



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

(incorporated in the Cayman Islands with limited liability)

Stock Code : 3331



Healthy lifestyle
starts from Vinda

2009
Interim
Report

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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. LI Chao Wang (*Chairman & Chief Executive Officer*)
 Ms. YU Yi Fang (*Chief Operating Officer*)
 Mr. DONG Yi Ping (*Chief Technology Officer*)

Non-executive Directors

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

Independent Non-executive Directors

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

COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

Mr. TSANG Zee Ho, Paul CPA, FCCA

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

AUTHORISED REPRESENTATIVES

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

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

AUDITORS

PricewaterhouseCoopers

LEGAL ADVISERS TO THE COMPANY

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
 China Construction Bank Limited
 Hang Seng Bank Limited
 CITIC Ka Wah Bank Limited
 Industrial and Commercial Bank of China Limited
 Agricultural Bank of China Limited
 Bank of China Limited

INTERIM RESULTS AND FINANCIAL HIGHLIGHTS

INTERIM RESULTS

The Board of Directors (the "Board") of Vinda International Holdings Limited ("Vinda International" or the "Company") is pleased to present the unaudited condensed consolidated interim balance sheet as at 30 June 2009 and the unaudited condensed consolidated interim statement of comprehensive income, unaudited condensed consolidated interim cash flow statement and unaudited condensed consolidated interim statement of changes in equity of the Company and its subsidiaries (the "Group") for the period ended 30 June 2009 (the "Period"), together with the comparative figures and selected explanatory notes. The unaudited interim financial statements have been reviewed by independent auditors and the Company's audit committee.

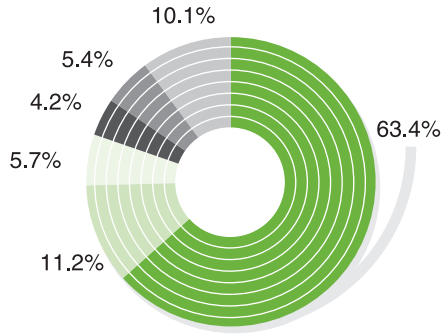
FINANCIAL HIGHLIGHTS

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2009

	2009	2008	Changes
Revenue (HK\$)	1,346,074,193	1,184,801,189	+13.6%
Profit attributable to equity holders of the Company (HK\$)	180,155,245	61,763,884	+191.7%
Gross profit margin	31.8%	18.7%	+13.1p.p.
Net profit margin	13.4%	5.2%	+8.2p.p.
Earnings per share (HK\$)	19.9cents	6.8cents	+191.6%
Stock turnover	93 days	90 days	
Debtors turnover	36 days	32 days	
Interim dividends declared (HK\$)	3 cents	Nil	

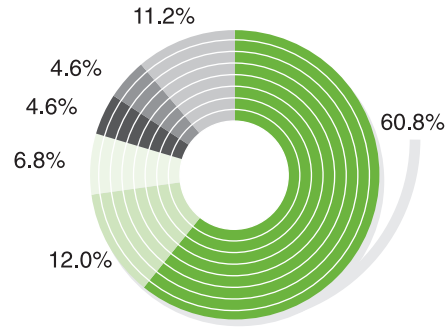
INTERIM RESULTS AND FINANCIAL HIGHLIGHTS

TURNOVER BY PRODUCT CATEGORIES



- Toilet Rolls
- Handkerchief Tissue
- Facial Tissue in box
- Napkins
- Facial Tissue (soft pack)
- Others

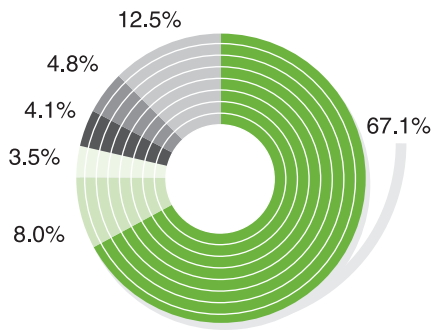
January-June, 2009



- Toilet Rolls
- Handkerchief Tissue
- Facial Tissue in box
- Napkins
- Facial Tissue (soft pack)
- Others

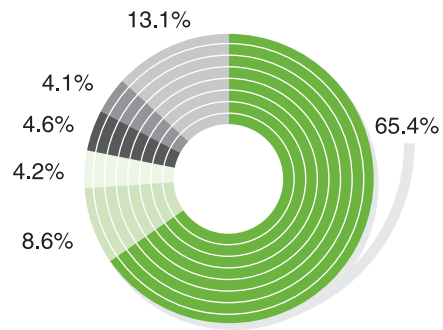
January-June, 2008

SALES VOLUME BY PRODUCT CATEGORIES



- Toilet Rolls
- Handkerchief Tissue
- Facial Tissue in box
- Napkins
- Facial Tissue (soft pack)
- Others

January-June, 2009



- Toilet Rolls
- Handkerchief Tissue
- Facial Tissue in box
- Napkins
- Facial Tissue (soft pack)
- Others

January-June, 2008

MANAGEMENT DISCUSSION AND ANALYSIS

The global financial crisis adversely affected the real economy and the fast moving consumer goods market. Compared with the same period in the previous year, the GDP growth rate of the People's Republic of China (the "PRC") in the first half of 2009 significantly slowed down to 7.1%. As a result of the slowdown of the economic growth and the growth of consumer purchasing power, competition of household paper products became even more severe. However, armed with our brand equity and thanks to timely action taken by management on reading the market trend, coupled with the reduction in price of woodpulp, our major raw materials, the Group recorded a sustained turnover growth with satisfactory results for the Period.

For the six months ended 30 June 2009, the turnover of the Group reached HK\$1,346,074,193 (2008: HK\$1,184,801,189), representing an increase of 13.6% over the same period last year. Profit attributable to shareholders was HK\$180,155,245 (2008: HK\$61,763,884), representing an increase of 191.7% over the same period last year. Earnings per share were HK\$19.9 cents (2008: HK\$6.8cents), an increase of 191.6% over the last corresponding period. These numbers tells of the efficacy of our proactive action taken in the face of against the financial crisis and the effectiveness of our management. The leadership position of the Group in the industry has fortified.

BUSINESS REVIEW

The Group has proclaimed 2009 as the "Year of Innovation". Despite the global economic downturn, the Group maintained satisfactory results and a sound financial position. In the first half of the year, the total sales of the Group amounted to HK\$1,346,074,193, representing an increase of 13.6% over the same period last year. In order to cope with the unfavorable economic conditions, the Group adopted a "Dual Brand" ("Primary-Brand" + "Secondary-Brand") marketing strategy at the beginning of the year. Differentiated consumer clusters are targeted. Our brand resources were restructured, and differentiating marketing policies introduced. These not only ensured our primary-brand products continued to grow in sales, but also elevated our secondary-brand products' sales to second- and third-tier cities. In the first half of the year, the "Dual Brand" marketing strategy has achieved sound results.

In view of the adverse consumer market conditions, the Group had remained flexible in tuning its marketing strategies according to the regional or local competitive landscape. Market penetration was further improved by pitching appropriate marketing resources. Moreover, the Group uplifted Vinda's brand image by mass-implementing eye-catching display modules at points of sale through our "Ten Thousand Shops Over Hundred Cities" project.

Our strong capabilities in research and development of new products and marketing innovation are key to the growth of Vinda International. Towards the end of the period under review, the Group launched personal care products — Wet tissues. In light of the threats of H1N1 Influenza A, we made a timely launch and organized a national community campaign of "Clean Your Hands and Care For All (「手」護健康、關愛你我)" and officially launched various kinds of wet tissue products which are new product lines of the Group. A leap forward in our bid to diversify our product offering, optimize our product mix and enhance our profitability. Our wet tissue products have been well received, and sales has progressed as expected.

It is our all-time goal to improve production efficiency and reduce our production costs. Step by step, an IT platform has been erected for knowledge sharing. Locally created technology enhancement programs, production management methodology, logistics management modeling, and knowhow in operating manufacturing equipment that have proven themselves effective and useful can now be employed groupwide at each of our six production bases. Systems approach to management and the uniformized strategy in production management have moved forward to the next level, delivering positive results.

Quality is the lifeblood to our Brand. Apart from improving operation efficiency, the Group also emphasizes quality control by upgrading our production control capabilities and enhancing our analytical ability over the trend of product quality and process control during production. This has effectively reduced costs, and improved both yield and control over product quality.

MANAGEMENT DISCUSSION AND ANALYSIS

Sustainable development is a social responsibility of all corporate citizens. Protecting the environment is high on the Company's corporate agenda. During production, we would control the COD (Chemical Oxygen Demand) of effluent in compliance with the required standards through real-time online monitoring. Wastes are recycled and treated to minimise their impact to the environment. On procurement, we have introduced environment-friendliness and sustainable development certification as criteria when admitting procurement counterparties. Numerous FSC (Forestry Stewardship Council) or PEFC (Programme for the Endorsement of Forest Certification Schemes) accredited supplier enterprises have been selected as our preferred long term procurement partners for woodpulp sourcing.

BUSINESS STRATEGY

Collaboration and growth with our revenue partners have always been our long term precept. We will continue to seek for innovation in our business model and strengthen our business strategic alliance. We will also maintain close communication with our revenue partners on customer needs to strive for mutual development and benefits. Pursuant to our regional development strategy, we will speed up the development of our presence in second- and third-tier cities and suburbs market. We will expedite our "Ten Thousand Shops Over Hundred Cities" Project for enhancing the value of the Brand and market share. With regard to marketing, sports events sponsorship will be a continued focus to help promote our Vinda Brand and our household tissue paper and our new wet tissue products to meet the increasing demand from customers.

HUMAN RESOURCES AND MANAGEMENT

The Group sees its employees as its most valuable assets and endeavors to build a harmony at the work place, providing employees with ample opportunities for internal promotion and career development, with an aim to nurture and retain a talented and competent workforce. During the Period, in order to enhance the professional knowledge and skillsets of our employees and sharpen their understanding of the development of markets and technology, the Group subsidizes and encourages employees to participate in work-relevant training courses, seminars, trade conference and technology trainings. The Group also organizes extensive campaigns for fostering team spirit so as to strengthen team unity and maintain the vigor of the organization.

Pursuant to the share option scheme adopted on 19 June 2007 by the Group, 27,546,000 share options were granted in February 2009 to certain directors and executives of the Group. A total of 400,000 share options have been exercised to subscribe for shares in the Company during the first half of 2009. As at 30 June 2009, 27,146,000 share options remained outstanding.

As at 30 June 2009, the Group has 4,921 full-time staff. In determining staff remuneration and benefit policies, the Group primarily takes into account the nature of positions and performance of the relevant staff with reference to prevailing market rates.

MANAGEMENT DISCUSSION AND ANALYSIS

FOREIGN EXCHANGE RISKS

The majority of Group's transactions are settled in RMB, US dollar and HK dollar. A predominant portion of sales revenue and purchases of ancillary materials are made in the PRC, while the majority of key raw materials are imported and paid in US dollar. As at 30 June 2009, the Group had not entered into any foreign exchange contracts. Management will closely monitor foreign exchange risks.

FUTURE PROSPECTS

With the launch of various economic stimulus measures by the central government, the economy at large has recovered and market confidence has been restored. However, the management expects that keen competition in the market of FMCG (Fast Moving Consumer Goods), and in particular, the market of household tissue paper products, might not subside in view of new production capacities coming on steam and strict enforcement of environmental protection regulations.

International woodpulp prices has started its rebound since April. Woodpulp prices are expected to continue an upward trend in the second half of the year. On the other hand, the State policy to focus on environmental protection will push forward. The result:

1. Increasing concentration of production capacity at enterprises which boast advanced equipment that can produce with high quality, consume less energy, is less polluting, and suffer lesser wastage of raw materials;
2. Increasing concentration of market share in a small number of enterprises that command a nationwide brand recognition.

The Group will capitalize upon this opportunity to keep moving forward with a sound expansion plan and strengthen its capability to innovate and consolidate its market position.

In the second half year, opportunities and threats await. Woodpulp price has now turned north, while the PRC economy continues its recovery. The Group will implement the following strategies:

1. integrate further our core strength in production capabilities and management know-how, thereby striking an optimum balance between quality and cost-efficiency;
2. follow-through of our prudent financial management policy;
3. build a competent and effective team in marketing and sales, who will weave and widen our network of distribution channels.

And by these, we strive to build long term value for our shareholders and other stakeholders.

MANAGEMENT DISCUSSION AND ANALYSIS

OTHER FINANCIAL INFORMATION

Liquidity, Financial Resources and Borrowings

The Group's financial position remained healthy. As at 30 June 2009, the Group's bank and cash balances amounted to HK\$238,686,526 (31 December 2008: HK\$173,073,712), and short-term and long-term loans in aggregate amounted to HK\$736,711,549 (31 December 2008: HK\$744,286,796). The annual interest rates of borrowings ranged from 0.68% to 7.74%.

As at 30 June 2009, the gross gearing ratio was 39.3% (31 December 2008: 43.5%), which was calculated on the basis of the amount of total borrowings as a percentage of the total shareholders' equity. The net gearing ratio, which was calculated on the basis of the amount of total borrowings less bank balances and cash, and restricted deposits as a percentage of the total shareholders' equity, was 26.6% (31 December 2008: 33.5%).

Contingent Liabilities

As at 30 June 2009 and 2008, the Group has no material contingent liabilities.

Capital Commitments

	As at	
	30 June	31 December
	2009	2008
	Unaudited	Audited
	HK\$	HK\$
Contracted but not provided for	14,507,296	45,528,840

Material Acquisitions and Disposals of Subsidiaries and Associated Companies

During the Period, the Group did not have any material acquisitions and disposals of subsidiaries and associated companies.

Interim Dividend

The Board has resolved the payment of an interim dividend of HK\$0.03 per share for the period ended 30 June 2009 (2008: nil) totaling HK\$27,127,251. The interim dividend will be paid on or about 30 October 2009 to shareholders whose names appear on the register of member of the Company on 15 October 2009.

Close of Register of Members

The register of members of the Company will be closed from 15 October 2009 to 19 October 2009 (both days inclusive), during which period no transfer of shares will be registered. In order to establish entitlement to the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1726, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 14 October 2009 for registration of transfer.

OTHER INFORMATION

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

As at 30 June 2009, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") contained in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Long positions in shares, underlying shares and debentures

Name	Company name of associated corporations	Nature of interest	Number of Shares	Number of underlying Shares ⁽⁴⁾	Aggregate interest	Approximate percentage of interest
Li Chao Wang ⁽¹⁾	The Company	Interest of controlled company	281,981,235 Shares	1,600,000	283,581,235	31.36%
	Fu An International Company Limited	Interest of controlled company	280 shares of US\$1.00 each	—	—	73.68%
	Sentential Holdings Limited	Interest of controlled company	1 share of US\$1.00 each	—	—	100%
	Eagle Power Assets Limited	Settlor and beneficiary of CW Li Family Trust	1 share of US\$1.00 each	—	—	100%
Yu Yi Fang ⁽²⁾	The Company	Interest of controlled company	281,981,235 Shares	9,038,000	291,019,235	32.18%
	Fu An International Company Limited	Interest of controlled company	60 shares of US\$1.00 each	—	—	15.79%
	Join Pride International Limited	Interest of controlled company	10 shares of US\$1.00 each	—	—	100%
	Kingdom World Assets Limited	Settlor and beneficiary of YF Yu Family Trust	1 share of US\$1.00 each	—	—	100%
Dong Yi Ping ⁽³⁾	The Company	Interest of controlled company	281,981,235 Shares	9,038,000	291,019,235	32.18%
	Fu An International Company Limited	Interest of controlled company	40 shares of US\$1.00 each	—	—	10.53%
	Daminos Management Limited	Interest of controlled company	10 shares of US\$1.00 each	—	—	100%
	Profit Zone Assets Limited	Settlor and beneficiary of YP Dong Family Trust	1 share of US\$1.00 each	—	—	100%

OTHER INFORMATION

Name	Company name of associated corporations	Nature of interest	Number of Shares	Number of underlying Shares ⁽⁴⁾	Aggregate interest	Approximate percentage of interest
Leung Ping Chung, Hermann	The Company	personal	1,453,000	400,000	1,853,000	0.20%
Johann Christoph Michalski	The Company	personal	—	400,000	400,000	0.04%
Chiu Bun	The Company	personal	—	400,000	400,000	0.04%
Kam Robert	The Company	personal	—	400,000	400,000	0.04%
Cao Zhen Lei	The Company	personal	—	400,000	400,000	0.04%
Hui Chin Tong, Godfrey	The Company	personal	400,000	—	400,000	0.04%
Tsui King Fai	The Company	personal	—	400,000	400,000	0.04%

Notes:

- The Shares are registered in the name of Fu An International Company Limited which is held as to 73.68% by Sentential Holdings Limited, 15.79% by Join Pride International Limited and 10.53% by Daminos Management Limited. The entire issued share capital of Sentential Holdings Limited is held by Eagle Power Assets Limited, whose entire issued share capital is held by HSBC International Trustee Limited in its capacity as trustee of CW Li Family Trust with LI Chao Wang as the settlor.
- The Shares are registered in the name of Fu An International Company Limited which is held as to 73.68% by Sentential Holdings Limited, 15.79% by Join Pride International Limited and 10.53% by Daminos Management Limited. The entire issued share capital of Join Pride International Limited is held by Kingdom World Assets Limited, whose entire issued share capital is held by HSBC International Trustee Limited in its capacity as trustee of YF Yu Family Trust with YU Yi Fang as the settlor.
- The Shares are registered in the name of Fu An International Company Limited which is held as to 73.68% by Sentential Holdings Limited, 15.79% by Join Pride International Limited and 10.53% by Daminos Management Limited. The entire issued share capital of Daminos Management Limited is held by Profit Zone Assets Limited, whose entire issued share capital is held by HSBC International Trustee Limited in its capacity as trustee of YP Dong Family Trust with DONG Yi Ping as the settlor.
- Details of share options held by the directors are shown in the section of "Share Options".

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

OTHER INFORMATION

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

As at 30 June 2009, the interests and short positions of the substantial shareholders of the Company in the shares and underlying shares of the Company as recorded in the register of substantial shareholders required to be kept under section 336 of the SFO were as follows:

Long positions in shares and underlying shares

Name of shareholder	Nature of interest	Interest in Shares	Interest in underlying Shares ⁽⁴⁾	Aggregate interest	Percentage of issued share capital
Fu An International Company Limited	Beneficial owner	281,981,235	—	281,981,235	31.18%
Sentential Holdings Limited ⁽¹⁾	Interest of controlled company	281,981,235	—	281,981,235	31.18%
Eagle Power Assets Limited ⁽¹⁾	Interest of controlled company	281,981,235	—	281,981,235	31.18%
HSBS International Trustee Limited ⁽¹⁾	Trustee of CW Li Family Trust	281,981,235	—	281,981,235	31.18%
Li Chao Wang ⁽¹⁾	Settlor and beneficiary of CW Li Family Trust	281,981,235	1,600,000	283,581,235	31.36%
SCA Hygiene Holding AB	Beneficial owner	169,531,897	—	169,531,897	18.75%
SCA Group Holding BV ⁽²⁾	Interest of controlled company	169,531,897	—	169,531,897	18.75%
Svenska Cellulosa Aktiebolaget ⁽²⁾	Interest of controlled company	169,531,897	—	169,531,897	18.75%
Cathay Paper Limited	Beneficial owner	84,567,232	—	84,567,232	9.35%
Cathay Capital Holdings, L.P. ⁽³⁾	Interest of controlled company	84,567,232	—	84,567,232	9.35%
Cathay Master GP, Ltd. ⁽³⁾	Interest of controlled company	84,567,232	—	84,567,232	9.35%

Notes:

- These Shares are registered in the name of Fu An International Company Limited which is held as to 73.68% by Sentential Holdings Limited, 15.79% by Join Pride International Limited and 10.53% by Daminos Management Limited. The entire issued share capital of Sentential Holdings Limited is held by Eagle Power Assets Limited, whose entire issued share capital is held by HSBC International Trustee Limited in its capacity as trustee of CW Li Family Trust with Mr. LI Chao Wang as the settler. Under the SFO, Sentential Holdings Limited, Eagle Power Assets Limited, HSBC International Trustee Limited and LI Chao Wang are all deemed to be interested in the Shares held by Fu An International Company Limited.
- These Shares are registered in the name of SCA Hygiene Holding AB, which is indirectly wholly-owned by Svenska Cellulosa Aktiebolaget, a company whose shares are traded on the Stockholm, London and New York (as ADRs) stock exchanges. Under the SFO, Svenska Cellulosa Aktiebolaget is deemed to be interested in the Shares held by SCA Hygiene Holding AB.
- These Shares are registered in the name of Cathay Paper Limited, which is wholly-owned by Cathay Capital Holdings, L.P., a private equity fund and a limited partnership with direct investment in China. Cathay Master GP, Ltd. is the general partner of Cathay Capital Holdings, L.P. Under the SFO, Cathay Master GP, Ltd. and Cathay Capital Holdings, L.P. are deemed to be interested in the Shares held by Cathay Paper Limited.
- Details of share options held by the directors are shown in the section of "Share Options".

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

OTHER INFORMATION

SHARE OPTION SCHEME

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

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

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

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

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

Options exercised during the period to 30 June 2009 resulted in 400,000 shares being issued with exercise proceeds of HK\$1,192,000.

OTHER INFORMATION

Details of movements of the options granted under the Share Option Scheme for the six months ended 30 June 2009 are as follows:

	Date of Grant	Exercise price per Share HK\$	as at 01/01/2009	Number of Shares issuable under the options				as at 30/06/2009	Exercise period
				granted during the period	exercised during the period	lapsed during the period	cancelled during the period		
Directors									
Li Chao Wang	24/02/2009	2.98	—	1,600,000	—	—	—	1,600,000	24/02/2009 to 23/02/2019
Yu Yi Fang	24/02/2009	2.98	—	9,038,000	—	—	—	9,038,000	24/02/2009 to 23/02/2019
Dong Yi Ping	24/02/2009	2.98	—	9,038,000	—	—	—	9,038,000	24/02/2009 to 23/02/2019
Leung Ping Chung, Hermann	24/02/2009	2.98	—	400,000	—	—	—	400,000	24/02/2009 to 23/02/2019
Johann Christoph Michalski	24/02/2009	2.98	—	400,000	—	—	—	400,000	24/02/2009 to 23/02/2019
Chiu Bun	24/02/2009	2.98	—	400,000	—	—	—	400,000	24/02/2009 to 23/02/2019
Kam Robert	24/02/2009	2.98	—	400,000	—	—	—	400,000	24/02/2009 to 23/02/2019
Cao Zhen Lei	24/02/2009	2.98	—	400,000	—	—	—	400,000	24/02/2009 to 23/02/2019
Hui Chin Tong, Godfrey	24/02/2009	2.98	—	400,000	(400,000)	—	—	—	24/02/2009 to 23/02/2019
Tsui King Fai	24/02/2009	2.98	—	400,000	—	—	—	400,000	24/02/2009 to 23/02/2019
Employees of the Group									
In aggregate	24/02/2009	2.98	—	5,070,000	—	—	—	5,070,000	(Note)
				27,546,000	(400,000)			27,146,000	

Note

- (i) 20% of the option are exercise on the expiry of 1 year of the date of grant, i.e. on/after 24 February 2010
- (ii) 30% of the option are exercise on the expiry of 2 years of the date of grant, i.e. on/after 24 February 2011
- (iii) 50% of the option are exercise on the expiry of 3 years of the date of grant, i.e. on/after 24 February 2012

OTHER INFORMATION

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance practices by emphasizing a quality board of directors, sound internal control, transparency and accountability to all the shareholders of the Company. For the six months ended 30 June 2009, the Company has complied with the Code on Corporate Governance Practices (the “Code”) except for deviations from provision A.2.1 of the Code, which stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Li Chao Wang is currently both the Chairman of the Board and the Chief Executive Officer. The Board believes that the posts of Chairman and Chief Executive Officer being performed by the same person would provide the Group with strong and consistent leadership in the development and execution of long-term business strategies and development plans. The Board believes that there is adequate balance between the power and duty.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transaction by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange as its code for dealing in securities of the Company by the directors of the Company. The Company has made specific enquiry of all its directors regarding any non-compliance with the Model Code. All the directors of the Company confirmed that they have complied with the required standard set out in the Model Code during the six months ended 30 June 2009.

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 2009.

REMUNERATION COMMITTEE

The Company’s remuneration committee has three members comprising two independent non-executive directors, namely Dr. Cao Zhen Lei and Mr. Tsui King Fai, and a non-executive director Mr. Leung Ping Chung, Hermann. The chairman of the remuneration committee is Dr. Cao Zhen Lei. The principal duty of the remuneration committee is to regularly monitor the remuneration and other benefits of all the directors and senior management to ensure that 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 become the directors and is responsible for reviewing the structure, size and composition of the Board on a regular basis.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

During the six months ended 30 June 2009, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

TO THE BOARD OF DIRECTORS OF VINDA INTERNATIONAL HOLDINGS LIMITED

(incorporated in Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 16 to 36, which comprises the condensed consolidated interim balance sheet of Vinda International Holdings Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2009 and the related condensed consolidated interim statement of comprehensive income, condensed consolidated interim statement of changes in equity and condensed consolidated interim cash flow statement 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 Main Board of 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, 4 September 2009

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

	Note	30 June 2009 Unaudited HK\$	31 December 2008 Audited HK\$
ASSETS			
Non-current assets			
Property, plant and equipment	5	1,853,949,836	1,852,374,329
Leasehold land and land use rights	5	115,504,664	117,294,978
Intangible assets	5	5,950,548	740,895
Deferred income tax assets		55,397,049	47,508,724
Total non-current assets		2,030,802,097	2,017,918,926
Current assets			
Inventories		456,820,316	491,755,387
Trade receivables, other receivables and prepayments	6	342,018,814	264,969,661
Pledged bank deposits		—	884,454
Cash and cash equivalents		238,686,526	172,189,258
Total current assets		1,037,525,656	929,798,760
Total assets		3,068,327,753	2,947,717,686
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	7	90,424,169	90,384,169
Share premium	7	835,986,579	834,834,579
Other reserves		947,875,896	783,867,895
Total equity		1,874,286,644	1,709,086,643

The notes on pages 21 to 36 form an integral part of this condensed interim financial information.

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (continued)

	Note	30 June 2009 Unaudited HK\$	31 December 2008 Audited HK\$
LIABILITIES			
Non-current liabilities			
Borrowings	8	425,904,089	465,875,506
Deferred government grants		31,811,623	33,127,079
Deferred income tax liabilities		1,456,381	1,556,700
Total non-current liabilities		459,172,093	500,559,285
Current liabilities			
Trade payables, other payables and accrued expenses	9	371,876,029	430,448,139
Current income tax liabilities		52,185,527	29,212,329
Borrowings	8	310,807,460	278,411,290
Total current liabilities		734,869,016	738,071,758
Total liabilities		1,194,041,109	1,238,631,043
Total equity and liabilities		3,068,327,753	2,947,717,686
Net current assets		302,656,640	191,727,002
Total assets less current liabilities		2,333,458,737	2,209,645,928

The notes on pages 21 to 36 form an integral part of this condensed interim financial information.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	Note	Unaudited	
		Six months ended 30 June	
		2009 HK\$	2008 HK\$
Revenue	4	1,346,074,193	1,184,801,189
Cost of sales		(918,577,460)	(963,005,719)
Gross profit		427,496,733	221,795,470
Selling and marketing costs		(97,686,816)	(81,551,505)
Administrative expenses		(83,222,671)	(49,293,291)
Other income and gains - net		1,178,243	2,281,028
Operating profit	10	247,765,489	93,231,702
Finance income		628,119	1,503,197
Finance costs		(15,488,980)	(10,948,181)
Finance costs, net		(14,860,861)	(9,444,984)
Profit before income tax		232,904,628	83,786,718
Income tax expense	11	(52,749,383)	(22,022,834)
Profit for the period and attributable to equity holders of the Company		180,155,245	61,763,884
Other comprehensive income:			
Currency translation differences	12	(155,126)	99,580,628
Total comprehensive income for the period and attributable to equity holders of the Company		180,000,119	161,344,512
Earnings per share for profit attributable to the equity holders of the Company (expressed in HK\$ per share)			
– basic	13	0.199	0.068
– diluted	13	0.198	0.068
Dividends	14	41,595,118	19,884,517

The notes on pages 21 to 36 form an integral part of this condensed interim financial information.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

		Unaudited			
		Attributable to equity holders of the Company			
Note	Share capital HK\$	Share premium HK\$	Other reserves HK\$	Total HK\$	
	Balance as at 1 January 2008	90,384,169	834,834,579	541,373,559	1,466,592,307
	Profit for the period	—	—	61,763,884	61,763,884
	Other comprehensive income – currency translation differences	—	—	99,580,628	99,580,628
	Total comprehensive income for the six months ended 30 June 2008	—	—	161,344,512	161,344,512
	Dividend	—	—	(19,884,517)	(19,884,517)
	Balance as at 30 June 2008	90,384,169	834,834,579	682,833,554	1,608,052,302
	Balance as at 1 January 2009	90,384,169	834,834,579	783,867,895	1,709,086,643
	Profit for the period	—	—	180,155,245	180,155,245
	Other comprehensive income – currency translation differences	—	—	(155,126)	(155,126)
	Total comprehensive income for the six months ended 30 June 2009	—	—	180,000,119	180,000,119
	Employees share option scheme – value of employee services	—	—	25,603,000	25,603,000
	– proceeds from shares issued	40,000	1,152,000	—	1,192,000
	Dividend	—	—	(41,595,118)	(41,595,118)
	Balance as at 30 June 2009	90,424,169	835,986,579	947,875,896	1,874,286,644

The notes on pages 21 to 36 form an integral part of this condensed interim financial information.

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

		Unaudited	
		Six months ended 30 June	
	Note	2009	2008
		HK\$	HK\$
Cash flows from operating activities:			
– continuing operations		184,613,474	145,217,695
Cash flows from investing activities:			
– purchases of property, plant and equipment		(66,218,995)	(90,011,983)
– purchases of intangible assets		(5,463,289)	(51,948)
– purchases of leasehold land and land use rights		—	(19,660,529)
– proceeds on disposal of property, plant and equipment		473,800	—
– other investing cash flows – net		628,119	1,503,197
Cash flows used in investing activities – net		(70,580,365)	(108,221,263)
Cash flows from financing activities:			
– dividends paid	14	(41,595,118)	(19,884,517)
– repayments of borrowings	8	(664,605,767)	(503,114,657)
– proceeds from borrowings	8	656,691,885	431,049,144
– decrease / (increase) in pledged deposits		884,454	(24,051,048)
– proceeds from shares issued	7	1,192,000	—
Cash flows used in financing activities – net		(47,432,546)	(116,001,078)
Net increase in cash and cash equivalents			
Cash and cash equivalents at beginning of the period		172,189,258	252,081,481
Exchange differences		(103,295)	28,992,092
Cash and cash equivalents at end of the period		238,686,526	202,068,927

The notes on pages 21 to 36 form an integral part of this condensed interim financial information.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 GENERAL INFORMATION

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

The Company acts as an investment holding company and provides management services to its subsidiaries. The Company and its subsidiaries are collectively referred to as the “Group”. The principal activities of the Group are mainly manufacture and sale of household consumable paper.

The Company’s shares have been listed on the Stock Exchange of Hong Kong Limited (“HKSE”) 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 4 September 2009.

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 2009 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 2008, which have been prepared in accordance with HKFRSs.

3 ACCOUNTING POLICIES

Except as described below, the accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2008, 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

3 ACCOUNTING POLICIES *(Continued)*

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2009:

- HKAS 1 (revised), 'Presentation of financial statements'. The revised standard prohibits the presentation of items of income and expenses (that is 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All 'non-owner changes in equity' are required to be shown in a performance statement.

Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income).

The Group has elected to present one statement: the statement of comprehensive income. The interim financial statements have been prepared under the revised disclosure requirements.

- HKFRS 8, 'Operating segments'. HKFRS 8 replaces HKAS 14, 'Segment reporting'. It requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. The Group is principally engaged in a single operating segment.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers. The chief operating decision-makers have been identified as the executive directors that make strategic decisions.

- HKAS 23 (Amendment), 'Borrowing costs'. The definition of borrowing costs has been amended so that interest expense is calculated using the effective interest method defined in HKAS 39 'Financial instruments: Recognition and measurement'. This eliminates the inconsistency of terms between HKAS 39 and HKAS 23. The Group has applied the HKAS 23 (Amendment) prospectively to the capitalisation of borrowing costs on qualifying assets from 1 January 2009.
- Amendment to HKFRS 7, 'Financial instruments: disclosures'. The amendment increases the disclosure requirements about fair value measurement and amends the disclosure about liquidity risk. The amendment introduces a three-level hierarchy for fair value measurement disclosures about financial instruments and requires some specific quantitative disclosures for those instruments classified in the lowest level in the hierarchy. These disclosures will help to improve comparability between entities about the effects of fair value measurements. In addition, the amendment clarifies and enhances the existing requirements for the disclosure of liquidity risk primarily requiring a separate liquidity risk analysis for derivative and non-derivative financial liabilities. It also requires a maturity analysis for financial assets where the information is needed to understand the nature and context of liquidity risk. The Group will make additional relevant disclosures in its financial statements for the year ending 31 December 2009.
- HKFRS 2 (Amendment), 'Share-based payment'. The amended standard deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. As such these features would need to be included in the grant date fair value for transactions with employees and others providing similar services, that is, these features would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Company has applied HKFRS 2 (Amendment) from 1 January 2009.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

3 ACCOUNTING POLICIES *(Continued)*

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2009, but are not currently relevant for the Group.

- HKAS 32 (amendment), 'Financial instruments: presentation'.
- HK(IFRIC) 9 (amendment), 'Reassessment of embedded derivatives' and HKAS 39 (amendment), 'Financial instruments: Recognition and measurement'.
- HK(IFRIC) 13, 'Customer loyalty programmes'.
- HK(IFRIC) 15, 'Agreements for the construction of real estate'.
- HK(IFRIC) 16, 'Hedges of a net investment in a foreign operation'.
- HKAS 39 (amendment), 'Financial instruments: Recognition and measurement'.

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1 January 2009 and have not been early adopted:

- Amendment to HKAS 39, 'Financial instruments: Recognition and measurement' on eligible hedged items, effective for annual periods beginning on or after 1 July 2009. This is not currently applicable to the Group, as it does not have any hedged items.
- HKFRS 3 (revised), 'Business combinations' and consequential amendments to HKAS 27, 'Consolidated and separate financial statements', HKAS 28, 'Investments in associates' and HKAS 31, 'Interests in joint ventures', effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. The Group will apply HKFRS 3 (revised) to all business combinations from 1 January 2010.
- HK(IFRIC) 17, 'Distributions of non-cash assets to owners', effective for annual periods beginning on or after 1 July 2009. This is not currently applicable to the Group, as it has not made any non-cash distributions.
- HK(IFRIC) 18, 'Transfers of assets from customers', effective for transfer of assets received on or after 1 July 2009. This is not relevant to the Group, as it has not received any assets from customers.

HKICPA's improvements to HKFRS published in May 2009:

- Amendment to HKFRS 2 'Share-based payments', effective for periods beginning on or after 1 July 2009. This is not currently relevant for the Group as it has not issued equity instruments for business combination under common control or for the formation of a joint venture.
- Amendment to HKFRS 5 'Non-current Assets held for sale and discontinued operations', effective for periods beginning on or after 1 January 2010. The Group will apply HKFRS 5 (amendment) from 1 January 2010.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

3 ACCOUNTING POLICIES *(Continued)*

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1 January 2009 and have not been early adopted *(Continued)*:

HKICPA's improvements to HKFRS published in May 2009 *(Continued)*:

- Amendment to HKFRS 8 'Operating segments', effective for periods beginning on or after 1 January 2010. The Group will apply HKFRS 8 (amendment) from 1 January 2010.
- Amendment to HKAS 1 'Presentation of financial statements', effective for periods beginning on or after 1 January 2010. The Group will apply HKAS 1 (amendment) from 1 January 2010.
- Amendment to HKAS 7 'Statement of cash flows', effective for periods beginning on or after 1 January 2010. The Group will apply HKAS 7 (amendment) from 1 January 2010.
- Amendment to HKAS 17 'Leases', effective for periods beginning on or after 1 January 2010. The Group will apply HKAS 17 (amendment) from 1 January 2010.
- Amendment to HKAS 36 'Impairment of assets', effective for periods beginning on or after 1 January 2010. The Group will apply HKAS 36 (amendment) from 1 January 2010.
- Amendment to HKAS 38 'Intangible assets', effective for periods beginning on or after 1 July 2009. The Group will apply HKAS 36 (amendment) from 1 January 2010.
- Amendment to HKAS 39 'Financial instruments: recognition and measurement', effective for periods beginning on or after 1 January 2010. This is not currently relevant for the Group as it does not have such financial instruments.
- Amendment to HK(IFRIC) 9 'Reassessment of embedded derivatives', effective for periods beginning on or after 1 July 2009. This is not currently relevant for the Group as it does not have such derivatives.
- Amendment to HK(IFRIC) 16 'Hedges of a net investment in a foreign operation', effective for periods beginning on or after 1 July 2009. This is not currently relevant for the Group as it does not have such hedge.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

4 SEGMENT INFORMATION

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

	Unaudited	
	Six months ended 30 June	
	2009	2008
	HK\$	HK\$
Sales of goods	1,277,490,347	1,114,913,764
Sales of semi-finished goods and other materials	68,583,846	69,887,425
	<hr/>	<hr/>
Total revenue	1,346,074,193	1,184,801,189
	<hr/> <hr/>	<hr/> <hr/>

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

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

The decision-maker has also determined that no geographical segment information is presented as over 90% of the Group's sales and operating profits are derived within the PRC and over 90% operating assets of the Group are located in the PRC, which is considered as one geographic location with similar risks and returns.

The Group is domiciled in Mainland China, Hong Kong and other countries. The result of its revenue from external customers in Mainland China is HK\$1,155,300,876 (for the six months ended 30 June 2008: HK\$1,038,521,832), in Hong Kong for the six months ended 30 June 2009 is HK\$175,747,703 (for the six months ended 30 June 2008: HK\$128,128,608), and in other countries is HK\$ 15,025,614 (for the six months ended 30 June 2008: HK\$18,150,749).

The total of non-current assets other than deferred tax assets were as follows:

	As at	
	30 June	31 December
	2009	2008
	Unaudited	Audited
	HK\$	HK\$
Total non-current assets other than deferred tax assets		
– Mainland China	1,946,378,579	1,940,664,710
– Hong Kong and other overseas	29,026,469	29,745,492
Deferred tax assets	55,397,049	47,508,724
	<hr/>	<hr/>
Total non-current assets	2,030,802,097	2,017,918,926
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

5 CAPITAL EXPENDITURE

	Unaudited		
	Property, plant and equipment HK\$	Leasehold land and land use rights HK\$	Intangible assets HK\$
Six months ended 30 June 2008			
Opening net book amount 1 January 2008	1,391,200,294	95,396,490	2,966,002
Additions	133,519,124	19,660,529	51,948
Depreciation and amortisation (Note 10)	(45,739,164)	(1,487,747)	(150,463)
Exchange differences	97,304,051	5,872,308	47,022
Closing net book amount 30 June 2008	<u>1,576,284,305</u>	<u>119,441,580</u>	<u>2,914,509</u>
Six months ended 30 June 2009			
Opening net book amount 1 January 2009	1,852,374,329	117,294,978	740,895
Additions	56,075,629	—	5,463,289
Disposals	(1,389,410)	—	—
Depreciation and amortisation (Note 10)	(54,894,869)	(1,843,747)	(254,536)
Exchange differences	1,784,157	53,433	900
Closing net book amount 30 June 2009	<u>1,853,949,836</u>	<u>115,504,664</u>	<u>5,950,548</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6 TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

	As at	
	30 June 2009 Unaudited HK\$	31 December 2008 Audited HK\$
Trade receivables	302,436,690	216,590,233
Other receivables	20,205,219	39,221,173
Notes receivable	340,329	2,145,811
Prepayments	19,036,576	7,012,444
	<u>342,018,814</u>	<u>264,969,661</u>

The majority of the Group's sales is with credit terms ranging from 30 to 90 days. Ageing analysis of the trade receivables (including amounts due from related parties of trading in nature) were as follows:

	As at	
	30 June 2009 Unaudited HK\$	31 December 2008 Audited HK\$
Trade receivables		
Within 3 months	284,241,972	208,402,043
4 months to 6 months	15,317,658	7,346,585
7 months to 12 months	2,877,060	841,605
	<u>302,436,690</u>	<u>216,590,233</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

7 SHARE CAPITAL AND SHARE PREMIUM

	Number of authorised shares	Number of issued and fully paid shares	Unaudited		
			Amount		
			Ordinary shares HK\$	Share premium HK\$	Total HK\$
Opening Balance at 1 January 2008 and 1 January 2009	80,000,000,000	903,841,686	90,384,169	834,834,579	925,218,748
Proceeds from shares issued – employee share option scheme (a)	—	400,000	40,000	1,152,000	1,192,000
At 30 June 2009	<u>80,000,000,000</u>	<u>904,241,686</u>	<u>90,424,169</u>	<u>835,986,579</u>	<u>926,410,748</u>

(a) Employee share option scheme:

As approved by the Board and Shareholders' meeting, the share options were granted to the directors and employees on 24 February 2009, in an aggregate to 27,546,000 shares 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) all the options granted to directors on or after 24 February 2009;
- (ii) up to 20% of the options granted to employees on or after 24 February 2010;
- (iii) up to further 50% of the options granted to employees on or after 24 February 2011;
- (iv) all the remaining options granted to employees on or after 24 February 2012.

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

7 SHARE CAPITAL AND SHARE PREMIUM *(Continued)*

(a) Employee share option scheme: *(Continued)*

Movements in the number of share options outstanding and their related weighted average exercise prices were as follows:

	Unaudited	
	Six months ended 30 June 2009	
	Average exercise price per share in HK\$	Number of options
At 1 January	—	—
Granted	2.98	27,546,000
Exercised	2.98	(400,000)
At 30 June	2.98	27,146,000

Options exercised during the period to 30 June 2009 resulted in 400,000 shares being issued with exercise proceeds of HK\$1,192,000.

The weighted average fair value of options granted was 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%.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

8 BORROWINGS

	30 June 2009 Unaudited HK\$	As at 31 December 2008 Audited HK\$
Non-current	425,904,089	465,875,506
Current	310,807,460	278,411,290
	736,711,549	744,286,796

Movements in borrowings are analysed as follows:

	Unaudited HK\$
Six months ended 30 June 2008	
Opening amount as at 1 January 2008	654,175,010
New borrowings	431,049,144
Repayments of borrowings	(503,114,657)
Exchange differences	31,018,637
Closing amount as at 30 June 2008	<u>613,128,134</u>
Six months ended 30 June 2009	
Opening amount as at 1 January 2009	744,286,796
New borrowings	656,691,885
Repayments of borrowings	(664,605,767)
Exchange differences	338,635
Closing amount as at 30 June 2009	<u>736,711,549</u>

Interest expenses on borrowings for the six months ended 30 June 2009 were HK\$ 15,184,416 (six months ended 30 June 2008: HK\$ 28,119,402).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

9 TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES

	As at	
	30 June	31 December
	2009	2008
	Unaudited	Audited
	HK\$	HK\$
Trade payables	153,650,868	209,144,385
Notes payables	12,629,649	704,697
Other payables	131,971,599	167,054,254
Accrued expenses	73,623,913	53,544,803
	<u>371,876,029</u>	<u>430,448,139</u>

Aging analysis of trade payables and notes payables as at 30 June 2009 and 31 December 2008 (including amounts due to related parties of trading in nature) were as follows:

	As at	
	30 June	31 December
	2009	2008
	Unaudited	Audited
	HK\$	HK\$
Trade payables and notes payables		
Within 3 months	156,239,842	182,380,806
4 months to 6 months	5,663,117	15,496,792
7 months to 12 months	432,905	2,683,468
1 year to 2 years	3,752,818	7,436,675
2 years to 3 years	81,656	99,357
Over 3 years	110,179	1,751,984
	<u>166,280,517</u>	<u>209,849,082</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

10 OPERATING PROFIT

The following items have been charged / (credited) to the operating profit during the six months ended 30 June 2009 and 2008:

	Unaudited	
	Six months ended 30 June	
	2009	2008
	HK\$	HK\$
Government grants for reinvestment (a)	(575,754)	—
Amortisation of deferred government grants	(1,329,221)	(540,981)
Gain on derivative financial instruments	—	(521,627)
Foreign exchange gain, net	(195,373)	(1,950,868)
Provision for impairment of receivables	416,751	789,213
Provision for / (write-back) of impairment of inventories	439,467	(188,180)
Depreciation of property, plant and equipment	54,894,869	45,739,164
Amortisation of intangible assets	254,536	150,463
Amortisation of leasehold land and land use rights	1,843,747	1,487,747
Loss on disposal of property, plant and equipment	915,610	—
	915,610	—

- (a) In 2009, Vinda Paper (Hubei) Company Limited ("Vinda Hubei") appropriated dividends to Vinda China with amount of RMB 18,382,621 (equivalent to HK\$15,167,534) and Vinda China reinvested those dividends in Vinda Paper (Xiaogan) Company Limited ("Vinda Xiaogan"). Accordingly, Vinda China received government grants amounting to RMB 507,470 (equivalent to HK\$ 575,754) from People's Republic of China (PRC) local tax bureau in January 2009.

11 INCOME TAX EXPENSE

PRC enterprise income tax has been provided at the rates ranging from 12.5% to 25% (six months ended 30 June 2008 : 0% to 25%) on the profits generated by PRC incorporated subsidiaries with reference to the existing tax benefit entitlements of some of these subsidiaries. Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2008: 16.5%) on the estimated assessable profit for the year. Taxation on profits derived from overseas has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries or regions in which the Group operates.

	Unaudited	
	Six months ended 30 June	
	2009	2008
	HK\$	HK\$
Current income tax		
– Hong Kong profits tax	6,737,240	2,552,966
– PRC enterprise income tax	53,973,012	20,291,119
Deferred income tax	(7,960,869)	(821,251)
	52,749,383	22,022,834

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

12 CURRENCY TRANSLATION DIFFERENCES

According to HKAS1 (revised), "Presentation of financial statement", all "non-owner changes in equity" are required to be shown in a performance statement. The other comprehensive income of the Group is mainly comprised of currency translation differences, which arose from the translation of functional currency to presentation currency. The currency translation differences for the six months ended 30 June 2009 were translation losses of HK\$ 155,126 (six months ended 30 June 2008: translation gains of HK\$ 99,580,628).

13 EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average numbers of ordinary shares in issue during the period.

	Unaudited	
	Six months ended 30 June	
	2009	2008
Profit attributable to equity holders of the Company (HK\$)	180,155,245	61,763,884
Weighted average number of ordinary shares in issue	903,958,813	903,841,686
Basic earnings per share (HK\$ per share)	0.199	0.068

(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.

	Unaudited	
	Six months ended 30 June	
	2009	2008
Profit attributable to equity holders of the Company (HK\$)	180,155,245	61,763,884
Adjusted weighted average number of ordinary shares in issue	908,696,204	903,841,686
Diluted earnings per share (HK\$ per share)	0.198	0.068

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

14 DIVIDENDS

On 27 May 2008, the Board of Directors proposed a dividend in respect of the year ended 31 December 2007 of HK\$ 19,884,517, representing HK\$ 0.022 per ordinary share. The dividend was paid in June 2008.

On 25 May 2009, the Board of Directors proposed a dividend in respect of the year ended 31 December 2008 of HK\$ 41,595,118, representing HK\$ 0.046 per ordinary share. The dividend was paid in June 2009.

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

	As at	
	30 June 2009 Unaudited HK\$	31 December 2008 Audited HK\$
Contracted but not provided for	14,507,296	45,528,840

16 CONTINGENT LIABILITIES

As at 30 June 2009 and 2008, the Group had no material contingent liabilities.

17 RELATED PARTY TRANSACTIONS

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

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

Name of related party	Relationship
SCA Hygiene	Shareholder
SCA Hygiene Australasia Pty Limited ("SCA HA")	Subsidiary of Svenska Cellulosa Aktiebolaget AB (the ultimate holding company of SCA Hygiene)
SCA (Tianjin) Packaging Products Co., Ltd. ("SCA (Tianjin)")	Subsidiary of Svenska Cellulosa Aktiebolaget AB (the ultimate holding company of SCA Hygiene)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

17 RELATED PARTY TRANSACTIONS *(Continued)*

(b) Significant related party transactions

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 2009 also include:

	Unaudited	
	Six months ended 30 June	
	2009	2008
	HK\$	HK\$
(1) Sales of products to a related party:		
– SCA HA	6,897,002	1,324,137
(2) Purchase of packages from a related party:		
– SCA (Tianjin)	741,612	2,122,287
(3) Key management compensation:		
Directors		
– Basic salaries, housing allowances, other allowances, benefits-in-kind and other benefits	3,048,972	3,068,639
– Share based payments	24,724,000	—
Senior management		
– Basic salaries, housing allowances, other allowances, benefits-in-kind and other benefits	2,205,876	2,464,648
– Share based payments	879,000	—
	30,857,848	5,533,287

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

17 RELATED PARTY TRANSACTIONS (Continued)

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

	As at	
	30 June 2009 Unaudited HK\$	31 December 2008 Audited HK\$
(1) Amount due from a related party, included in trade receivables, other receivables and prepayments – SCA HA	2,399,296	5,300,643
(2) Amount due to a related party, included in trade payables, other payables and accrued expenses – SCA (Tianjin)	157,796	568,205

The related party balances are unsecured, non-interest bearing and have no fixed repayment term.

18 SUBSEQUENT EVENT

a) Penalty notification for the land without land use right certificate

On July 6, 2009, one of the Group's subsidiaries, Vinda North Paper (Beijing) Company Limited ("Vinda Northern Paper") received a penalty notification from Beijing Municipal Bureau of Land and Resources (the "Beijing Land Bureau") as Vinda Northern Paper built plant on the land without land use right certificate in Pinggu District. As of 4 September 2009, the fine of RMB243,654 has been settled according to the notification, and the local (where Vinda Northern Paper operates) branch of the Land Bureau has accepted Vinda Northern Paper's application for issuance of the land use right certificate, pending assessment of the relevant land premium.

Vinda Northern Paper has consulted its Chinese lawyer on the penalty notification. According to the legal advice, under "Law of Land Administration of the People's Republic of China", the penalty for illegal occupation of land without approval may include order of return illegally occupied land, the confiscation of newly built buildings and other facilities thereon and a fine. The legal advice is of the opinion that the risk of having its land use rights, buildings and other facilities constructed thereon being confiscated would be low.

b) Dividends declared

At a meeting held on 4 September 2009, the Board of Directors proposed an interim dividend in respect of the period ended 30 June 2009 of HK\$27,127,251, representing HK\$0.03 per ordinary share.