



Vinda International Holdings Limited
維達國際控股有限公司

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



*Healthy lifestyle
starts from Vinda*

Interim Report 2010



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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. LEUNG Ping Chung, Hermann
Mr. Johann Christoph MICHALSKI
Mr. CHIU Bun

Independent Non-Executive Directors

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

COMPANY SECRETARY

Mr. TSANG Zee Ho, Paul CPA, FCCA

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

Dr. CAO Zhen Lei (*Chairman*)
Mr. LEUNG Ping Chung, Hermann
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

REGISTERED OFFICE

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

HEAD OFFICE AND 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

AUDITORS

PricewaterhouseCoopers

LEGAL ADVISERS TO THE COMPANY

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group (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

Bank of China (Hong Kong) Limited
China Construction Bank Limited
Hang Seng Bank Limited
CITIC Bank International Limited
Industrial and Commercial Bank of China Limited
Agricultural Bank of China Limited
Bank of China Limited
The Hongkong and Shanghai Banking Corporation Limited

WEBSITE:

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



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 condensed consolidated balance sheet as at 30 June 2010 and the unaudited condensed consolidated statement of comprehensive income, unaudited condensed consolidated cash flow statement and unaudited condensed consolidated statement of changes in equity of the Company and its subsidiaries (the “Group”) for the period ended 30 June 2010 (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 2010

	2010	2009	Changes
Revenue (HK\$)	1,682,163,641	1,346,074,193	+25.0%
Profit attributable to equity holders of the Company (HK\$)	198,363,839	180,155,245	+10.1%
Gross profit margin	32.0%	31.8%	+0.2p.p.
Net profit margin	11.8%	13.4%	-1.6p.p.
Basic earnings per share (HK\$)	21.9 cents	19.9 cents	+10.1%
Stock turnover	154 days	93 days	
Finished goods turnover	32 days	35 days	
Debtors turnover	46 days	36 days	
Interim dividend declared (HK\$)	3.3 cents	3.0 cents	

Management Discussion and Analysis

OPERATING ENVIRONMENT

In the first half of 2010, China's economy continued its growth momentum despite uncertainties over the sovereign debt crisis in Europe and the opaque economic situation in the US. China continued to play a vital role in the world's economic recovery, with a staggering 11.1% GDP growth year on year. Whereas exports remain crucial to China's economy, domestic consumption has evolved as an increasingly important component in driving the country's economy.

Household consumption continued to grow hand in hand with urban and rural disposable income. Per capita disposable income of urban residents and rural residents increased by approximately 10.2% and 12.6% to reach RMB9,757 and RMB3,708 respectively in the first half of 2010.

With a backdrop of continued urbanization and improving living standard, consumers in China have developed more sophisticated consumption habits. This will continue to fuel the demand for high quality household paper product which in turn provides a favourable environment for Vinda International.

However, price of commodity also increased sharply together with the revival of global economy. Woodpulp is the major raw material for household paper products. Chile and Finland, two sizeable woodpulp sources accounting for approximately 10% of the world's pulp market production capacity, have respectively experienced supply disruptions due to an earthquake and strikes during the period under review. This has further pushed woodpulp prices to a historical high. One positive outcome that increasing pulp price may have brought about, however, is industry consolidation which resulted from closure of small players which cannot handle the escalating raw material costs.

For the six months ended 30 June 2010, turnover of the Group reached HK\$1,682,163,641 (for the six months ended 30 June 2009: HK\$1,346,074,193), representing an increase of 25% over the same period last year. Profit attributable to shareholders amounted to HK\$198,363,839 (for the six months ended 30 June 2009: HK\$180,155,245), representing an increase of 10% from the same period of last year. Earnings per share were HK\$21.9 cents (for the six months ended 30 June 2009: HK\$19.9 cents), an increase of 10% over the last corresponding period.

BUSINESS REVIEW

2010 is a remarkable year for Vinda International as this marks our 25th anniversary. 25 years of rapid development has seen the Vinda brand becoming an accomplished leader in household paper in China. Taking this opportunity, the Group will further strengthen the brand equity by adding new essence to the brand. Products with new marketing concept will be rolled out in the second half of the year and a series of marketing campaign including TV commercials and nationwide marketing events will follow.

The Group has continued to drive business growth through product mix optimization and production technology advancement. In order to capture the growing demand for premium products, with ongoing efforts in research and development, the Group has successfully upgraded our flagship product, the Blue Classics Series. Products with packaging of popular cartoon icons "Pleasant Goat and Big Big Wolf" received favourable market response. Meanwhile, in order to offer diverse choices for price-sensitive consumers in second- and third-tier cities and to promote the low carbon and environment-friendly mindset, the Group has also launched the "Rewoo" brand, a tissue paper brand using sugar cane pulp as the major raw material. All these product enhancement and differentiation initiatives have echoed with our "Dual Brand" marketing strategy so as to cater for the preferences of different consumer clusters.

Management Discussion and Analysis



In view of the strong momentum of market demand, the Group continued to expand our production capacity. Capacity enhancement program at the existing plants in XiaoGan, HuBei in Central China is underway, followed hard on the heels by the greenfield project at AnShan, LiaoNing in Northeast China. Completion of the two expansion plans will not only enhance the “Asterisk Layout” of Vinda International production capacities across the country, but also help the Group exploit better economies of scale with further reductions in logistics costs. Further capacity build-out went full steam ahead, which would see a total of approximately 150,000 tpa (ton per annum) of new capacity being added by 2011 year end, with an estimated 50,000 tpa of it commencing production towards the end of the current year. Meanwhile, utilization rate of the plants and machinery of our six existing plants have been maintained at a high level since last year end and continued throughout the period under review.

The escalation of woodpulp costs since mid-2009 have been well managed by the Group, with timely and pre-emptive action taken early in the second half of 2009. More recently we are seeing signs of stabilization if not outright downward pressure on international as well as local woodpulp prices. We have moderately reduced the stock level of woodpulp as a result. In a bid to help alleviate the pressure on profit margins posed by the rising of woodpulp costs, we have initiated a number of pricing adjustments, including reduction of promotional bundled sales, and, towards the end of the 2nd quarter, the increase of ex-factory prices of our tissue sales have become effective.

BUSINESS STRATEGY

On the front of distribution channel, mega-markets will be a key focus which the Group will work on in the coming future. Our senior executives are tirelessly exploring bigger scale collaboration opportunities with supermarket chains, which should command an increasing share of consumer spending in future. As at 30 June 2010, there were a total of 140 sales offices and 837 distributors (31 December 2009: 125 sales offices and 715 distributors). The opening of image stores under the “Ten Thousand Shops in Over a Hundred Cities” strategy throughout China have resulted in notable achievements, which not only strengthened the Group’s distribution network, and also drove sales growth and enhanced the brand image.

With our geographical presence and new production capacity now extending to the Northeast China markets, we are well positioned to tap the demand there with improved operation efficiency and faster response time.

Brand building remains the focus of the Group’s business. The Group has been reshaping itself in tune with our increased focus on sales and marketing, and we have established our trading corporation on the mainland to help manage the sales and distribution with enhanced focus. This trading corporation and its branches established all over China will spearhead local, regional and national sales drives more effectively, while our various manufacturing subsidiaries back them up with products of consistent and high quality.

HUMAN RESOURCES AND MANAGEMENT

The Group continues to recruit, train and retain our all-important human capital. The operations in our various subsidiaries have always enjoyed good labor relations and a stable workforce. Infusion of new blood, especially at the management and executive level, is considered a determinant for the corporate’s long term success and so a program of young management and executives recruitment and development is taking shape. This would allow us to identify rising stars to support the Company’s growth and outperform our competition.

During the first half year, we have the pleasure and honor of our CEO, Ms. Zhang Dong Fang, joining us and leading us to scale new heights. Ms. Zhang was granted a total of 3,000,000 share options under the Company’s Share Option Scheme. Together with the grants previously made, there are a total of 27,750,000 share options remaining outstanding as at 30 June 2010.

As at mid-year, we have 5,699 full time staff. In determining staff remuneration and benefit policies, the Group primarily takes into account the nature of positions and performance of the relevant staff with reference to prevailing market rates.

Management Discussion and Analysis

FOREIGN EXCHANGE RISKS

The majority of the Group's business transactions are invoiced and settled in RMB, and a significant portion in US dollars and HK dollars.

A predominant portion of sales revenue and purchases of ancillary production materials and services are made in the PRC, while the predominant portion of key raw materials, woodpulp, are imported and payable in US dollars. Neither during the period nor as at 30 June 2010, had the Group entered into any forward foreign exchange contracts. Management will closely monitor foreign exchange risks. Action will be taken as appropriate to reduce unfavorable exposure to currency movements.

FUTURE PROSPECTS

Looking forward, domestic consumption is expected to escalate further and play an increasingly important role in driving the country's economy. Thus, the fast-moving consumer goods industry in which the Group operates will benefit. The People's Bank of China's recent decision to deepen the reform of Renminbi exchange regime, making the Renminbi exchange rate more flexible, is set to bring multiple benefits to China economy, including job creation, easing of imported inflation, and stimulus to boost the sluggish Chinese stock market. All these developments will benefit the Group's business in serving the increasing demand for high quality daily necessities.

Recently, woodpulp price in the mainland has shown signs of weakening, and the international pulp price outlook has turned stable. Major industry analysts believe that the abrupt rise in woodpulp prices has now come to an end, with possible movements in the short term being range-bound and capped by the recent peak. As a result, the margin pressure resulting from woodpulp price hike is expected to be alleviated.

The management believes the Group's ambitious capacity expansion plan puts it in good stead to capture growth opportunities in a prudent yet proactive manner. With the great relationship established with international and local banks in Hong Kong as well as major commercial banks in China, we are pleased that the tenor of our term financing has recently been increased to 5 years, with the entry of global banks acting as lender. Liquidity facility limits have been upped by these banks, and this supports our increased volume of trading well.

In conclusion, the Group's growing brand equity, diversified product mix and innovative marketing strategies will help us advance in the market, and seize opportunities brought forth by the growing middle class and the rise in disposable income and purchasing power in China. In the second half year, the Group will continue to capitalize on our core strengths to strive for further and sustainable growth. Persistent efforts will be made to refine and strengthen the Group's existing operations. The management will continue to explore lucrative opportunities that benefit the Group's growth strategy, with a view to generating maximum returns for shareholders.



Management Discussion and Analysis

OTHER FINANCIAL INFORMATION

Liquidity, Financial Resources and Bank Loans

The Group's financial position remains healthy. As at 30 June 2010, the Group's bank and cash balances amounted to HK\$332,616,623 (31 December 2009: HK\$347,710,038), and short-term and long-term loans in aggregate amounted to HK\$919,143,850 (31 December 2009: HK\$863,222,792). The annual interest rates of bank loans ranged from 1.0513% to 5.7600%.

Other Information

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2010, 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	286,206,235 Shares	—	286,206,235	31.57%
	Fu An International Company Limited	Interest of controlled company	280 shares of US\$1.00 each	—	—	73.68%
	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	284,606,235 Shares	9,038,000	293,644,235	32.39%
	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	284,606,235 Shares	9,038,000	293,644,235	32.39%
	Fu An International Company Limited	Interest of controlled company	40 shares of US\$1.00 each	—	—	10.53%
	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%

Other Information

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	—	3,000,000	3,000,000	0.33%
Leung Ping Chung, Hermann	The Company	personal	1,453,000	400,000	1,853,000	0.20%
Johann Christoph Michalski	The Company	personal	—	400,000	400,000	0.04%
Chiu Bun	The Company	personal	—	400,000	400,000	0.04%
Cao Zhen Lei	The Company	personal	—	400,000	400,000	0.04%
Tsui King Fai	The Company	personal	—	400,000	400,000	0.04%

Notes:

1. The Shares are registered in the name of Fu An International Company Limited which is held as to 73.68% by Sentential Holdings Limited, 15.79% by Join Pride International Limited and 10.53% 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 73.68% by Sentential Holdings Limited, 15.79% by Join Pride International Limited and 10.53% 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 73.68% by Sentential Holdings Limited, 15.79% by Join Pride International Limited and 10.53% 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.

Other Information

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2010, 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	Aggregate interest	Percentage of issued share capital
Fu An International Company Limited	Beneficial owner	284,606,235	284,606,235	31.40%
Sentential Holdings Limited ⁽¹⁾	Interest of controlled company	284,606,235	284,606,235	31.40%
Eagle Power Assets Limited ⁽¹⁾	Interest of controlled company	284,606,235	284,606,235	31.40%
HSBS International Trustee Limited ⁽¹⁾	Trustee of CW Li Family Trust	284,606,235	284,606,235	31.40%
Li Chao Wang ⁽¹⁾	Settlor and beneficiary of CW Li Family Trust	286,206,235	286,206,235	31.57%
SCA Hygiene Holding AB	Beneficial owner	169,531,897	169,531,897	18.75%
SCA Group Holding BV ⁽²⁾	Interest of controlled company	169,531,897	169,531,897	18.75%
Svenska Cellulosa Aktiebolaget ⁽²⁾	Interest of controlled company	169,531,897	169,531,897	18.75%
Cathay Paper Limited	Beneficial owner	84,567,232	84,567,232	9.35%
Cathay Capital Holdings, L.P. ⁽³⁾	Interest of controlled company	84,567,232	84,567,232	9.35%
Cathay Master GP, Ltd. ⁽³⁾	Interest of controlled company	84,567,232	84,567,232	9.35%
Invesco Hong Kong Limited	Beneficial owner	73,119,000	73,119,000	8.07%

Notes:

- These Shares are registered in the name of Fu An International Company Limited which is held as to 73.68% by Sentential Holdings Limited, 15.79% by Join Pride International Limited and 10.53% 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 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.
- These Shares are registered in the name of Cathay Paper Limited, which is wholly-owned by Cathay Capital Holdings, L.P., a private equity fund and a limited partnership with direct investment in China. Cathay Master GP, Ltd. is the general partner of Cathay Capital Holdings, L.P. Under the SFO, Cathay Master GP, Ltd. and Cathay Capital Holdings, L.P. are deemed to be interested in the Shares held by Cathay Paper Limited.
- Invesco Hong Kong Limited was interested in 73,119,000 shares of the Company as investment manager.

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.



Other Information

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 2010 resulted in 1,882,000 shares being issued with exercise proceeds of HK\$5,608,360.

Other Information

Details of movements of the options granted under the Share Option Scheme for the six months ended 30 June 2010 are as follows:

	Date of Grant	Exercise price per Share HK\$	as at 01/01/2010	Number of Shares issuable under the options				as at 30/06/2010	Exercise period
				granted during the period	exercised during the period	forfeited during the period	cancelled during the period		
Directors									
Li Chao Wang	24/02/2009	2.98	1,600,000	—	(1,600,000)	—	—	—	24/02/2009 to 23/02/2019
Yu Yi Fang	24/02/2009	2.98	9,038,000	—	—	—	—	9,038,000	24/02/2009 to 23/02/2019
Dong Yi Ping	24/02/2009	2.98	9,038,000	—	—	—	—	9,038,000	24/02/2009 to 23/02/2019
Leung Ping Chung, Hermann	24/02/2009	2.98	400,000	—	—	—	—	400,000	24/02/2009 to 23/02/2019
Johann Christoph Michalski	24/02/2009	2.98	400,000	—	—	—	—	400,000	24/02/2009 to 23/02/2019
Chiu Bun	24/02/2009	2.98	400,000	—	—	—	—	400,000	24/02/2009 to 23/02/2019
Cao Zhen Lei	24/02/2009	2.98	400,000	—	—	—	—	400,000	24/02/2009 to 23/02/2019
Tsui King Fai	24/02/2009	2.98	400,000	—	—	—	—	400,000	24/02/2009 to 23/02/2019
Zhang Dong Fang	15/04/2010	5.42	—	3,000,000	—	—	—	3,000,000	(Note 1)
Employees of the Group									
In aggregate	24/02/2009	2.98	5,010,000	—	(282,000)	(54,000)	—	4,674,000	(Note 2)
			26,686,000	3,000,000	(1,882,000)	(54,000)		27,750,000	

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.



Other Information

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 2010, the Company has complied with the Code on Corporate Governance Practices (the “Code”) except for deviations from provision A.2.1 of the Code, which stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Compliance with this Code has been achieved since the appointment of Ms. Zhang Dong Fang as chief executive officer of the Company on 22 February 2010.

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 2010.

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 2010.

REMUNERATION COMMITTEE

The Company’s remuneration committee comprises two independent non-executive directors, namely Dr. Cao Zhen Lei and Mr. Tsui King Fai, and one non-executive director, namely Mr. Leung Ping Chung, Hermann. 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 2010, 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

**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 16 to 34, which comprises the condensed consolidated balance sheet of Vinda International Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2010 and the related 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, 27 August 2010



Condensed Consolidated Balance Sheet

	Note	30 June 2010 Unaudited HK\$	31 December 2009 Audited HK\$
ASSETS			
Non-current assets			
Property, plant and equipment	5	1,923,388,342	1,825,089,896
Leasehold land and land use rights	5	172,452,474	158,910,242
Intangible assets	5	8,772,285	6,881,218
Deferred income tax assets		74,094,290	72,909,571
Total non-current assets		2,178,707,391	2,063,790,927
Current assets			
Inventories		1,041,579,389	912,068,945
Trade receivables, other receivables and prepayments	6	536,161,142	409,312,796
Due from related parties	18	9,288,563	5,458,343
Pledged bank deposits		85,139	760,931
Cash and cash equivalents		332,531,484	346,949,107
Total current assets		1,919,645,717	1,674,550,122
Total assets		4,098,353,108	3,738,341,049
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	7	90,652,369	90,464,169
Share premium	7	845,471,151	838,018,579
Other reserves		1,280,432,628	1,141,425,655
Total equity		2,216,556,148	2,069,908,403

The notes on pages 21 to 34 form an integral part of this condensed consolidated interim financial information.



Condensed Consolidated Balance Sheet (Continued)

	Note	30 June 2010 Unaudited HK\$	31 December 2009 Audited HK\$
LIABILITIES			
Non-current liabilities			
Borrowings	9	529,933,407	597,739,324
Deferred government grants		70,460,244	63,467,626
Deferred income tax liabilities		1,725,456	1,794,270
Total non-current liabilities		602,119,107	663,001,220
Current liabilities			
Trade payables, other payables and accrued expenses	10	820,607,957	680,034,008
Due to a related party	18	—	1,054,572
Borrowings	9	389,210,443	265,483,468
Current income tax liabilities		69,859,453	58,859,378
Total current liabilities		1,279,677,853	1,005,431,426
Total liabilities		1,881,796,960	1,668,432,646
Total equity and liabilities		4,098,353,108	3,738,341,049
Net current assets		639,967,864	669,118,696
Total assets less current liabilities		2,818,675,255	2,732,909,623

The notes on pages 21 to 34 form an integral part of this condensed consolidated interim financial information.



Condensed Consolidated Statement of Comprehensive Income

		Unaudited	
		Six months ended 30 June	
	Note	2010 HK\$	2009 HK\$
Revenue	4	1,682,163,641	1,346,074,193
Cost of sales		(1,143,697,909)	(918,577,460)
Gross profit		538,465,732	427,496,733
Selling and marketing costs		(189,210,966)	(97,686,816)
Administrative expenses		(88,540,721)	(83,222,671)
Other income and gains - net		3,838,608	1,178,243
Operating profit	11	264,552,653	247,765,489
Finance income		1,220,578	628,119
Finance costs		(8,975,825)	(15,488,980)
Finance costs, net		(7,755,247)	(14,860,861)
Profit before income tax		256,797,406	232,904,628
Income tax expense	12	(58,433,567)	(52,749,383)
Profit attributable to equity holders of the Company		198,363,839	180,155,245
Other comprehensive income:			
Currency translation differences	13	20,436,037	(155,126)
Total comprehensive income attributable to equity holders of the Company		218,799,876	180,000,119
Earnings per share for profit attributable to the equity holders of the Company			
– basic	14	0.219	0.199
– diluted	14	0.216	0.198
Dividends	15	29,915,282	27,127,251

The notes on pages 21 to 34 form an integral part of this condensed consolidated interim financial information.



Condensed Consolidated Statement of Changes In Equity

Unaudited

	Note	Attributable to equity holders of the Company			
		Share capital	Share premium	Other reserves	Total
		HK\$	HK\$	HK\$	HK\$
Balance as at 1 January 2009		90,384,169	834,834,579	783,867,895	1,709,086,643
Profit for the period		—	—	180,155,245	180,155,245
Other comprehensive income					
- Currency translation differences		—	—	(155,126)	(155,126)
Total comprehensive income for the six months ended 30 June 2009		—	—	180,000,119	180,000,119
Transaction with owners					
Employees share option scheme					
- Value of employee services		—	—	25,603,000	25,603,000
- Exercise of options	7, 8	40,000	1,152,000	—	1,192,000
Dividends	15	—	—	(41,595,118)	(41,595,118)
Transaction with owners		40,000	1,152,000	(15,992,118)	(14,800,118)
Balance as at 30 June 2009		90,424,169	835,986,579	947,875,896	1,874,286,644
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	7, 8	188,200	7,452,572	(2,032,412)	5,608,360
Dividends	15	—	—	(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

The notes on pages 21 to 34 form an integral part of this condensed consolidated interim financial information.



Condensed Consolidated Cash Flow Statement

		Unaudited	
		Six months ended 30 June	
	Note	2010 HK\$	2009 HK\$
Cash flows from operating activities:			
– continuing operations		162,508,393	184,613,474
Cash flows from investing activities:			
– purchases of property, plant and equipment		(136,760,184)	(66,218,995)
– purchases of intangible assets		(2,777,239)	(5,463,289)
– purchases of leasehold land and land use rights		(14,443,188)	—
– proceeds on disposal of property, plant and equipment		120,748	473,800
– other investing cash flows - net		1,220,578	628,119
Cash flows used in investing activities - net		(152,639,285)	(70,580,365)
Cash flows from financing activities:			
– dividends paid	15	(81,417,752)	(41,595,118)
– repayments of borrowings	9	(439,138,499)	(664,605,767)
– proceeds from borrowings	9	486,767,240	656,691,885
– decrease in pledged deposits		675,792	884,454
– proceeds from shares issued	8	5,608,360	1,192,000
Cash flows used in financing activities - net		(27,504,859)	(47,432,546)
Net (decrease)/increase in cash and cash equivalents		(17,635,751)	66,600,563
Cash and cash equivalents at beginning of the period		346,949,107	172,189,258
Exchange differences		3,218,128	(103,295)
Cash and cash equivalents at end of the period		332,531,484	238,686,526

The notes on pages 21 to 34 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 2010

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 27 August 2010.

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 2010 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 2009, 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 2009, 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) Standards, amendments and interpretations to existing standards effective in 2010 but not relevant to the Group
- HKFRS 3 (revised), ‘Business combinations’, and consequential amendments to HKAS 27, ‘Consolidated and separate financial statements’, HKAS 28, ‘Investments in associates’, and HKAS 31, ‘Interests in joint ventures’, are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. This standard does not have any impact on the Group’s condensed consolidated interim financial information, as the Group has not incurred any business combination during the period for the six months ended 30 June 2010.
 - HKAS 17 (amendment), ‘Leases’, deletes specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating lease using the general principles of HKAS 17, i.e. whether the lease transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. The Group has reassessed the classification of unexpired leasehold land and land use rights as at 1 January 2010 on the basis of information existing at the inception of those leases, and considered this amendment did not have any impact to the Group as all the leases of land should still be classified as operating lease under the HKAS 17 (amendment).



Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2010

3 ACCOUNTING POLICIES (Continued)

(a) Standards, amendments and interpretations to existing standards effective in 2010 but not relevant to the Group (Continued)

- HK(IFRIC)-Int 17, 'Distributions of non-cash assets to owners' is effective for annual periods beginning on or after 1 July 2009. This is not currently applicable to the Group, as it has not made any distributions of non-cash assets to owners.
- 'Additional exemptions for first-time adopters' (Amendment to HKFRS 1) is effective for annual reporting periods beginning on or after 1 January 2010. This is not relevant to the Group, as it is an existing HKFRS preparer.
- HKAS 39 (Amendment), 'Eligible hedged items' is effective for annual reporting periods on or after 1 July 2009. That is not currently applicable to the Group, as it has no hedging.
- HKFRS 2 (Amendment), 'Group cash-settled share-based payment transaction' is effective for annual reporting periods beginning on or after 1 January 2010. This is not currently applicable to the Group, as it has no such cash-settled share-based payment transactions.
- First improvements to Hong Kong Financial Reporting Standards (2008) were issued in May 2008 by the IASB and October 2008 by the HKICPA. The improvement related to HKFRS 5 "Non-current assets held for sale and discontinued operations" is effective for annual reporting periods on or after 1 July 2009. This is not currently applicable to the Group, as it has no non-current assets held for sale or discontinued operations for the six months ended 30 June 2010.
- Second improvements to Hong Kong Financial Reporting Standards (2009) were issued in April 2009 by IASB and May 2009 by the HKICPA. All improvements are effective in the financial year of 2010 but not currently applicable to the Group for the six months ended 30 June 2010.

(b) The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 January 2010 and have not been early adopted:

Standards	Amendments	Effective date
HKFRS 9	Financial instruments: Classification and measurement of financial assets	1 January 2013
HKAS 24 (Revised)	Related party disclosures	1 January 2011
HKAS 32 (Amendment)	Classification of rights issues	1 February 2010
HK(IFRIC) Int-14	Prepayments of a minimum funding requirement	1 January 2011
HK(IFRIC) Int-19	Extinguishing financial liabilities with equity instruments	1 July 2010
HKFRS 1	Limited exemption from comparative HKFRS 7 disclosures for first-time adopters	1 July 2010

- Third improvements to Hong Kong Financial Reporting Standards (2010) were issued in May 2010, by both IASB and the HKICPA. All improvements are effective in the financial year of 2011.



Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2010

4 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	
	2010	2009
	HK\$	HK\$
Sales of goods	1,580,054,468	1,277,490,347
Sales of semi-finished goods and other materials	102,109,173	68,583,846
Total revenue	<u>1,682,163,641</u>	<u>1,346,074,193</u>

The chief operating decision-maker ("CODM") has been identified as the executive committee, which comprises all executive directors and top management. The decision-maker reviews the Group's internal reporting in order to assess performance and allocate resources.

Based on these reports, the CODM 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 as one business segment with similar risks and returns.

The CODM has also determined that no geographical segment information is presented as about 90% of the Group's sales and operating profits are derived within Mainland China and over 90% operating assets of the Group are located in Mainland China, which is considered as 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 2010 is HK\$ 1,465,171,205 (for the six months ended 30 June 2009: HK\$1,155,300,876), HK\$204,971,065 (for the six months ended 30 June 2009: HK\$175,747,703), HK\$12,021,371 (for the six months ended 30 June 2009: HK\$15,025,614).

The total of non-current assets were as follows:

	As at	
	30 June	31 December
	2010	2009
	Unaudited	Audited
	HK\$	HK\$
Total non-current assets other than deferred tax assets		
- Mainland China	2,077,027,907	1,962,321,816
- Hong Kong and overseas	27,585,194	28,559,540
Deferred tax assets	74,094,290	72,909,571
Total non-current assets	<u>2,178,707,391</u>	<u>2,063,790,927</u>

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2010

5 CAPITAL EXPENDITURE

	Unaudited		
	Property, plant and equipment HK\$	Leasehold land and land use rights HK\$	Intangible assets HK\$
Six months ended 30 June 2009			
Opening net book amount as at 1 January 2009	1,852,374,329	117,294,978	740,895
Additions	56,075,629	—	5,463,289
Disposals	(1,389,410)	—	—
Depreciation and amortisation (Note 11)	(54,894,869)	(1,843,747)	(254,536)
Exchange differences	1,784,157	53,433	900
	<u>1,853,949,836</u>	<u>115,504,664</u>	<u>5,950,548</u>
Six months ended 30 June 2010			
Opening net book amount as at 1 January 2010	1,825,089,896	158,910,242	6,881,218
Additions	142,081,641	14,443,188	2,777,239
Disposals	(458,564)	—	—
Depreciation and amortisation (Note 11)	(59,647,638)	(2,446,299)	(984,525)
Exchange differences	16,323,007	1,545,343	98,353
	<u>1,923,388,342</u>	<u>172,452,474</u>	<u>8,772,285</u>

6 TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

	As at	
	30 June 2010 Unaudited HK\$	31 December 2009 Audited HK\$
Trade receivables	475,739,378	357,841,466
Other receivables	53,170,191	40,485,150
Notes receivable	744,182	454,287
Prepayments	6,507,391	10,531,893
	<u>536,161,142</u>	<u>409,312,796</u>



Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2010

6 TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

The majority of the Group's sales is with credit terms ranging from 30 to 90 days. At 30 June 2010 and 31 December 2009, the ageing analysis of the trade and notes receivables (including amounts due from related parties of trading in nature (Note 18)) based on invoice date were as follows:

	As at	
	30 June 2010 Unaudited HK\$	31 December 2009 Audited HK\$
Trade receivables, notes receivable and amounts due from related parties		
Within 3 months	450,504,734	349,858,269
4 months to 6 months	31,190,617	13,189,459
7 months to 12 months	4,076,772	706,368
	485,772,123	363,754,096

7 SHARE CAPITAL AND SHARE PREMIUM

	Number of authorised shares	Number of issued and fully paid shares	Unaudited Amount		
			Ordinary shares HK\$	Share premium HK\$	Total HK\$
Opening balance as at 1 January 2009	80,000,000,000	903,841,686	90,384,169	834,834,579	925,218,748
Employee share option scheme (Note 8)					
- Exercise of options	—	400,000	40,000	1,152,000	1,192,000
As at 30 June 2009	<u>80,000,000,000</u>	<u>904,241,686</u>	<u>90,424,169</u>	<u>835,986,579</u>	<u>926,410,748</u>
Opening balance as 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 8)					
- Exercise of options	—	1,882,000	188,200	7,452,572	7,640,772
As at 30 June 2010	<u>80,000,000,000</u>	<u>906,523,686</u>	<u>90,652,369</u>	<u>845,471,151</u>	<u>936,123,520</u>

As at 30 June 2010 and 2009, the par value of authorised and issued ordinary shares is HK\$0.1 per share.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2010

8 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.



Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2010

8 SHARE-BASED PAYMENT (Continued)

Movements in the number of share options outstanding and their related weighted average exercise prices during the six months period ended 30 June 2010 and 2009 were as follows:

	2010		2009	
	Unaudited		Unaudited	
	Average exercise price in HK\$	Number of options	Average exercise price in HK\$	Number of options
As at 1 January	2.98	26,686,000	—	—
Granted	5.42	3,000,000	2.98	27,546,000
Exercised(a)	2.98	(1,882,000)	2.98	(400,000)
Forfeited(b)	2.98	(54,000)	—	—
As at 30 June	3.24	27,750,000	2.98	27,146,000

(a) Options exercised during the six months ended 30 June 2009 resulted in 400,000 shares being issued with net proceeds of HK\$1,192,000.

Options exercised during the six months ended 30 June 2010 resulted in 1,882,000 shares being issued with net proceeds of HK\$5,608,360.

(b) Options forfeited during the six months ended 30 June 2010 is resulted from employee resignation.

Share options outstanding at 30 June 2010 have the following expiry dates and exercise prices:

Expiry date	Exercise price HK\$ per share	Number of options
23 February 2019	2.98	24,750,000
14 April 2020	5.42	3,000,000

The weighted average fair value of options granted 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.



Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2010

9 BORROWINGS

	As at
	31 December 2009 Audited HK\$
30 June 2010 Unaudited HK\$	
529,933,407	597,739,324
389,210,443	265,483,468
919,143,850	863,222,792
	<u><u> </u></u>

Movements in borrowings are analysed as follows:

	Unaudited HK\$
Six months ended 30 June 2009	
Opening amount as at 1 January 2009	744,286,796
New borrowings	656,691,885
Repayments of borrowings	(664,605,767)
Exchange differences	338,635
	<u> </u>
Closing amount as at 30 June 2009	<u><u>736,711,549</u></u>
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
	<u> </u>
Closing amount as at 30 June 2010	<u><u>919,143,850</u></u>

Interest expenses on borrowings for the six months ended 30 June 2010 were HK\$12,268,987 (six months ended 30 June 2009: HK\$15,184,416).



Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2010

10 TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES

	As at	
	30 June 2010 Unaudited HK\$	31 December 2009 Audited HK\$
Trade payables	468,700,226	367,053,331
Notes payables	24,479,006	25,234,441
Other payables	236,360,037	186,679,639
Accrued expenses	91,068,688	101,066,597
	820,607,957	680,034,008

Aging analysis of trade payables and notes payables as at 30 June 2010 and 31 December 2009 (including amount due to a related party of trading in nature (Note 18)) based on invoice date were as follows:

	As at	
	30 June 2010 Unaudited HK\$	31 December 2009 Audited HK\$
Trade payables, notes payables and amount due to a related party		
Within 3 months	461,698,437	353,911,228
4 months to 6 months	16,180,770	18,188,562
7 months to 12 months	9,021,487	15,584,726
1 year to 2 years	4,588,690	3,908,939
2 years to 3 years	1,287,843	1,327,640
Over 3 years	402,005	421,249
	493,179,232	393,342,344

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2010



11 OPERATING PROFIT

The following items have been (credited)/charged to the operating profit during the six months ended 30 June 2010 and 2009:

	Unaudited	
	Six months ended 30 June	
	2010	2009
	HK\$	HK\$
Government grants for reinvestment	—	(575,754)
Amortisation of deferred government grants	(2,445,878)	(1,329,221)
Foreign exchange loss/(gain), net	3,463,602	(195,373)
Provision for impairment of receivables	6,269,778	416,751
(Write-back)/provision for impairment of inventories	(223,085)	439,467
Amortisation of share option	3,657,261	25,603,000
Depreciation of property, plant and equipment	59,647,638	54,894,869
Amortisation of intangible assets	984,525	254,536
Amortisation of leasehold land and land use rights	2,446,299	1,843,747
Loss on disposal of property, plant and equipment	337,816	915,610

12 INCOME TAXES

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2009: 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	
	2010	2009
	HK\$	HK\$
Current income tax		
- Hong Kong profits tax	11,897,301	6,737,240
- PRC enterprise income tax	46,784,912	53,973,012
Deferred income tax	(248,646)	(7,960,869)
	58,433,567	52,749,383

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 2010 is 23.4% (the estimated tax rate for the six months ended 30 June 2009 was 24.3%). The change is caused by the changes in profitability of the Group's subsidiaries with different applicable tax rates.



Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2010

13 CURRENCY TRANSLATION DIFFERENCES

According to HKAS1 (revised), "Presentation of financial statement", all "non-owner changes in equity" are required to be shown in a comprehensive income statement. The other comprehensive income of the Group is mainly composed of currency translation differences, which arose from the translation of functional currency to presentation currency. The currency translation difference for the six months ended 30 June 2010 is a translation gain of HK\$20,436,037 (six months ended 30 June 2009: a translation loss of HK\$155,126).

14 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	
	2010	2009
Profit attributable to equity holders of the Company (HK\$)	198,363,839	180,155,245
Weighted average number of ordinary shares in issue	905,133,012	903,958,813
Basic earnings per share (HK\$ per share)	0.219	0.199

(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	
	2010	2009
Profit attributable to equity holders of the Company (HK\$)	198,363,839	180,155,245
Weighted average number of ordinary shares in issue	905,133,012	903,958,813
Adjustments for share options	12,135,334	4,737,391
Weighted average number of ordinary shares for diluted earnings per share	917,268,346	908,696,204
Diluted earnings per share (HK\$ per share)	0.216	0.198



Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2010

15 DIVIDENDS

On 7 April 2010, the Board of Directors proposed a dividend in respect of the year ended 31 December 2009 of HK\$81,417,752, representing HK\$0.090 per ordinary share. The dividend was paid in June 2010.

In addition, an interim dividend of HK\$0.033 per share (2009: HK\$0.030 per share) was proposed by the board of directors on 27 August 2010. This interim dividend, amounting to HK\$29,915,282 (2009: HK\$27,127,251), 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 2010.

16 CAPITAL COMMITMENTS FOR PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

	As at	
	30 June 2010 Unaudited HK\$	31 December 2009 Audited HK\$
Contracted but not provided for	188,850,749	43,989,206

17 CONTINGENT LIABILITIES

As at 30 June 2010 and 31 December 2009, the Group had no material contingent liabilities.

18 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 (Tianjin) Packaging Products Co., Ltd. ("SCA (Tianjin)")	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)



Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2010

18 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 2010 also include:

	Unaudited	
	Six months ended 30 June	
	2010	2009
	HK\$	HK\$
(1) Sales of products to related parties:		
- SCA HA	14,673,643	6,897,002
- SCA (Shanghai)	511,296	—
- SCA (Hong Kong)	17,536	—
	15,202,475	6,897,002
(2) Purchase of packages from a related party:		
-SCA (Tianjin)	1,508,119	741,612

On 30 June 2010, Svenska Cellulosa Aktiebolaget AB divested its Asian packaging operation including SCA (Tianjin). Thereafter, SCA (Tianjin) ceased to be a related party of the Group.

	Unaudited	
	Six months ended 30 June	
	2010	2009
	HK\$	HK\$
(3) Key management compensation:		
Directors		
- Basic salaries, housing allowances, other allowances, benefits-in-kind and other benefits	3,342,704	3,048,972
- Share-based payments	2,801,261	24,724,000
Senior management		
- Basic salaries, housing allowances, other allowances, benefits-in-kind and other benefits	2,938,495	2,205,876
- Share-based payments	856,000	879,000
	9,938,460	30,857,848



Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2010

18 RELATED-PARTY TRANSACTIONS (Continued)

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

	30 June 2010 Unaudited HK\$	As at 31 December 2009 Audited HK\$
(1) Trade receivables from related parties:		
- SCA HA	9,267,547	5,382,583
- SCA (Hong Kong)	17,536	—
- SCA (Shanghai)	3,480	75,760
	<u>9,288,563</u>	<u>5,458,343</u>
(2) Trade payables to a related party:		
-SCA (Tianjin)	—	1,054,572
	<u>—</u>	<u>1,054,572</u>

Trade receivables/payables from/to related parties of the Group are interest-free, without pledge and all due within 3 months as at 30 June 2010 and 31 December 2009 based on invoice date.