mandatory for the first time for the financial year beginning 1 January 2011.

3 Accounting policies (continued)

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

Amendment to HKAS 34 “Interim financial reporting” is effective for annual periods beginning on or after 1 January 2011. It emphasises the existing disclosure principles in HKAS 34 and adds further guidance to illustrate how to apply these principles. Greater emphasis has been placed on the disclosure principles for significant events and transactions. Additional requirements cover disclosure of changes to fair value measurement (if significant), and the need to update relevant information from the most recent annual report. The change in accounting policy only results in additional disclosures.

(b) Amendments and interpretations to existing standards effective in 2011 but not relevant to the Group:

HKFRS1 (Amendment)	Limited exemption from comparative HKFRS 7 disclosures for first-time adopters
HKAS 24 (Revised)	Related Party Disclosures
HKAS 32 (Amendment)	Classification of rights issues
HK(IFRIC) Int — 14 (Amendment)	Prepayments of a minimum funding requirement
HK(IFRIC) Int — 19 (Amendment)	Extinguishing financial liabilities with equity Instruments

Third improvements to Hong Kong Financial Reporting Standards (2010) were issued in May 2010 by the HKICPA, except for amendment to HKAS 34 “Interim financial reporting” as disclosed in note 3(a) and the clarification to allow the presentation of an analysis of the components of other comprehensive income by item within the notes, all are not currently relevant to the Group. All improvements are effective in the financial year of 2011.

(c) The following new standards and amendments to standards have been issued but are not effective for the financial year beginning 1 January 2011 and have not been early adopted:

		Effective date
HKFRS 1 (Amendment)	Severe hyperinflation and removal of fixed dates for first-time adopters	1 July 2011
HKAS 12 (Amendment)	Deferred tax: Recovery of underlying assets	1 January 2012
HKFRS 7 (Amendment)	Disclosures — Transfers of financial assets	1 January 2012
HKAS 1 (Amendment)	Presentation of financial statements	1 July 2012
HKAS 19 (Amendment)	Employee benefits	1 January 2013
HKFRS 9	Financial instruments	1 January 2013
HKFRS 10	Consolidated financial statements	1 January 2013
HKFRS 11	Joint arrangements	1 January 2013
HKFRS 12	Disclosure of interests in other entities	1 January 2013
HKFRS 13	Fair value measurements	1 January 2013



Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2011

4 Estimates

The preparation of condensed consolidated interim financial information 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 2010.

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 information does 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 2010.

5.2 Liquidity risk

The Group's objective is to maintain adequate committed credit lines to ensure sufficient and flexible funding is available to the Group. Further details are given in Note 12 for the analysis of the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date.

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).

5 Financial risk management (continued)

5.3 Fair value estimation (continued)

The following table presents the Group's assets and liabilities that are measured at fair value at 30 June 2011.

	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$	Total HK\$
Assets				
Derivative financial instruments as derivatives used for hedging	—	197,842	—	197,842

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2010.

	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$	Total HK\$
Assets				
Derivative financial instruments as derivatives used for hedging	—	—	—	—

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	
	2011 HK\$	2010 HK\$
Sales of goods	2,117,913,627	1,580,054,468
Sales of semi-finished goods and other materials	76,708,125	102,109,173
Total revenue	2,194,621,752	1,682,163,641

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.

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.



Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2011

6 Segment information (continued)

The executive committee has also determined that no geographical segment information is presented as about 90% of the Group's sales are derived within the 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 Group derives its revenue from external customers in Mainland China, Hong Kong and overseas and such revenue for the six months ended 30 June 2011 amounts to HK\$ 1,964,513,405 (for the six months ended 30 June 2010: HK\$1,465,171,205), HK\$ 212,994,838 (for the six months ended 30 June 2010: HK\$204,971,065), HK\$ 17,113,509 (for the six months ended 30 June 2010: HK\$12,021,371) respectively.

The total non-current assets are analysed as follows:

	As at	
	30 June	31 December
	2011	2010
	Unaudited	Audited
	HK\$	HK\$
Total non-current assets other than deferred tax assets and investment in an associate		
— Mainland China	2,770,385,798	2,414,232,192
— Hong Kong and overseas	31,358,890	29,989,827
Deferred tax assets	92,345,156	87,688,594
Investment in an associate	60,852,712	—
Total non-current assets	2,954,942,556	2,531,910,613

Notes to the Condensed Consolidated Interim Financial Information 

For the six months ended 30 June 2011

7 Capital expenditures

	Property, plant and equipment	Unaudited Leasehold land and land use rights	Intangible assets
	HK\$	HK\$	HK\$
Six months ended 30 June 2010			
Opening net book amount 1 January 2010	1,838,591,852	145,408,286	6,881,218
Additions	142,081,641	14,443,188	2,777,239
Disposals	(458,564)	—	—
Depreciation and amortisation (Note 14)	(60,833,105)	(1,260,832)	(984,525)
Exchange differences	16,323,007	1,545,343	98,353
Closing net book amount 30 June 2010	1,935,704,831	160,135,985	8,772,285
Six months ended 30 June 2011			
Opening net book amount 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 14)	(71,365,918)	(2,378,987)	(1,476,697)
Exchange differences	55,365,772	3,839,114	260,815
Closing net book amount 30 June 2011	2,628,036,134	161,956,792	11,751,762

8 Investment in an associate

	Unaudited HK\$
1 January 2011	—
Investment in an unlisted associate (i)	61,500,000
Share of post-tax loss of an associate	(825,716)
Exchange differences	178,428
30 June 2011	60,852,712



Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2011

8 Investment in an associate (continued)

The information of the unlisted associate at 30 June 2011 is as follows:

Name	Place and date of incorporation	Percentage of equity interest attributable to the Group	Assets	Liabilities	Revenues	Net loss
			HK\$	HK\$	HK\$	HK\$
V-Care Holdings Limited ("V-Care")	British Virgin Islands 2 July 2009	41% (directly held)	153,745,101	5,323,852	846,576	(2,013,941)

- (i) On 16 December 2010, the Company together with Fu An International Company Limited ("Fu An"), Dynasty Fortune Partners, L.P. ("Dynasty Fortune"), a related party of the Company, Cathay Capital Holdings II, L.P. ("Cathay Capital"), an independent third party, entered into an Investment and Shareholders' Agreement with V-Care. Pursuant to the Investment and Shareholders' Agreement, the Company, Fu An, Dynasty Fortune and Cathay Capital undertook to invest an aggregate sum of HK\$300,000,000 into V-Care by way of subscription of new shares issued by V-Care. Upon completion of the subscription, the Company, Fu An, Dynasty Fortune and Cathay Capital will hold the equity interest of V-Care by 41%, 39%, 7% and 13% respectively.

As of 30 June 2011, the Company has paid HK\$61,500,000 in cash for the subscription of the new shares issued by V-Care, and holds 41% of V-Care's share capital then outstanding.

9 Trade receivables, other receivables and prepayments

	As at	
	30 June 2011 Unaudited HK\$	31 December 2010 Audited HK\$
Trade receivables, net	559,460,086	486,445,433
Other receivables	128,927,291	143,977,398
Notes receivable	2,777,245	1,714,439
Prepayments	20,709,036	14,874,643
	711,873,658	647,011,913

Notes to the Condensed Consolidated Interim Financial Information 

For the six months ended 30 June 2011

9 Trade receivables, other receivables and prepayments (continued)

The majority of the Group's sales allows credit terms ranging from 30 to 90 days. At 30 June 2011 and 31 December 2010, the ageing analyses of the trade receivables and notes receivable based on invoice date were as follows:

	As at	
	30 June 2011 Unaudited HK\$	31 December 2010 Audited HK\$
Within 3 months	507,142,780	446,213,221
4 months to 6 months	36,208,727	32,171,746
7 months to 12 months	15,663,605	7,605,866
Over 1 year	3,222,219	2,169,039
	562,237,331	488,159,872

10 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 at 1 January 2010	80,000,000,000	904,641,686	90,464,169	838,018,579	928,482,748
Employee share option scheme (Note 11)					
— Exercise of options	—	1,882,000	188,200	7,452,572	7,640,772
At 30 June 2010	80,000,000,000	906,523,686	90,652,369	845,471,151	936,123,520
Opening balance 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 11)					
— Exercise of options	—	720,000	72,000	2,822,720	2,894,720
At 30 June 2011	80,000,000,000	937,451,686	93,745,169	1,116,088,595	1,209,833,764

As at 30 June 2011 and 2010, the par value of authorised and issued ordinary shares is HK\$0.1 per share.



11 Share-based payment

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

- (i) in respect of the options granted to directors, on or after 24 February 2009;
- (ii) in respect of the options granted to employees,
 - (a) up to 20% on or after 24 February 2010;
 - (b) up to 50% on or after 24 February 2011;
 - (c) all the remaining options on or after 24 February 2012;

and in each case, not later than 23 February 2019.

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

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

- (a) up to 33% on or after 15 April 2010;
- (b) up to 67% on or after 15 April 2011;
- (c) all the remaining options on or after 15 April 2012;

and in each case, not later than 14 April 2020.

In April 2010, the director accepted the share options.

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

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

11 Share-based payment *(continued)*

Movements in the number of share options outstanding and their related weighted average exercise prices for the six months ended 30 June 2011 and 2010 were as follows:

	For the six months ended 30 June			
	2011		2010	
	Unaudited		Unaudited	
	Average exercise price in HK\$	Number of options	Average exercise price in HK\$	Number of options
At 1 January	3.26	26,042,000	2.98	26,686,000
Granted	8.648	4,837,000	5.42	3,000,000
Exercised (a)	2.98	(720,000)	2.98	(1,882,000)
Forfeited (b)	—	—	2.98	(54,000)
At 30 June	4.13	30,159,000	3.24	27,750,000

(a) Options exercised during the six months ended 30 June 2011 resulted in 720,000 shares (six months ended 30 June 2010:1,882,000 shares) being issued with net proceeds of HK\$ 2,145,000 (six months ended 30 June 2010:HK\$ 5,608,360)

(b) Options were forfeited during the six months ended 30 June 2010 due to employee resignation.

Share options outstanding at 30 June 2011 have the following expiry dates and exercise prices:

Expiry date	Exercise price in HK\$	Number of options
23 February 2019	2.98	22,322,000
14 April 2020	5.42	3,000,000
14 April 2021	8.648	4,837,000

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.



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For the six months ended 30 June 2011

11 Share-based payment (continued)

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.

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 three years and other comparable companies over the last five years.

12 Borrowings

	As at	
	30 June 2011 Unaudited HK\$	31 December 2010 Audited HK\$
Non-current	649,942,541	530,262,883
Current	807,672,312	557,414,488
	1,457,614,853	1,087,677,371

Movements in borrowings are analysed as follows:

	Unaudited HK\$
Six months ended 30 June 2010	
Opening amount as at 1 January 2010	863,222,792
New borrowings	486,767,240
Repayments of borrowings	(439,138,499)
Exchange differences	8,292,317
Closing amount as at 30 June 2010	919,143,850
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

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For the six months ended 30 June 2011

12 Borrowings (continued)

- (a) As at 30 June 2011, 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 2011					
Term loans subject to a repayment					
on demand clause	442,096,683	—	—	—	442,096,683
Other bank loans	—	365,575,629	543,117,143	106,825,398	1,015,518,170
Trade payables	—	521,305,498	—	—	521,305,498
Other payables	—	246,241,040	—	—	246,241,040
As at 31 December 2010					
Term loans subject to a repayment					
on demand clause	85,500,000	—	—	—	85,500,000
Other bank loans	—	471,914,488	340,166,426	190,096,457	1,002,177,371
Trade payables	—	580,094,715	—	—	580,094,715
Other payables	—	167,878,069	—	—	167,878,069

Among HKD442 million term loans subject to a repayment on demand clause, HKD195 million is short term loan, HKD54 million is long term loan to be repaid within one year and HKD193million is with the repayment term over one year.

- (b) Interest expenses on borrowings for the six months ended 30 June 2011 were HK\$17,075,118 (six months ended 30 June 2010: HK\$12,268,987).
- (c) In June 2011, the Group obtained a syndicate loan facility of HK\$ 750 million with the interest of HIBOR plus 2.35% to finance the construction of the plant and purchase of production equipment as well as for working capital. The loan facility is of a 3 year term with an option to extend for 1 more year. The Company will repay the loan on a quarterly basis in the period from December 2012 to June 2014. As at 30 June 2011, none of the loan has been drawn down under this syndicate loan facility.



Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2011

13 Trade payables, other payables and accrued expenses

	As at 30 June 2011 Unaudited HK\$	31 December 2010 Audited HK\$
Trade payables	521,305,498	580,094,715
Notes payable	21,611,690	23,891,598
Other payables	246,241,040	251,724,345
Accrued expenses	146,033,778	124,552,776
	935,192,006	980,263,434

Aging analysis of trade payables and notes payable as at 30 June 2011 and 31 December 2010 were as follows:

	As at 30 June 2011 Unaudited HK\$	31 December 2010 Audited HK\$
Within 3 months	526,271,460	586,867,970
4 months to 6 months	11,771,164	8,844,268
7 months to 12 months	557,911	2,462,446
1 year to 2 years	4,316,653	4,015,199
2 years to 3 years	—	1,363,730
Over 3 years	—	432,700
	542,917,188	603,986,313

14 Operating profit

The following items have been (credited)/charged to the operating profit during the six months ended 30 June 2011 and 2010:

	Unaudited Six months ended 30 June 2011 HK\$	2010 HK\$
Amortisation of deferred government grants	(2,518,594)	(2,445,878)
Foreign exchange loss/(gain), net	(2,828,294)	3,463,602
Provision for impairment of receivables	6,765,073	6,269,778
Write-back of impairment of inventories	(195,368)	(223,085)
Amortisation of share option and outright charge	17,165,042	3,657,261
Depreciation of property, plant and equipment	71,365,918	60,833,105
Amortisation of intangible assets	1,476,697	984,525
Amortisation of leasehold land and land use rights	2,378,987	1,260,832
Net gain on derivative financial instruments	(196,127)	—
Loss on disposal of property, plant and equipment	1,128,235	337,816

Notes to the Condensed Consolidated Interim Financial Information 

For the six months ended 30 June 2011

15 Income taxes

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2010: 16.5%) on the estimated assessable profit for the period. Taxation on profits outside Hong Kong has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries or regions in which the Group operates.

	Unaudited	
	Six months ended 30 June	
	2011	2010
	HK\$	HK\$
Current income tax		
— Hong Kong profits tax	6,413,740	11,897,301
— PRC enterprise income tax	56,704,473	46,784,912
Deferred income tax	(2,062,528)	(248,646)
	61,055,685	58,433,567

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 2011 is 24.2% (the estimated average tax rate for the six months ended 30 June 2010 was 22.8%). The increase in average annual tax rate is mainly due to the expiry of the tax holiday of certain Group's subsidiaries located in mainland China, which enjoyed the reductions in the statutory income tax rate in prior years.

16 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	
	2011	2010
Profit attributable to equity holders of the Company (HK\$)	191,066,436	198,363,839
Weighted average number of ordinary shares in issue	936,930,935	905,133,012
Basic earnings per share (HK\$ per share)	0.204	0.219



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For the six months ended 30 June 2011

16 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 comprised share options.

	Unaudited Six months ended 30 June 2011	2010
Profit attributable to equity holders of the Company (HK\$)	191,066,436	198,363,839
Weighted average number of ordinary shares in issue	936,930,935	905,133,012
Adjustments for share options	15,946,777	12,135,334
Weighted average number of ordinary shares for diluted earnings per share	952,877,712	917,268,346
Diluted earnings per share (HK\$ per share)	0.201	0.216

17 Dividends

On 30 March 2011, the Board of Directors proposed a dividend in respect of the year ended 31 December 2010 of HK\$ 81,553,425, representing HK\$0.087 per ordinary share. The dividend was paid in June 2011.

In addition, an interim dividend of HK\$0.033 per share (2010: HK\$0.033 per share) was proposed by the Board of Directors on 31 August 2011. This interim dividend, amounting to approximately HK\$30,935,906 (2010: HK\$29,915,282), has not been recognised as a liability in this condensed consolidated interim financial information. It will be recognised in shareholders' equity in the year ending 31 December 2011.

18 Capital commitments

	As at 30 June 2011 Unaudited HK\$	31 December 2010 Audited HK\$
Property, plant and equipment and intangible assets	130,401,305	226,840,451
Investment in an associate	61,500,000	123,000,000
	191,901,305	349,840,451

19 Contingent liabilities

As at 30 June 2011 and 31 December 2010, the Group had no material contingent liabilities.

20 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	Shareholder
SCA Hygiene Australasia Pty Limited ("SCA HA")	Subsidiary of Svenska Cellulosa Aktiebolaget AB (the ultimate holding company of SCA Hygiene)
SCA Tissue Hong Kong Limited ("SCA (Hong Kong)")	Subsidiary of Svenska Cellulosa Aktiebolaget AB (the ultimate holding company of SCA Hygiene)
SCA Trading (Shanghai) Co. Ltd. ("SCA (Shanghai)")	Subsidiary of Svenska Cellulosa Aktiebolaget AB (the ultimate holding company of SCA Hygiene)
Fu An Trading (Hong Kong) Limited ("Fu An Trading")	A company owned by some directors of the Company
V-Care (China) Limited ("V-Care China")	Subsidiary of V-Care

(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 2011 also include:

	Unaudited Six months ended 30 June	
	2011 HK\$	2010 HK\$
(1) Sales of products to related parties:		
— SCA HA	24,285,198	14,673,643
— SCA (Shanghai)	1,251,953	511,296
— SCA (Hong Kong)	1,558,766	17,536
— V-Care China	843,053	—
	27,938,970	15,202,475
(2) Key management compensation:		
Directors		
— Basic salaries, housing allowances, other allowances, benefits-in-kind and other benefits	4,731,867	3,342,704
— Share-based payments	9,080,042	2,801,261
Senior management		
— Basic salaries, housing allowances, other allowances, benefits-in-kind and other benefits	2,928,055	2,402,703
— Share-based payments	1,813,891	317,412
	18,553,855	8,864,080



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20 Related-party transactions (continued)

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

	As at	
	30 June 2011 Unaudited HK\$	31 December 2010 Audited HK\$
(1) Trade receivables from related parties:		
— SCA HA	15,055,812	890,620
— SCA (Hong Kong)	1,625,628	103,264
— SCA (Shanghai)	150,041	106,946
— V-Care China	544,793	—
	17,376,274	1,100,830
(2) Other payables to a related party:		
— Fu An Trading	34,271,284	—

On 24 February 2011, Vinda Paper (Guangdong) Company Limited (“Vinda Paper (Guangdong)”), a wholly-owned subsidiary of the Company, entered into a Land Use Rights Transfer Agreement with Fu An Trading. Pursuant to the Agreement, Vinda Paper (Guangdong) has agreed to sell and Fu An Trading has agreed to purchase the land use right for the land located in Jiangmen for a cash consideration of RMB28,500,000. As at 30 June 2011, Fu An Trading has paid the total sum of RMB 28,500,000 (equivalent to HKD34,271,284), but the title of the land use right has not been transferred.

Trade receivables/payables from/to related parties of the Group are interest-free, without pledge and all due within 3 months, based on invoice date, as at 30 June 2011 and 31 December 2010 respectively.