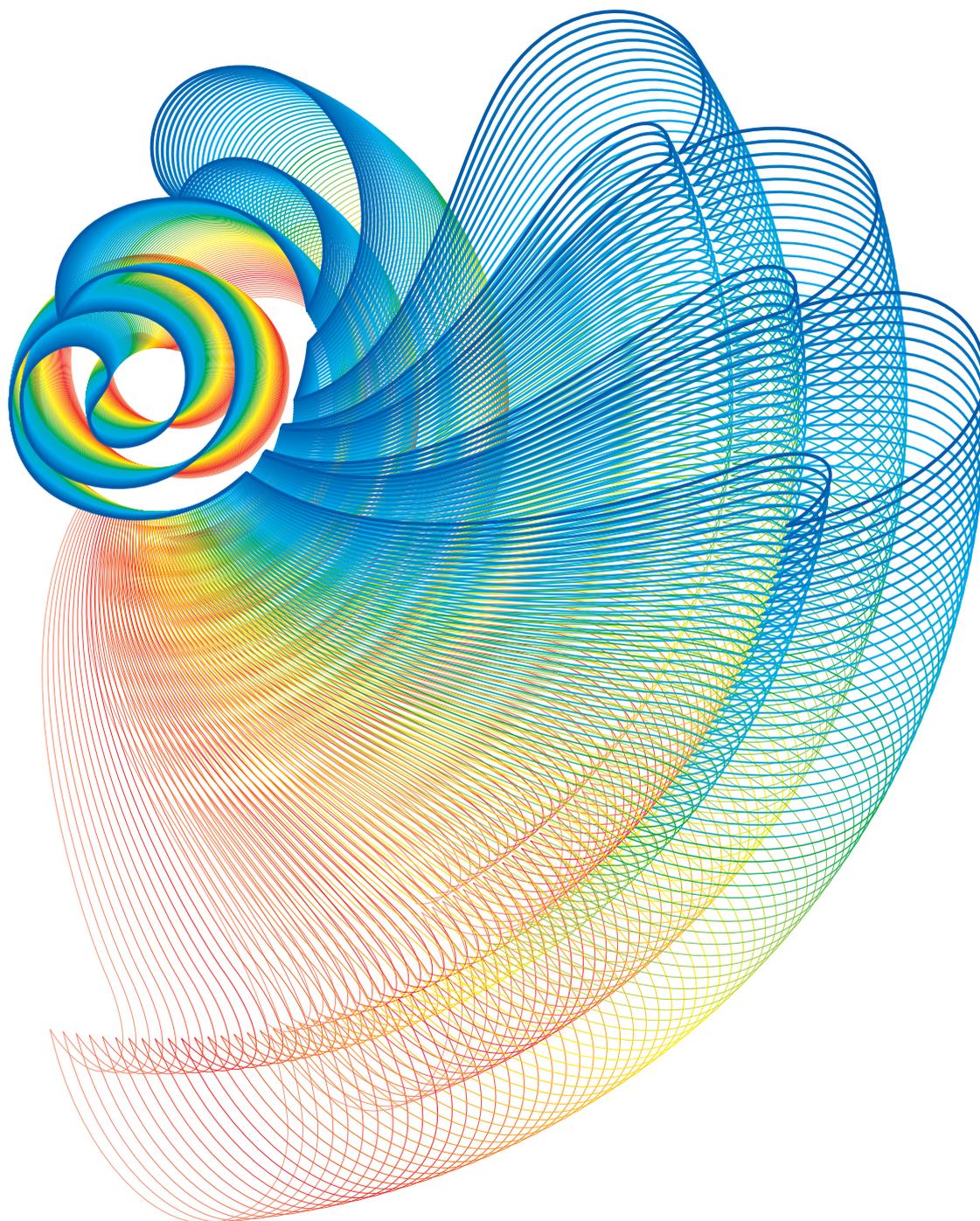




# Vinda International Holdings Limited

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

## Interim Report 2013



Healthy Lifestyle Starts from

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# VINDA

3层  
**超韧**系列 纸面巾  
Ultra Strong  
超韧细密, 湿水不易破



韧在维达,  
乐在全家 :)

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Be Top of Consumer  
Mind

## 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

Royal Bank of Canada Trust Company (Cayman) Limited  
4th Floor, Royal Bank House  
24 Shedden Road, George Town  
Grand Cayman KY1-1110  
Cayman Islands

### Hong Kong Branch Share Registrar and Transfer Office

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

### Principal Bankers

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

### Website

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



薇尔 VIA™

## Interim Results and Financial Highlights

### Interim Results

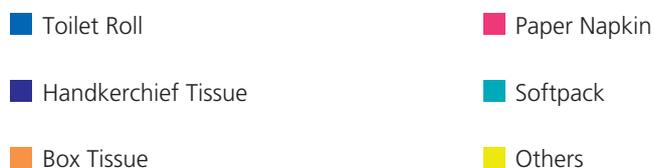
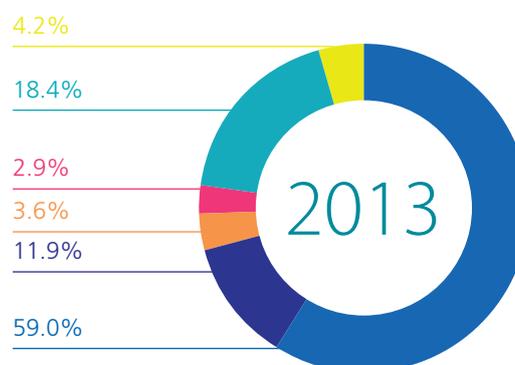
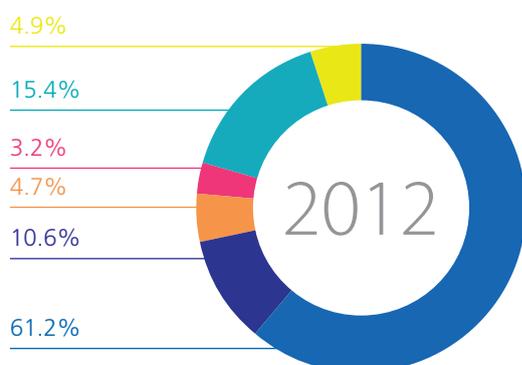
The Board of Directors (the "Board") of Vinda International Holdings Limited ("Vinda International" or the "Company") is pleased to present the unaudited interim condensed consolidated balance sheet as at 30 June 2013 and the unaudited interim condensed consolidated statement of comprehensive income, unaudited interim condensed consolidated statement of cash flows and unaudited interim condensed consolidated statement of changes in equity of the Company and its subsidiaries (the "Group") for the period ended 30 June 2013 (the "Period"), together with the comparative figures and selected explanatory notes. The unaudited interim financial statements have been reviewed by the Company's independent auditors and audit committee.

### Financial Highlights

Interim Results for the six months ended 30 June 2013

	2013	2012	Changes
Revenue (HK\$)	<b>3,313,654,946</b>	2,887,493,324	<b>+14.8%</b>
Gross profit (HK\$)	<b>957,815,172</b>	903,043,827	<b>+6.1%</b>
Profit attributable to equity holders of the Company (HK\$)	<b>283,984,356</b>	258,045,029	<b>+10.1%</b>
Gross profit margin	<b>28.9%</b>	31.3%	
Net profit margin	<b>8.6%</b>	8.9%	
Basic earnings per share (HK\$)	<b>28.4 cents</b>	26.7 cents	<b>+6.4%</b>
Stock turnover	<b>119 days</b>	123 days	
Finished goods turnover	<b>34 days</b>	37 days	
Debtors turnover	<b>49 days</b>	47 days	
Interim dividend declared (HK\$)	<b>4.8 cents</b>	4.3 cents	

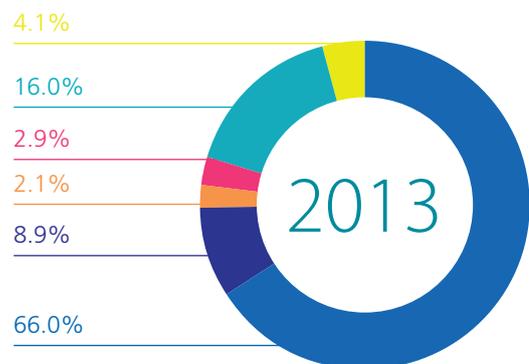
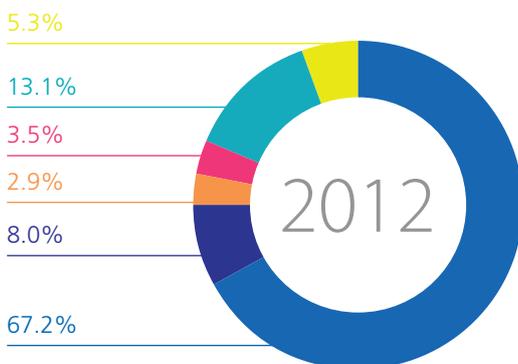
### Turnover by Product Categories



天然洁肤  
安心用



Sales Volume by Product Categories



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

## Management Discussion And Analysis



China's economy decelerated to a moderate growth in the first half of 2013 from rapid expansion in previous years. The slowdown hampered growth in the country's retail market. In contrast, the country's per capita household paper consumption was still rather low, and the stiff demand for the commodity was driving the development of the household paper industry in the long term. However, the bright prospects also attracted more entrants to the market. This, coupled with the launch of existing players' expanded production capacity into operation, increased the supply-side capacity, thus intensifying competition.

### Business Review

2013 marks the third year of the Group's 6th five-year plan. During the period under review, the Group achieved great success in winning market share. Turnover increased by 14.8% year-on-year to HK\$3,313,654,946. In particular, the performance of softpack products was the most outstanding with a year-on-year 38.3% increase in sales. In view of the weak consumer sentiment, retailers large and small cut back on store network expansion, thus dampening the sales growth in fast-moving consumer goods to a certain extent. Furthermore, the expanded household paper production capacity across the industry has caused the market competition to heat up. As a result, the Group has redoubled its marketing and promotion efforts during the period and this adversely affected the average selling prices per ton of its products which weighed on the Group's overall profit margins during the period. For the six months ended 30 June 2013, gross profit increased by 6.1% year-on-year to HK\$957,815,172 and profit attributable to shareholders increased by 10.1% year-on-year to HK\$283,984,356. Earnings per share were HK\$0.284.

In appreciation of the shareholders' continued support, the Board has resolved to declare an interim dividend of HK\$0.048 (2012: HK\$0.043) per share for the six months ended 30 June 2013 to the shareholders.

### Persistent Brand-building Effort

The Group has been persistently building its brand with the values encapsulated in its slogan of "Healthy Lifestyle Starts from Vinda". We believe that the key to succeeding in the severe competition is winning consumers' long-term support. We will have to achieve this by focusing on brand-building, enhancing product values, boosting competitiveness with technological innovation and offering quality products. After the "Ultra-Strong" product series hit the market in 2012, consumers' loyalty to and recognition of the Vinda brand have been growing ever since. During the period, the Group organized various brand promotion events. In the publicity campaign of "Ultra Strong National Bus Tour 維達超韌全民見證 — 中國行", our promotional bus toured cities such as Shenzhen, Guangzhou, Wuhan, Shanghai, Hangzhou and Beijing. Together with joint promotions with supermarkets, this campaign has successfully built up Vinda's customer relationship. In August 2013, the Group became the only official paper supplier of "The 23rd Qingdao International Beer Festival 第二十三屆青島國際啤酒節" and this will be a new impetus to Vinda's sales network expansion in Shandong Province.

Furthermore, the Group continued to fight for market share by consolidating its leading position in the toilet rolls market, fortifying sales of its softpack products and forging ahead with its hanky products. It also allocated resources to the promotion of "Star Products" within each product category so as to expand the sales of each product line. In the second half of the year, the Group will step up its efforts in optimizing the product profile and boosting the sales of facial tissues. It will also reinforce the sales of wet wipes and kitchen rolls which command high margins, and carry on the cartoon marketing strategy by launching a new product series featuring "SpongeBob SquarePants", a world-famous cartoon character, in order to enhance its sales and profitability.



## Management Discussion And Analysis



### E-commerce and Sales Network Going Deep and Wide

In the first half of the year, the overall retail industry across China experienced drastic changes. Traditional retailers have lost their market share to rapidly rising electronic sales platforms. As an industry pioneer, the Group will not get into a groove when it comes to marketing plans. Its specialized e-sales team approached all kinds of large B2C online shops actively so as to establish long-term partnerships. Complemented by our online promotion campaigns, such initiative has appealed to young family customers and paved the way for Vinda International's future. Meanwhile, it improved the management and development of traditional retail outlets by assigning staff to monitor the shelf distribution.

Due to our established sales network, our market leadership in Guangdong, Hubei, Beijing and Hong Kong was as firm as a rock. After our new plant in Laiwu City, Shandong Province goes into operation later this year, Shandong Province and its surrounding areas will become our focus for the second half of the year. We have also mapped out a plan of developing the markets of provinces and counties that the Group has yet to set foot on to expand Vinda's market coverage. As of 30 June 2013, the Group had a total of 235 (31 December 2012: 182) sales offices and 1,457 (31 December 2012: 1,374) distributors.

### Study of Asset-light Development Model

During the period, aggregate new annual production capacity of 80,000 tons were put into production, of which 40,000 tons were at our new plant in Sanjiang County, Jiangmen City, Guangdong Province, and 40,000 tons at the Xiaogan plant in Hubei Province. In addition, the fully automated production line and the automatic stereoscopic warehouse system at the Sanjiang plant were up and running, thus saving much manpower and enhancing our production and logistical efficiency. In order to satisfy the immense market demand, the Group will add a further 140,000 tons of annual production capacity in the second half of the year, which will include 50,000 tons at the new plant in Laiwu City, Shandong Province. Furthermore, we originally predicted that the output of a paper-making machine with an annual production capacity of 10,000 tons would be affected by the expansion of the logistics center at the Xiaogan plant. However, it is now assessed that the operation of this machine will not be affected by such expansion works. Therefore, the Group's total designed annual production capacity at the end of 2013 is expected to reach 760,000 tons.

## Management Discussion And Analysis

Due to market changes, the Group will shift the focus of its investment strategy to balancing production and sales in the future. We anticipate that the Group's total annual production capacity will reach 890,000 tons by the end of 2014. As many investors have joined the industry, more production capacity is expected to spring up in the market. To capitalize on this trend, the Group is now evaluating the viability of implementing a two-pronged development strategy, which fuses both the current investment-driven growth model and a brand new asset-light model together, starting from 2015. The prerequisite for adopting this new model is that it will bring cost advantage to the Group without sacrificing its product quality. The Group will select investors in the industry as its strategic partners and will contract out its mother reel production to them so as to leverage their production capacity to bridge the gap between its self-production and its clients' demand. We hope such ground-breaking initiative can effectively reduce the Group's capital expenditure, enhance its free cash flows and return on assets, as well as promote better development of the industry.

### Flexible and Effective Procurement Strategy

Wood pulp is the major raw material in the production of household paper products. The rise in wood pulp prices during the period drove up the Group's procurement costs. Looking ahead to the second half of the year, we expect wood pulp prices to fluctuate continually. To bolster its bargaining power in wood pulp procurement and reduce its production costs, the Group will adopt a flexible procurement strategy by finding new wood pulp types and new suppliers of such materials while strengthening its long-term alliance with the core suppliers.

### Personal Care Business Geared Up for Growth

The Group's diversified business portfolio was taking shape. In the first quarter of 2013, V-Care Holdings Limited, an associate of the Group, rolled out its self-developed mid-range and high-end sanitary napkin brand, VIA, aiming at young and stylish females. Manufactured under an asset-light business model, the VIA products have been launched in southern and central China through Vinda's extensive marketing network to gauge market reaction. The initial response from the market has been positive, demonstrating the potential for future profit growth. On the other hand, the baby diapers business is developing into another growth driver for the Group's long-term development. During the period, considerable efforts have been made to build the Babifit brand, such as expanding our sales channels into nation-wide hypermarket chains like Wal-Mart, and launching marketing campaigns in different regions across the country.

### Advocating Green Production and Being Socially Responsible

Sustainable development is always at the heart of the Group. Devoted to environmental protection and ecological sustainability, the Group advocates green manufacturing through energy saving and emission reduction. During the period, the Group's production base in Jiangmen has been listed as one of the model projects under the Cleaner Production Partnership Programme of the Hong Kong Productivity Council, proving the Group's dedication to green production. The Group has also improved its sewage treatment system to increase the recycling rate from 90% last year to 95%, thereby reducing costs and boosting energy efficiency. As always, the Group also worked to protect its intellectual properties such as patents and results of its technological upgrades. As at 30 June 2013, the Group had a total of 78 patents including utility model patents and invention patents for technologies.

As a conscientious enterprise, the Group strives to fulfil its corporate social responsibilities. During the period, it donated money and relief supplies to the victims of the magnitude 7 earthquake in Ya'an City, Sichuan Province, and set up the "Vinda Charity Foundation 維達慈善基金" to help meet the social needs.

## Management Discussion And Analysis

### Enhancing Human Resources Management

The Group recognizes the importance of sound corporate governance to a successful company as well as its business development and shareholders' value. Corporate governance training for the directors and senior management is organized from time to time and the disclosure system is regularly reviewed so as to improve transparency. The Group also reinforces internal control through continuous review and optimization of the code of practice for each functional department.

High-caliber staff is the key to the Group's competitiveness and value creation. The Group persistently enhances its human resources management by carrying out performance management reform and organizational restructuring, reorganizing job positions and duties, as well as providing professional training and education subsidies for employees, with an aim of aligning the Group's practices with international standards. As at 30 June 2013, the Group had a total of 8,043 employees. Employee remuneration packages are reviewed regularly and benchmarked to local market conditions as well as the staff's experience and performance to ensure the competitiveness of the Group's remuneration policy. Furthermore, the Group operates a share option scheme to attract and retain talents. During the period, the Group granted 1,359,000 share options to its directors and employees under the share option scheme.

### Foreign Exchange and Fair Value Interest Rate risk

The majority of the Group's assets and sales business are located in the PRC and Hong Kong. Most of our transactions are denominated and settled in Renminbi while most of the key raw materials are imported from overseas and denominated and paid in US dollars. The Group also borrows most of the long term loans and the short term loans denominated in HKD or USD.

Borrowings obtained at variable rates expose the Group to cash flow interest-rate risk. As at 30 June 2013, the Group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates.

### Prospects

China is a huge country with a fragmented household paper manufacturing industry, which offers products of varying quality. Moreover, the Chinese government is determined to eliminate obsolete production capacity of paper manufacturing. The market looks set to be consolidated. In view of the fierce market competition, the Group believes that only leading enterprises with strong brands and sound financial standing can play to the strength of their brand value and exploit economies of scale and hence win out in the game of market consolidation. Also, the central government's sweeping urbanization programme will also stimulate demand for quality household paper and personal care products.

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

1. Brand innovation: to revitalize and keep the Vinda brand from tarnishing;
2. Product innovation: to further differentiate our family care products, as well as develop Babifit and VIA into leadership brands;

## Management Discussion And Analysis

3. Marketing innovation: to expand the sales network and cooperating with e-commerce platforms;
4. Equipment and facilities upgrades: to comprehensively upgrade production equipment and facilities, whilst continuing with its efforts in environmental protection and improving the information technology system;
5. Supply chain innovation: to exploit asset light model; and
6. Cost control: to strengthen its control of selling and administrative expenses, as well as increase flexibility in raw materials procurement.

Vinda, with the concerted effort of both management and employees, strives to become the number one household hygiene brand in consumers' minds and deliver the best returns for our shareholders.

### Other Financial Information

#### Liquidity, Financial Resources and Bank Loans

The Group's financial position remained healthy. In March 2013, the Group concluded a syndicated loan of HK\$1 billion with a tenor of 3 years. As at 30 June 2013, the Group's bank and cash balances (including restricted bank deposits of HK\$2,461,943 (31 December 2012: HK\$6,101,567)) amounted to HK\$777,397,621 (31 December 2012: HK\$759,688,218), and short-term and long-term loans amounted to HK\$2,789,378,030 (31 December 2012: HK\$2,069,218,272). 65.0% of the bank borrowings are medium- to long- term (2012: 41.1%). The annual interest rates of bank loans ranged from 1.20% to 6.90%.

As at 30 June 2013, the gearing ratio was 63.6% (31 December 2012: 50.2%), which was calculated on the basis of the amount of total borrowings as a percentage of the total shareholders' equity. The net gearing ratio, which was calculated on the basis of the amount of total borrowings less cash and cash equivalents and restricted bank deposits as a percentage of the total shareholders' equity, was 45.9% (31 December 2012: 31.8%).

As at 30 June 2013, unutilized credit facilities amounted to approximately HK\$5.61 billion (2012: HK\$4.38 billion).

#### Contingent Liabilities

As at 30 June 2013 and 31 December 2012, the Group had no material contingent liabilities.

#### Capital Commitments

	<b>As at</b>	
	<b>30 June</b>	31 December
	<b>2013</b>	2012
	<b>Unaudited</b>	Audited
	<b>HK\$</b>	HK\$
Property, plant and equipment and intangible assets	<b>576,530,484</b>	549,451,691
Investment in an associate	<b>20,500,000</b>	41,000,000
	<b>597,030,484</b>	590,451,691

## Management Discussion And Analysis

### Interim Dividend

The Board has resolved to declare an interim dividend of HK\$0.048 per share for the period ended 30 June 2013 (2012: HK\$0.043 per share) totaling approximately HK\$47,984,769. The interim dividend will be paid on or about 30 October 2013 to shareholders whose names appear on the register of members of the Company on 18 October 2013.

### Close of Register of Members

The register of members of the Company will be closed from 16 October 2013 to 18 October 2013 (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 branch 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 15 October 2013 for registration of transfer.

## Other Information

### Directors' Interests in the Shares, Underlying Shares and Debentures of the Company or any Associated Corporation

As at 30 June 2013, the interests and short positions of the Directors and chief executives 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 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 contained in Appendix 10 of 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 <sup>(4)</sup>	Aggregate interest	Approximate percentage of interest
Li Chao Wang <sup>(1)</sup>	The Company	Interest of controlled company	237,306,235 Shares	1,998,000	240,240,235	24.03%
		Personal	<u>936,000 Shares</u>			
		238,242,235 Shares				
	Fu An International Company Limited	Interest of controlled company	282 shares of US\$1.00 each	—	—	74.21%
	Sentential Holdings Limited	Interest of controlled company	1 share of US\$1.00 each	—	—	100%
Yu Yi Fang <sup>(2)</sup>	The Company	Interest of controlled company	237,306,235 Shares	360,000	246,754,235	24.68%
		Personal	<u>9,088,000 Shares</u>			
		246,394,235 Shares				
	Fu An International Company Limited	Interest of controlled company	60 shares of US\$1.00 each	—	—	15.79%
	Join Pride International Limited	Interest of controlled company	10 shares of US\$1.00 each	—	—	100%
Dong Yi Ping <sup>(3)</sup>	The Company	Interest of controlled company	237,306,235 Shares	360,000	246,704,235	24.68%
		Personal	<u>9,038,000 Shares</u>			
		246,344,235 Shares				
	Fu An International Company Limited	Interest of controlled company	38 shares of US\$1.00 each	—	—	10.00%
	Daminos Management Limited	Interest of controlled company	10 shares of US\$1.00 each	—	—	100%

## Other Information

Name	Company/name of associated corporations	Nature of interest	Number of Shares	Number of underlying Shares <sup>(4)</sup>	Aggregate interest	Approximate percentage of interest
Zhang Dong Fang	The Company	Personal	—	6,933,000	6,933,000	0.69%
Johann Christoph Michalski	The Company	Personal	—	290,000	290,000	0.03%
Ulf Olof Lennart Soderstrom	The Company	Personal	—	290,000	290,000	0.03%
Cao Zhen Lei	The Company	Personal	—	290,000	290,000	0.03%
Kam Robert	The Company	Personal	—	290,000	290,000	0.03%
Hui Chin Tong, Godfrey	The Company	Personal	100,000	290,000	390,000	0.04%
Tsui King Fai	The Company	Personal	—	290,000	290,000	0.03%

### Notes:

- 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 LI Chao Wang.
- 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 YU Yi Fang.
- 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 DONG Yi Ping.
- Details of share options held by the directors are shown in the section of "Share Option Scheme".

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

## 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.

## Other Information

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.

Details of movements of the options granted under the Share Option Scheme for the year ended 30 June 2013 are as follows:

	Date of Grant	Exercise price per Share HK\$	as at 01/01/2013	Number of Shares issuable under the options				as at 30/06/2013	Exercise period
				granted during the period	exercised during the period	forfeited during the period	cancelled during the period		
<b>Directors</b>									
Li Chao Wang	02/05/2012	14.060	999,000	—	—	—	—	999,000	(Note 3)
	02/05/2013	10.340	—	999,000	—	—	—	999,000	02/05/2013 to 01/05/2023
Yu Yi Fang	02/05/2012	14.060	360,000	—	—	—	—	360,000	(Note 3)
Zhang Dong Fang	15/04/2010	5.420	3,000,000	—	—	—	—	3,000,000	(Note 1)
	15/04/2011	8.648	936,000	—	—	—	—	936,000	15/04/2011 to 14/04/2021
	02/05/2012	14.060	2,997,000	—	—	—	—	2,997,000	(Note 3)
Dong Yi Ping	02/05/2012	14.060	360,000	—	—	—	—	360,000	(Note 3)
Johann Christoph Michalski	15/04/2011	8.648	80,000	—	—	—	—	80,000	15/04/2011 to 14/04/2021
	02/05/2012	14.060	210,000	—	—	—	—	210,000	(Note 3)
Ulf Olof Lennart Soderstrom	15/04/2011	8.648	80,000	—	—	—	—	80,000	15/04/2011 to 14/04/2021
	02/05/2012	14.060	210,000	—	—	—	—	210,000	(Note 3)
Cao Zhen Lei	15/04/2011	8.648	80,000	—	—	—	—	80,000	15/04/2011 to 14/04/2021
	02/05/2012	14.060	210,000	—	—	—	—	210,000	(Note 3)
Kam Robert	15/04/2011	8.648	80,000	—	—	—	—	80,000	15/04/2011 to 14/04/2021
	02/05/2012	14.060	210,000	—	—	—	—	210,000	(Note 3)

## Other Information

	Date of Grant	Exercise price per Share HK\$	as at 01/01/2013	Number of Shares issuable under the options				as at 30/06/2013	Exercise period
				granted during the period	exercised during the period	forfeited during the period	cancelled during the period		
Hui Chin Tong, Godfrey	15/04/2011	8.648	80,000	—	—	—	—	80,000	15/04/2011 to 14/04/2021
	02/05/2012	14.060	210,000	—	—	—	—	210,000	(Note 3)
Tsui King Fai	15/04/2011	8.648	80,000	—	—	—	—	80,000	15/04/2011 to 14/04/2021
	02/05/2012	14.060	210,000	—	—	—	—	210,000	(Note 3)
<b>Employees of the Group</b>									
In aggregate	24/02/2009	2.980	2,946,000	—	(180,000)	(15,000)	—	2,751,000	(Note 2)
	15/04/2011	8.648	2,205,000	—	(120,000)	—	—	2,085,000	15/04/2011 to 14/04/2021
	02/05/2012	14.060	10,300,000	—	—	(45,000)	—	10,255,000	(Note 3)
	02/05/2013	10.340	—	360,000	—	—	—	360,000	(Note 4)
			25,843,000	1,359,000	(300,000)	(60,000)	—	26,842,000	

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, not later than 23 February 2019.

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

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

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

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

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

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

Note 4. (i) The first tranche of 135,000 options are exercisable from 2 May 2013 to 1 May 2023.

(ii) The second tranche of 225,000 options are exercisable from 2 May 2014 to 1 May 2023 on the condition that the Board of Directors has confirmed that the Company has met the 2013 income and profit performance benchmarks as set by the Board and that the performance appraisal of the grantee has satisfied the requirements of the management of the Company.

## Arrangement to Purchase Shares or Debentures

Save as disclosed above, at no time during the year were there any rights to acquire benefits by means of the acquisition of securities of the Company granted to any Director or their respective spouse or children under 18 years of age, or were there any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

## Substantial Shareholders' Interests and Short Positions in the Shares and Underlying Shares of the Company

As at 30 June 2013, 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 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 <sup>(4)</sup>	Aggregate interest	Percentage of issued share capital
<b>Long position</b>					
Fu An International Company Limited	Beneficial owner	237,306,235	—	237,306,235	23.74%
Sentential Holdings Limited <sup>(1)</sup>	Interest of controlled company	237,306,235	—	237,306,235	23.74%
Li Chao Wang <sup>(1)</sup>	Interest of controlled company	237,306,235	—	237,306,235	23.74%
	Personal	936,000	1,998,000	240,240,235	24.03%
SCA Hygiene Holding AB	Beneficial owner	216,431,897	—	216,431,897	21.65%
SCA Group Holding BV <sup>(2)</sup>	Interest of controlled company	216,431,897	—	216,431,897	21.65%
Svenska Cellulosa Aktiebolaget <sup>(2)</sup>	Interest of controlled company	216,431,897	—	216,431,897	21.65%
Value Partners Limited	Beneficial owner	74,372,000	—	74,372,000	7.44%
Value Partners Hong Kong Limited <sup>(3)</sup>	Interest of controlled company	74,372,000	—	74,372,000	7.44%
Value Partners Group Limited <sup>(3)</sup>	Interest of controlled company	74,372,000	—	74,372,000	7.44%
Cheah Capital Management Limited <sup>(3)</sup>	Interest of controlled company	74,372,000	—	74,372,000	7.44%
Cheah Company Limited <sup>(3)</sup>	Interest of controlled company	74,372,000	—	74,372,000	7.44%
Hang Seng Bank Trustee International Limited <sup>(3)</sup>	Trustee of The C H Cheah Family Trust	74,372,000	—	74,372,000	7.44%
Cheah Cheng Hye <sup>(3)</sup>	Founder of a discretionary trust	74,372,000	—	74,372,000	7.44%
To Hau Yin <sup>(3)</sup>	Interest of spouse	74,372,000	—	74,372,000	7.44%
SKAGENAS (management company)	Beneficial owner	70,373,800	—	70,373,800	7.04%

#### 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 LI Chao Wang. Under the SFO, Sentential Holdings 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 Value Partners Limited which is indirectly wholly-owned by Value Partners Group Limited which in turn is held as to 28.74% by Cheah Capital Management Limited. The entire issued share capital of Cheah Capital Management Limited is held by Cheah Company Limited, whose entire issued share capital is held by Hang Seng Bank Trustee International Limited in its capacity as trustee of The C H Cheah Family Trust with Cheah Cheng Hye as the founder of the trust. Under the SFO, Value Partners Hong Kong Limited, Value Partners Group Limited, Cheah Capital Management Limited, Cheah Company Limited, Hang Seng Bank Trustee International Limited, Cheah Cheng Hye and To Hau Yin (as spouse of Cheah Cheng Hye) are all deemed to be interested in the Shares held by Value Partners Limited.
- Details of share options held by the directors are shown in the section of "Share Option Scheme".

## Other Information

### Corporate Governance

The Company is committed to maintain 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 2013, the Company has complied with all the code provisions set out in the Corporate Governance Code, as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

### Directors' Securities Transactions

The Company has adopted a code for securities transactions by directors of the Company (the "Code of Conduct") on terms no less exacting than the required standard of the Model Code for Securities Transaction by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules on the Stock Exchange. Having made specific enquiry with all the directors of the Company (the "Directors" or individually the "Director"), all of them confirmed that they have complied with the required standard set out in the Model Code and the Code of Conduct regarding securities transactions by the Directors during the six months ended 30 June 2013.

### Audit Committee

The audit committee of the Company has three members of independent non-executive directors, namely, Mr. KAM Robert, Mr. HUI Chin Tong, Godfrey and Mr. TSUI King Fai. The chairman of the audit committee is Mr. KAM Robert. The audit committee is accountable to the Board and the principal duties of the audit committee include the reviews and supervision of the financial reporting process. It also reviews the effectiveness of internal audit, internal controls and risk evaluation, including the interim report for the six months ended 30 June 2013.

### Remuneration Committee

The Company's remuneration committee has three members of independent non-executive directors, namely, Dr. CAO Zhen Lei, Mr. TSUI King Fai and Mr. HUI Chin Tong, Godfrey. The chairman of the remuneration committee is Dr. CAO Zhen Lei. The principal duty of the remuneration committee is to regularly monitor the remuneration and other benefits of all the directors and senior management to ensure that levels of their remuneration and compensation are appropriate.

### Nomination Committee

The Company's nomination committee has three members comprising two independent non-executive directors, namely, Mr. HUI Chin Tong, Godfrey and Mr. TSUI King Fai and an executive director, Mr. LI Chao Wang. The chairman of the nomination committee is Mr. HUI Chin Tong, Godfrey. The principal duty of the nomination committee is to consider and recommend to the Board suitably qualified persons to be appointed directors and is responsible for reviewing the structure, size and composition of the Board on a regular basis.

### Purchase, Sale or Redemption of the Securities

During the six months ended 30 June 2013, 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 20 to 48, 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 2013 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, 28 August 2013

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## Interim Condensed Consolidated Balance Sheet

As at 30 June 2013

	Note	30 June 2013 Unaudited HK\$	31 December 2012 Audited HK\$
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	7	4,664,507,233	3,987,486,971
Investment properties	7	32,511,065	32,435,570
Leasehold land and land use rights	7	288,222,296	185,167,942
Intangible assets	7	13,959,152	12,954,724
Deferred income tax assets		193,398,346	175,685,073
Investment in an associate	8	69,773,475	64,357,657
<b>Total non-current assets</b>		<b>5,262,371,567</b>	4,458,087,937
<b>Current assets</b>			
Inventories		1,655,520,325	1,446,576,241
Trade receivables, other receivables and prepayments	9	1,266,783,846	1,115,984,965
Prepayments to and receivables from related parties	21	47,439,715	42,303,573
Restricted bank deposits		2,461,943	6,101,567
Cash and cash equivalents		774,935,678	753,586,651
<b>Total current assets</b>		<b>3,747,141,507</b>	3,364,552,997
<b>Total assets</b>		<b>9,009,513,074</b>	7,822,640,934
<b>EQUITY</b>			
Share capital	10	99,968,269	99,938,269
Share premium	10	1,670,413,032	1,668,318,024
Other reserves			
— Proposed dividend		47,984,769	112,930,244
— Others		2,566,816,345	2,237,731,131
<b>Total equity</b>		<b>4,385,182,415</b>	4,118,917,668

## Interim Condensed Consolidated Balance Sheet

As at 30 June 2013

	Note	30 June 2013 Unaudited HK\$	31 December 2012 Audited HK\$
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	12	1,812,450,336	850,317,747
Deferred government grants		102,735,405	100,597,180
Derivative financial instruments	13	19,570,343	15,070,503
Deferred income tax liabilities		6,163,082	4,491,714
<b>Total non-current liabilities</b>		<b>1,940,919,166</b>	970,477,144
<b>Current liabilities</b>			
Trade payables, other payables and accrued expenses	14	1,589,072,288	1,423,017,885
Due to a related party	21	1,710,348	2,144,516
Borrowings	12	976,927,694	1,218,900,525
Current income tax liabilities		115,701,163	89,183,196
<b>Total current liabilities</b>		<b>2,683,411,493</b>	2,733,246,122
<b>Total liabilities</b>		<b>4,624,330,659</b>	3,703,723,266
<b>Total equity and liabilities</b>		<b>9,009,513,074</b>	7,822,640,934
<b>Net current assets</b>		<b>1,063,730,014</b>	631,306,875
<b>Total assets less current liabilities</b>		<b>6,326,101,581</b>	5,089,394,812

The notes on pages 25 to 48 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 2013

	Note	Unaudited Six months ended 30 June	
		2013 HK\$	2012 HK\$
Revenue	6	<b>3,313,654,946</b>	2,887,493,324
Cost of sales		<b>(2,355,839,774)</b>	(1,984,449,497)
<b>Gross profit</b>		<b>957,815,172</b>	903,043,827
Selling and marketing costs		<b>(438,366,882)</b>	(358,625,693)
Administrative expenses		<b>(165,362,575)</b>	(163,374,933)
Other income and gains — net		<b>29,745,333</b>	422,262
<b>Operating profit</b>	15	<b>383,831,048</b>	381,465,463
Interest expense		<b>(25,365,169)</b>	(26,802,383)
Net foreign exchange transaction gain/(loss)		<b>22,122,622</b>	(4,505,803)
Interest income		<b>2,130,709</b>	3,759,257
Finance costs, net		<b>(1,111,838)</b>	(27,548,929)
Share of post-tax loss of an associate	8	<b>(15,800,143)</b>	(3,136,224)
<b>Profit before income tax</b>		<b>366,919,067</b>	350,780,310
Income tax expense	16	<b>(82,934,711)</b>	(92,735,281)
<b>Profit attributable to equity holders of the Company</b>		<b>283,984,356</b>	258,045,029
<b>Other comprehensive income:</b>			
Items that may be reclassified to profit or loss			
— Currency translation differences		<b>77,108,126</b>	(20,536,247)
— Hedging reserve		<b>2,705,248</b>	(4,607,295)
<b>Total comprehensive income attributable to equity holders of the Company</b>		<b>363,797,730</b>	232,901,487
<b>Earnings per share for profit attributable to the equity holders of the Company</b>			
— basic	17	<b>0.284</b>	0.267
— diluted	17	<b>0.283</b>	0.264

The notes on pages 25 to 48 form an integral part of this condensed consolidated interim financial information.

		Unaudited Six months ended 30 June	
		2013 HK\$	2012 HK\$
Dividends	18	<b>47,984,769</b>	42,994,396

## Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2013

	Note	Unaudited Attributable to equity holders of the Company			Total HK\$
		Share capital HK\$	Share premium HK\$	Other reserves HK\$	
<b>Balance as at 1 January 2012</b>		93,818,369	1,119,423,427	1,925,352,703	3,138,594,499
Profit for the period		—	—	258,045,029	258,045,029
Other comprehensive income					
— Currency translation differences		—	—	(20,536,247)	(20,536,247)
— Hedging reserve		—	—	(4,607,295)	(4,607,295)
<b>Total comprehensive income for the six months ended 30 June 2012</b>		—	—	232,901,487	232,901,487
<b>Transaction with owners</b>					
Employees share option scheme					
— Value of employee services		—	—	32,006,667	32,006,667
— Exercise of options	11	1,968,600	87,073,794	(24,080,966)	64,961,428
Allotment of shares	10	4,200,000	468,712,479	—	472,912,479
Dividends	18	—	—	(86,988,663)	(86,988,663)
<b>Transaction with owners</b>		6,168,600	555,786,273	(79,062,962)	482,891,911
<b>Balance as at 30 June 2012</b>		99,986,969	1,675,209,700	2,079,191,228	3,854,387,897
<b>Balance as at 1 January 2013</b>		99,938,269	1,668,318,024	2,350,661,375	4,118,917,668
Profit for the period		—	—	283,984,356	283,984,356
Other comprehensive income					
— Currency translation differences		—	—	77,108,126	77,108,126
— Hedging reserve		—	—	2,705,248	2,705,248
<b>Total comprehensive income for the six months ended 30 June 2013</b>		—	—	363,797,730	363,797,730
<b>Transaction with owners</b>					
Employees share option scheme					
— Value of employee services		—	—	13,857,000	13,857,000
— Exercise of options	11	30,000	2,095,008	(550,848)	1,574,160
Dividends	18	—	—	(112,964,143)	(112,964,143)
<b>Transaction with owners</b>		30,000	2,095,008	(99,657,991)	(97,532,983)
<b>Balance as at 30 June 2013</b>		99,968,269	1,670,413,032	2,614,801,114	4,385,182,415

The notes on pages 25 to 48 form an integral part of this condensed consolidated interim financial information.

## Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2013

	Note	Unaudited	
		2013	2012
		HK\$	HK\$
<b>Cash flows from operating activities:</b>			
— continuing operations		<b>268,056,271</b>	303,239,144
<b>Cash flows from investing activities:</b>			
— purchases of property, plant and equipment		<b>(742,427,259)</b>	(331,171,051)
— purchases of intangible assets		<b>(3,427,855)</b>	(1,250,437)
— purchases of leasehold land and land use rights		<b>(92,097,788)</b>	(20,921,268)
— proceeds on disposal of property, plant and equipment	8	<b>2,736,060</b>	2,833,442
— investment in an unlisted associate		<b>(20,500,000)</b>	—
— interest received		<b>2,130,709</b>	3,759,257
<b>Cash flows used in investing activities</b>		<b>(853,586,133)</b>	(346,750,057)
<b>Cash flows from financing activities:</b>			
— dividends paid	18	<b>(112,964,143)</b>	(86,988,663)
— repayments of borrowings	12	<b>(1,095,760,829)</b>	(410,029,982)
— proceeds from borrowings	12	<b>1,808,029,007</b>	627,015,618
— proceeds from shares issued	11	<b>1,574,160</b>	537,873,907
<b>Cash flows generated from financing activities</b>		<b>600,878,195</b>	667,870,880
<b>Net increase in cash and cash equivalents</b>		<b>15,348,333</b>	624,359,967
Cash and cash equivalents at beginning of the period		<b>753,586,651</b>	714,611,721
Exchange differences		<b>6,000,694</b>	(3,125,359)
<b>Cash and cash equivalents at end of the period</b>		<b>774,935,678</b>	1,335,846,329

The notes on pages 25 to 48 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 2013

## 1 General Information

Vinda International Holdings Limited (the "Company") was incorporated on 17 August 1999 in the Cayman Islands with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

The Company acts as an investment holding company and provides management as well as financial support services to its subsidiaries. The Company and its subsidiaries are collectively referred to as the "Group". The 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 28 August 2013.

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 2013 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 2012, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

### 2.1 Going-concern basis

The Group meets its day-to-day working capital requirements through its bank facilities. After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its condensed consolidated interim financial information.

## Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2013

### 3 Significant 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 2012, 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 and amended standards are mandatory for the first time for the financial year beginning 1 January 2013:

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

HKFRS 1 (Amendment) "Government loans" is effective for annual periods beginning on or after 1 January 2013. The amendments require that a first-time adopter shall classify all government loans received as a financial liability or an equity instrument in accordance with HKAS 32 Financial Instruments: Presentation.

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

HKFRS 13 "Fair value measurements" is effective for annual periods beginning on or after 1 January 2013. HKFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The requirements, which are largely aligned between HKFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRSs or US GAAP.

Amendments and interpretations as mentioned above are not expected to have a material effect on the Company's operating results, financial position or comprehensive income.

## Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2013

## 3 Significant accounting policies (continued)

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

		<b>Effective for annual periods beginning on or after</b>
HKAS 19 (Amendment)	Employee benefits	1 January 2013
HKAS 27 (Revised 2011)	Separate financial statements	1 January 2013
HKAS 28 (Revised 2011)	Associates and joint ventures	1 January 2013
HKFRS 7 (Amendment)	Financial instruments: Disclosures — Offsetting financial assets and financial liabilities	1 January 2013
HKFRSs 11 and 12 (Amendment)	Transition guidance	1 January 2013
HKFRS 11	Joint arrangements	1 January 2013
HKFRS 12	Disclosure of interests in other entities	1 January 2013
HKFRIC 20	Stripping costs in the production phase of a surface mine	1 January 2013

Apart from the above, the HKICPA has issued the annual improvements project (2011) which addresses several issues in the 2009–2011 reporting cycle, and includes changes to the following standards.

		<b>Effective for annual periods beginning on or after</b>
HKFRS 1	First time adoption	1 January 2013
HKAS 1	Financial statement presentation	1 January 2013
HKAS 16	Property, plant and equipment	1 January 2013
HKAS 32	Financial instruments: Presentation	1 January 2013
HKAS 34	Interim financial reporting	1 January 2013

## Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2013

### 3 Significant accounting policies *(continued)*

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

The Group has not applied the following new and revised HKFRSs that have been issued but are not yet effective:

		<b>Effective for annual periods beginning on or after</b>
HKAS 32 (Amendment)	Financial instruments: Presentation — Offsetting financial assets and financial liabilities	1 January 2014
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets	1 January 2014
Amendments to HKAS 39	Novation of derivatives	1 January 2014
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (revised 2011)	Investment entities	1 January 2014
HK (IFRIC) Interpretation 21	Levies	1 January 2014
HKFRS 9	Financial Instruments	1 January 2015
HKFRS 7 and HKFRS 9 (Amendments)	Mandatory effective date and transition disclosures	1 January 2015

### 4 Estimates

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

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2012.

## Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2013

## 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 interim condensed consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2012.

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

## 5.2 Liquidity risk

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

As at 30 June 2013, 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 2013					
Term loans subject to a repayment on demand clause	112,096,000	—	—	—	112,096,000
Other bank loans	—	864,831,694	728,754,527	1,076,500,228	2,670,086,449
Other borrowings	—	—	7,195,581	—	7,195,581
Interests payable on borrowings	1,428,118	71,230,013	45,226,892	20,022,616	137,907,638
Trade payables	—	942,367,739	—	—	942,367,739
Other payables	—	282,010,211	—	—	282,010,211
As at 31 December 2012					
Term loans subject to a repayment on demand clause	190,082,000	—	—	—	190,082,000
Other bank loans	—	1,028,818,525	707,704,776	135,529,918	1,872,053,219
Other borrowings	—	—	—	7,083,053	7,083,053
Interests payable on borrowings	3,400,505	48,736,569	28,764,416	3,920,859	84,822,349
Trade payables	—	731,309,628	—	2,284,031	733,593,659
Other payables	—	308,415,053	—	—	308,415,053

## Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2013

### 5 Financial risk management (continued)

#### 5.3 Fair value estimation

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

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

The following table presents the Group's assets and liabilities that are measured at fair value at 30 June 2013.

	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$	Total HK\$
<b>Liabilities</b>				
Derivative financial instruments	—	—	19,570,343	19,570,343

### 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	
	2013 HK\$	2012 HK\$
Sales of goods	3,268,457,086	2,831,958,459
Sales of semi-finished goods and other materials	41,968,552	51,816,336
Processing trade	3,229,308	3,039,566
Sales commission	—	678,963
Total revenue	3,313,654,946	2,887,493,324

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.

## Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2013

**6 Segment information** *(continued)*

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

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

The Company is domiciled in Hong Kong. The result of its revenue from external customers in Mainland China, Hong Kong and overseas for the six months ended 30 June 2013 is HK\$ 3,044,055,807 (for the six months ended 30 June 2012: HK\$ 2,640,414,634), HK\$ 260,471,351 (for the six months ended 30 June 2012: HK\$ 237,090,446), HK\$ 9,127,788 (for the six months ended 30 June 2012: HK\$ 9,988,244).

The total non-current assets are analysed as follows:

	<b>As at</b>	
	<b>30 June</b>	31 December
	<b>2013</b>	2012
	<b>Unaudited</b>	Audited
	<b>HK\$</b>	HK\$
Total non-current assets other than deferred tax assets and investment in an associate		
— Mainland China	<b>4,971,335,524</b>	4,189,012,110
— Hong Kong and overseas	<b>27,864,222</b>	29,033,097
Deferred tax assets	<b>193,398,346</b>	175,685,073
Investment in an associate	<b>69,773,475</b>	64,357,657
<b>Total non-current assets</b>	<b>5,262,371,567</b>	4,458,087,937

## Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2013

## 7 Property, plant and equipment, investment properties, leasehold land and land use rights and intangible assets

	Property, plant and equipment HK\$	Unaudited		Intangible assets HK\$
		Investment properties HK\$	Leasehold land and land use rights HK\$	
<b>Six months ended 30 June 2012</b>				
Opening net book amount as				
at 1 January 2012	3,022,040,685	—	184,797,092	10,445,847
Additions	330,944,949	—	20,921,268	1,250,437
Reclassification	(30,522,319)	30,522,319	(15,914,409)	—
Disposals	(4,213,395)	—	—	—
Depreciation and amortisation (Note 15)	(95,351,317)	(206,834)	(2,014,247)	(1,751,006)
Exchange differences	(17,701,996)	(96,690)	(1,075,380)	(56,198)
Closing net book amount as at 30 June 2012	3,205,196,607	30,218,795	186,714,324	9,889,080
<b>Six months ended 30 June 2013</b>				
Opening net book amount as				
at 1 January 2013	<b>3,987,486,971</b>	<b>32,435,570</b>	<b>185,167,942</b>	<b>12,954,724</b>
Additions	<b>725,048,561</b>	—	<b>101,963,369</b>	<b>3,427,855</b>
Disposals	<b>(3,178,340)</b>	—	—	—
Depreciation and amortisation (Note 15)	<b>(117,159,696)</b>	<b>(502,477)</b>	<b>(2,263,322)</b>	<b>(2,538,043)</b>
Exchange differences	<b>72,309,737</b>	<b>577,972</b>	<b>3,354,307</b>	<b>114,616</b>
Closing net book amount as at 30 June 2013	<b>4,664,507,233</b>	<b>32,511,065</b>	<b>288,222,296</b>	<b>13,959,152</b>

During the period, the Group has capitalized borrowing costs, including interest expenses and related foreign exchange gain/(loss), amounting to HK\$3,295,472 (2012: HK\$4,548,232) on qualifying assets. Borrowing costs were capitalized at the weighted average rate of its general borrowings of 0.69%.

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

## Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2013

## 8 Investment in an associate

	<b>30 June 2013 Unaudited HK\$</b>	31 December 2012 Audited HK\$
Beginning of the period	<b>64,357,657</b>	59,800,509
Additional investment in an unlisted associate (i)	<b>20,500,000</b>	20,500,000
Share of post-tax results of an associate	<b>(15,800,143)</b>	(15,934,119)
Exchange differences	<b>715,961</b>	(8,733)
	<b>69,773,475</b>	64,357,657

- (i) On 16 December 2010, the Company entered into the Investment and Shareholders' Agreement with Fu An International Company Limited (a substantial shareholder of the Company, "Fu An"), Dynasty Fortune Partners, L.P. ("Dynasty Fortune"), a related party on which a director of the Company has significant influence, Cathay Capital Holdings II, L.P. ("Cathay Capital"), an independent third party, and V-Care Holdings Limited ("V-Care"), pursuant to which, the Company, Fu An, Dynasty Fortune and Cathay Capital have agreed to invest an aggregate sum of HK\$300,000,000 into V-Care by way of subscription of new shares of V-Care. Upon completion of the subscription, V-Care will be held as to 41% by the Company, 39% by Fu An, 7% by Dynasty Fortune and 13% by Cathay Capital.

On 3 June 2013, the Company paid HK\$20,500,000 in cash for the subscription of the new shares issued by V-Care.

Up to 30 June 2013, the Company has paid capital of HK\$102,500,000, representing 41% of V-Care's share capital then outstanding.

The information of the unlisted associated company as at 30 June 2013 is as follows:

Name	Place of incorporation	Percentage of equity interest attributable to the Group	Assets	Liabilities	Revenues	Net loss
			HK\$	HK\$	HK\$	HK\$
V-Care	British Virgin Islands	41%	192,060,711	21,881,503	61,971,108	(38,536,934)

## Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2013

## 9 Trade receivables, other receivables and prepayments

	<b>As at</b>	
	<b>30 June</b>	31 December
	<b>2013</b>	2012
	<b>Unaudited</b>	Audited
	<b>HK\$</b>	HK\$
Trade receivables	<b>908,469,885</b>	872,928,805
Other receivables (Note (a))	<b>340,774,909</b>	236,329,920
Notes receivable	<b>3,960,722</b>	4,485,197
Prepayments	<b>25,087,932</b>	13,563,010
Less: Provision for impairment of trade receivables	<b>(11,509,602)</b>	(11,321,967)
	<b>1,266,783,846</b>	1,115,984,965

(a) Other receivables mainly comprised creditable input value added tax.

The majority of the Group's sales is with credit terms ranging from 30 to 90 days. As at 30 June 2013 and 31 December 2012, the ageing analysis of the trade receivables based on invoice date was as follows:

	<b>As at</b>	
	<b>30 June</b>	31 December
	<b>2013</b>	2012
	<b>Unaudited</b>	Audited
	<b>HK\$</b>	HK\$
Within 3 months	<b>823,341,075</b>	823,478,886
4 months to 6 months	<b>64,062,765</b>	37,906,658
7 months to 12 months	<b>14,125,342</b>	6,972,542
Over 1 year	<b>6,940,703</b>	4,570,719
	<b>908,469,885</b>	872,928,805

## Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2013

## 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\$
<b>Opening balance as at 1 January 2012</b>	80,000,000,000	938,183,686	93,818,369	1,119,423,427	1,213,241,796
Allotment of shares	—	42,000,000	4,200,000	468,712,479	472,912,479
Employee share option scheme (Note 11)					
— Exercise of options	—	19,686,000	1,968,600	87,073,794	89,042,394
<b>As at 30 June 2012</b>	80,000,000,000	999,869,686	99,986,969	1,675,209,700	1,775,196,669
<b>Opening balance as at 1 January 2013</b>	80,000,000,000	999,382,686	99,938,269	1,668,318,024	1,768,256,293
Employee share option scheme (Note 11)					
— Exercise of options	—	300,000	30,000	2,095,008	2,125,008
<b>As at 30 June 2013</b>	80,000,000,000	999,682,686	99,968,269	1,670,413,032	1,770,381,301

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

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

As at 30 June 2013 and 2012, 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 2013

### 11 Share-based payment

- (a) 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,
    - up to 20% on or after 24 February 2010;
    - up to 50% on or after 24 February 2011;
    - 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.

- (b) 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:
- up to 33% on or after 15 April 2010;
  - up to 67% on or after 15 April 2011;
  - 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.

- (c) On 15 April 2011, 4,837,000 share options were granted to certain 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.
- (d) On 2 May 2012, 16,771,000 share options were granted to certain directors and certain employees at an exercise price of HK\$14.06 per share. The Group has no legal or constructive obligation to repurchase or settle the options in cash. All the directors and employees accepted the share options.

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

## Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2013

## 11 Share-based payment (continued)

(d) (continued)

The options are exercisable during the following periods:

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

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

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

Movements in the number of share options outstanding and their related weighted average exercise prices for the six months period ended 30 June 2013 and 2012 were as follows:

	For the six months period ended 30 June			
	2013		2012	
	Unaudited		Unaudited	
	Average exercise price in HK\$	Number of options	Average exercise price in HK\$	Number of options
At 1 January	11.04	25,843,000	4.15	29,427,000
Granted	10.34	1,359,000	14.06	16,771,000
Exercised	5.25	(300,000)	3.30	(19,686,000)
Forfeited	11.29	(60,000)	—	—
At 30 June	11.07	26,842,000	11.05	26,512,000

Options exercised during the six months ended 30 June 2013 resulted in 300,000 shares (2012: 19,686,000 shares) being issued with net proceeds of HK\$1,574,160 (2012: HK\$64,961,428).

## Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2013

### 11 Share-based payment *(continued)*

Share options outstanding at 30 June 2013 have the following expiry dates and exercise prices:

Expiry date	Exercise price HK\$ per share	Number of options
23 February 2019	2.98	2,751,000
14 April 2020	5.42	3,000,000
14 April 2021	8.648	3,501,000
1 May 2022	14.06	16,231,000
1 May 2023	10.34	1,359,000

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 as 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 as 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 as 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.

The weighted average fair value of options granted in 2012 determined by using the Binomial Model was HK\$5.148 per option. The significant inputs into the model were share prices at the grant date, the exercise price shown above, volatility of 40%, dividend yield of 2.0%, and annual risk-free interest rate from 0.84% to 0.95%. The volatility measured as 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 2013 determined by using the Binomial Model was HK\$3.752 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 1.5%, and annual risk-free interest rate from 0.47% to 0.68%. The volatility measured as 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 2013

## 12 Borrowings

	As at	
	30 June 2013 Unaudited HK\$	31 December 2012 Audited HK\$
Non-current	1,812,450,336	850,317,747
Current	976,927,694	1,218,900,525
	<b>2,789,378,030</b>	2,069,218,272

Movements in borrowings are analysed as follows:

	Unaudited HK\$
<b>Six months ended 30 June 2012</b>	
Opening amount as at 1 January 2012	1,952,478,533
New borrowings	627,015,618
Repayments of borrowings	(410,029,982)
Exchange differences, net	(3,491,805)
Closing amount as at 30 June 2012	2,165,972,364
<b>Six months ended 30 June 2013</b>	
Opening amount as at 1 January 2013	2,069,218,272
New borrowings	1,808,029,007
Repayments of borrowings	(1,095,760,829)
Exchange differences, net	7,891,580
Closing amount as at 30 June 2013	<b>2,789,378,030</b>

Interest expenses on borrowings for the six months ended 30 June 2013 were HK\$41,495,704 (six months ended 30 June 2012: HK\$30,696,044) including HK\$16,130,535 capitalized in the construction-in-progress (six months ended 30 June 2012: HK\$3,893,661).

## Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2013

## 13 Derivative financial instruments

	<b>As at</b>	
	<b>30 June</b>	31 December
	<b>2013</b>	2012
	<b>Unaudited</b>	Audited
	<b>HK\$</b>	HK\$
Cross currency swap (Note (a))	<b>15,882,294</b>	8,675,816
Interest rate swap (Note (b)) — cash flow hedge	<b>3,688,049</b>	6,394,687
	<b>19,570,343</b>	15,070,503

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

- (a) The cross currency swap is an agreement entered into by the Group and Australia and New Zealand Banking Group Limited (“ANZ Bank”) on 27 July 2011 with the maturity date of 29 July 2014, whereby the Group would receive AUD floating interest and principal amounts while the Group would be obligated to pay HK\$ floating interest and principal. The aggregate principal receivable amounts to AUD17,441,455 while the aggregate principal payable by the Group amounts to HK\$150,000,000. The swap also entitles the Group to receive AUD floating interest rate at 3 month Bank Bill Swap Rates of Australia plus a certain spread while the Group is obligated to pay interest at 3 month HIBOR plus a certain spread, respectively by reference to initial notional principal amounts of AUD17,441,455 and HK\$150,000,000, both declining over the term of three years. The residual principal as at 30 June 2013 amounted to AUD10,900,909 and HK\$93,750,000 respectively. The schedule of principal and interest exchanges are synchronized with the AUD 3-year term loan included under bank borrowing described under Note 12 above.
- (b) The interest rate swaps are entered into between the Group and various banks whereby the payment of fixed interest is exchanged for the receipt of floating interest. The notional principal amount of the outstanding interest rate swap contract as at 30 June 2013 was HK\$752,250,000 (31 December 2012: HK\$924,000,000). As at 30 June 2013, the fixed interest rate was from 0.58% to 1.28% per annum and the floating rate was with reference to the 1 month/3 month HIBOR.

## Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2013

## 14 Trade payables, other payables and accrued expenses

	<b>As at</b>	
	<b>30 June</b>	31 December
	<b>2013</b>	2012
	<b>Unaudited</b>	Audited
	<b>HK\$</b>	HK\$
Trade payables	<b>942,367,739</b>	731,309,628
Notes payables	<b>10,621,124</b>	25,289,873
Other payables	<b>374,254,018</b>	424,650,175
Accrued expenses	<b>261,829,407</b>	241,768,209
	<b>1,589,072,288</b>	1,423,017,885

Ageing analysis of trade payables and notes payables as at 30 June 2013 and 31 December 2012 were as follows:

	<b>As at</b>	
	<b>30 June</b>	31 December
	<b>2013</b>	2012
	<b>Unaudited</b>	Audited
	<b>HK\$</b>	HK\$
Within 3 months	<b>930,147,057</b>	688,507,764
4 months to 6 months	<b>13,728,930</b>	57,299,553
7 months to 12 months	<b>7,588,537</b>	9,748,523
1 year to 2 years	<b>1,524,339</b>	985,431
2 years to 3 years	—	55,908
Over 3 years	—	2,322
	<b>952,988,863</b>	756,599,501

## Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2013

### 15 Operating profit

The following items have been (credited)/charged to the operating profit during the six months ended 30 June 2013 and 2012:

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2013</b>	2012
	<b>HK\$</b>	HK\$
Amortisation of deferred government grants	<b>(1,699,549)</b>	(1,323,175)
Foreign exchange (gain)/loss, net	<b>(31,366,483)</b>	4,044,988
Provision/(write-back) for impairment of receivables	<b>10,135</b>	(585,866)
Write-back for impairment of inventories	<b>(484,509)</b>	—
Share option expenses	<b>13,857,000</b>	32,006,667
Depreciation of property, plant and equipment (Note 7)	<b>117,159,696</b>	95,351,317
Depreciation of investment properties (Note 7)	<b>502,477</b>	206,834
Amortisation of intangible assets (Note 7)	<b>2,538,043</b>	1,751,006
Amortisation of leasehold land and land use rights (Note 7)	<b>2,263,322</b>	2,014,247
Loss on disposal of property, plant and equipment	<b>442,280</b>	1,379,953

### 16 Income taxes

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2012: 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.

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2013</b>	2012
	<b>HK\$</b>	HK\$
Current income tax		
— Hong Kong profits tax	<b>15,974,967</b>	9,925,677
— PRC enterprise income tax	<b>81,842,276</b>	106,019,903
Deferred income tax	<b>(14,882,532)</b>	(23,210,299)
	<b>82,934,711</b>	92,735,281

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 2013 is 22.60% (the estimated tax rate for the six months ended 30 June 2012 was 26.44%).

## Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2013

## 17 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.

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2013</b>	2012
Profit attributable to equity holders of the Company (HK\$)	<b>283,984,356</b>	258,045,029
Weighted average number of ordinary shares in issue	<b>999,581,084</b>	966,438,818
Basic earnings per share (HK\$ per share)	<b>0.284</b>	0.267

## (b) Diluted

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

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2013</b>	2012
Profit attributable to equity holders of the Company (HK\$)	<b>283,984,356</b>	258,045,029
Weighted average number of ordinary shares in issue	<b>999,581,084</b>	966,438,818
Adjustments for share options	<b>3,824,768</b>	11,917,995
Weighted average number of ordinary shares for diluted earnings per share	<b>1,003,405,852</b>	978,356,813
Diluted earnings per share (HK\$ per share)	<b>0.283</b>	0.264

## Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2013

### 18 Dividends

On 27 March 2012, the Board of Directors proposed a final dividend in respect of the year ended 31 December 2011 of HK\$81,621,981, representing HK\$0.087 per ordinary share.

The actual final dividends paid for the year ended 31 December 2011 was HK\$86,988,663 based on the 999,869,686 issued shares outstanding at that time.

On 26 March 2013, the Board of Directors proposed a final dividend in respect of the year ended 31 December 2012 of HK\$112,930,244 representing HK\$0.113 per ordinary share.

The actual final dividends paid for the year ended 31 December 2012 was HK\$112,964,143 based on the 999,682,686 issued shares outstanding at that time.

On 28 August 2013, the Board of Directors has resolved to declare an interim dividend of HK\$0.048 per share (2012: HK\$0.043 per share). This interim dividend, amounting to HK\$47,984,769 (2012: HK\$42,994,396), 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 2013.

### 19 Commitments

#### (a) Capital Commitments

	<b>As at</b>	
	<b>30 June</b>	31 December
	<b>2013</b>	2012
	<b>Unaudited</b>	Audited
	<b>HK\$</b>	HK\$
Property, plant and equipment and intangible assets	<b>576,530,484</b>	549,451,691
Investment in an associate	<b>20,500,000</b>	41,000,000
	<b>597,030,484</b>	590,451,691

## Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2013

## 19 Commitments (continued)

## (b) Commitments under operating leases

As at 30 June 2013, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	As at	
	30 June 2013 Unaudited HK\$	31 December 2012 Audited HK\$
Not later than one year	65,555,025	51,561,971
Later than one year but not later than two years	59,899,953	57,335,035
Later than two years but not later than five years	173,206,635	169,608,866
Later than five years	439,989,304	458,947,886
	<b>738,650,917</b>	737,453,758

## 20 Contingent liabilities

As at 30 June 2013 and 31 December 2012, the Group had no material contingent liabilities.

## 21 Related-party transactions

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

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

Name of related party	Relationship
SCA Hygiene Holding AB ("SCA Hygiene")	A substantial shareholder
SCA Hygiene Australasia Pty Limited ("SCA HA")	A 50% owned associate of Svenska Cellulosa Aktiebolaget (the ultimate holding company of SCA Hygiene)
SCA Tissue Hong Kong Limited ("SCA (Hong Kong)")	A subsidiary of Svenska Cellulosa Aktiebolaget (the ultimate holding company of SCA Hygiene)
SCA Trading (Shanghai) Co. Ltd. ("SCA (Shanghai)")	A subsidiary of Svenska Cellulosa Aktiebolaget (the ultimate holding company of SCA Hygiene)
Fu An International Company Limited ("Fu An")	A substantial shareholder of the Company
V-Care (China) limited ("V-Care (China)")	A subsidiary of V-Care
Jiangmen Taiyuan Paper Limited ("Taiyuan Paper")	Controlled by the three directors of the Group

## Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2013

## 21 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 2013 also include:

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2013</b>	2012
	<b>HK\$</b>	HK\$
(1) Sales of products to related parties:		
— SCA HA	4,505,619	4,520,621
— SCA (Shanghai)	708,390	1,406,151
— V-Care (China)	1,801,329	1,196,808
	<b>7,015,338</b>	7,123,580

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2013</b>	2012
	<b>HK\$</b>	HK\$
(2) Processing trade to a related party:		
— SCA (Hong Kong)	3,229,308	3,039,566

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2013</b>	2012
	<b>HK\$</b>	HK\$
(3) Purchase of products from a related party:		
— V-Care (China)	8,273,968	1,620,175

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2013</b>	2012
	<b>HK\$</b>	HK\$
(4) Sales commission from a related party:		
— V-Care (China)	—	678,963

## Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2013

## 21 Related-party transactions (continued)

## (b) Significant related party transactions (continued)

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2013</b>	2012
	<b>HK\$</b>	HK\$
(5) Rental from a related party: — V-Care (China)	<b>1,039,809</b>	679,301

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2013</b>	2012
	<b>HK\$</b>	HK\$
(1) Key management compensation:		
Directors		
— Basic salaries, housing allowances, other allowances, benefits-in-kind and other benefits	<b>5,122,678</b>	4,890,534
— Share-based payments	<b>3,869,000</b>	15,642,667
Senior management		
— Basic salaries, housing allowances, other allowances, benefits-in-kind and other benefits	<b>5,439,521</b>	4,006,689
— Share-based payments	<b>—</b>	5,348,278
	<b>14,431,199</b>	29,888,168

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

	<b>As at</b>	
	<b>30 June</b>	31 December
	<b>2013</b>	2012
	<b>Unaudited</b>	Audited
	<b>HK\$</b>	HK\$
(1) Receivables from related parties		
— SCA HA	<b>1,411,710</b>	1,869,910
— SCA (Hong Kong)	<b>1,175,769</b>	990,084
— SCA (Shanghai)	<b>257,964</b>	110,223
— V-Care (China)	<b>599,610</b>	638,798
	<b>3,445,053</b>	3,609,015

All the above receivables are aged within 3 months as at 30 June 2013 and 31 December 2012.

## Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2013

21 Related-party transactions *(continued)*(c) Period-end/year-end balances with related parties *(continued)*

	<b>As at</b>	
	<b>30 June</b>	31 December
	<b>2013</b>	2012
	<b>Unaudited</b>	Audited
	<b>HK\$</b>	HK\$
(2) Rental prepayments to a related party — Taiyuan Paper	<b>43,994,662</b>	38,694,558

	<b>As at</b>	
	<b>30 June</b>	31 December
	<b>2013</b>	2012
	<b>Unaudited</b>	Audited
	<b>HK\$</b>	HK\$
(3) Trade payables to a related party: — V-Care (China)	<b>1,710,348</b>	2,144,516

Ageing analyses of trade payables to a related party of the Group based on invoice date as at 30 June 2013 and 31 December 2012 are as below:

	<b>As at</b>	
	<b>30 June</b>	31 December
	<b>2013</b>	2012
	<b>Unaudited</b>	Audited
	<b>HK\$</b>	HK\$
Within 3 months	<b>1,710,348</b>	2,144,516

## 22 Events after the interim announcement day

On 9 September 2013, SCA Group Holding BV (Incorporated in the Netherland with limited liability) proposed a voluntary conditional cash offer to the shareholders and option holders of the Company to acquire all the Company's outstanding shares (other than those shares already owned or agreed to be acquired by SCA Group Holding BV and parties acting in concert with it) and to cancel all the outstanding share options of the Company. Details of the offer were disclosed in the Company's announcement dated 9 September, 2013.