



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

(incorporated in the Cayman Islands with limited liability)

Stock Code : 3331



“Healthy lifestyle starts from Vinda”

Interim Report **2007**

Mission: Bringing clean and comfortable products to people in an environmental friendly way

Goal: Creating trend-setting products; maximizing operation scale and efficiency, improving quality; consolidating leadership position

Core value: Professional, focus, environmental friendly, advanced

Core competence: A highly committed team offering professional services and value-for-money products to customers





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Warning: The information contained herein has not been approved by the authority in Hong Kong. You should exercise caution when dealing with any offer. If you are in any doubt about this document, you should consult independent professional advisors.

CORPORATE INFORMATION



DIRECTORS

Executive Directors

Mr. LI Chao Wang (Chairman)
Ms. YU Yi Fang
Mr. DONG Yi Ping

Non-executive Directors

Mr. LEE Kwong Sang
Mr. LEUNG Ping Chung, Hermann
Mr. MAK Kin Kwong
Mr. Rijk Hendrik Jan SCHIPPER
Mr. CHIU Bun

Independent Non-executive Directors

Mr. 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, ACCA*

AUDIT COMMITTEE

Mr. KAM, Robert (Chairman)
Mr. MAK Kin Kwong
Mr. HUI Chin Tong, Godfrey

REMUNERATION COMMITTEE

Mr. 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: 852-2782 5512
Fax: 852-2782 5560

AUDITORS AND REPORTING ACCOUNTANTS

PricewaterhouseCoopers

LEGAL ADVISERS TO THE COMPANY

Stevenson, Wong & Co. (as to Hong Kong law)
Latham & Watkins LLP (as to United States law)
Jingtian & Gongchen (as to PRC 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
CITIC Ka Wah Bank Limited
Hang Seng Bank Limited
Industrial and Commercial Bank of China Limited



INTERIM RESULTS AND FINANCIAL HIGHLIGHTS

INTERIM RESULTS

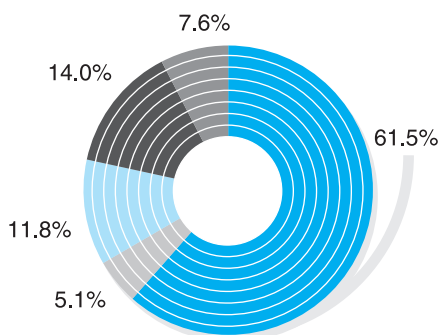
The Board of Directors (the “Board”) of Vinda International Holdings Limited (“Vinda” or the “Company”) is pleased to present the unaudited condensed consolidated balance sheet as at 30 June 2007 and the unaudited condensed consolidated profit and loss account, unaudited condensed consolidated cash flow statement and unaudited condensed consolidated statement of changes in equity of the Company and its subsidiaries (“the Group”) for the six months ended 30 June 2007 (the “Period”), together with the comparative figures and selected explanatory notes. The unaudited interim financial statements have been reviewed by the Company’s audit committee.

FINANCIAL HIGHLIGHTS

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2007

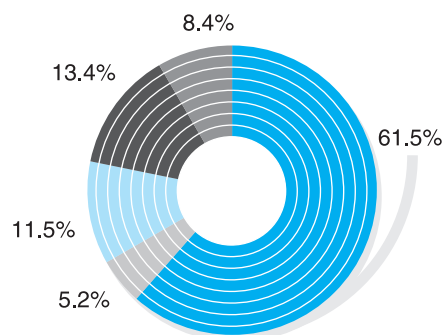
	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>	Changes %
Revenue	848,512	622,284	36.4
Profit attributable to equity holders of the Company	41,076	42,813	-4.1
Gross profit margin	21.9%	25.2%	
Net profit margin	4.8%	6.9%	
Earnings per share	HK 6.4 Cents	HK 6.7 Cents	
Stock turnover	91 days	94 days	
Debtors turnover	35 days	38 days	

TURNOVER BY PRODUCT CATEGORIES



- Toilet Paper / ton
- Handkerchief Tissue / ton
- Facial Tissue / ton
- Meal Tissue / ton
- Others / ton

January-June, 2007



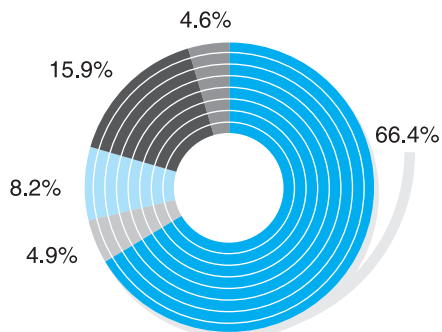
- Toilet Paper / ton
- Handkerchief Tissue / ton
- Facial Tissue / ton
- Meal Tissue / ton
- Others / ton

January-June, 2006

INTERIM RESULTS AND FINANCIAL HIGHLIGHTS

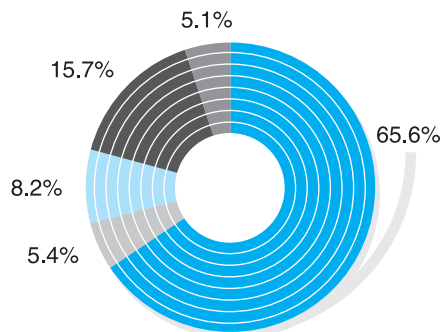


PRODUCTION VOLUME BY PRODUCT CATEGORIES



- Toilet Paper / ton
- Handkerchief Tissue / ton
- Facial Tissue / ton
- Meal Tissue / ton
- Others / ton

January-June, 2007



- Toilet Paper / ton
- Handkerchief Tissue / ton
- Facial Tissue / ton
- Meal Tissue / ton
- Others / ton

January-June, 2006

MANAGEMENT DISCUSSION AND ANALYSIS



During the Period, the Group's turnover was HK\$848,512,000, representing an increase of 36.4% over the same period last year. During the Period, profit attributable to the equity holders of the Company amounted to HK\$41,076,000, representing a decrease of 4.1% over the same period last year. The basic earnings per share were HK\$6.4 cents, representing a decrease of 4.1% over the same period last year.

Operation environment

In 2007, the world economy and trade continued its growing trend of 2006. According to the forecast of the International Monetary Fund ("IMF"), the global economic growth in 2007 is approximately 5.2%, and growth in trades is approximately 7.1%. The PRC economy continued to maintain its favorable growing trend. In the first half of 2007, GDP has aggregated upto RMB10,676 billion, representing an increase of 11.5% over the same period last year. Total retail sales of social consumer products amounted to RMB4,200 billion, representing an increase of 15.4% over the same period last year. Of these, total consumption in the wholesale and retail industries amounted to RMB3,549 billion, representing an increase of 15.2% over the same period last year.

In the first half of this year, consumers' demands in the PRC for quality and product features in tissue paper products have risen. High-end and premium paper products such as towels, toilet paper and boxed facial tissues have enjoyed a rapid growth. The higher consumer demand and attractive profitability in premium segment of toilet paper and tissues have in turn led to the fast expansion in production capacity by other major players, resulting in intensified competition, which is expected to continue in the second half of 2007.

With the proceeds raised from the Company's IPO in July 2007, the Group's awareness in the market has been significantly enhanced, with more competitiveness to grasp opportunities for the expansion of the Central China and Northern China markets. The Group is well positioned to strategically expand its market share, to gradually realise the Group's marketing strategy of "Taking Beijing, Hubei, Guangdong, Sichuan as the center, to radiate to the peripheral areas, so as to form an in-depth distribution capacity and network advantage". In the second half year, the Group will be focussed on enhancing the market shares in the Bohai region and Huadong markets by continued establishing marketing network of "Multi-point deployments" and cost effective logistics systems, so as to satisfy the ever-increasing demands of customers, and to expedite the pace of business exploration.

Financial review

For the six months ended 30 June 2007, the Group has recorded a turnover of HK\$848,512,000, representing an increase of 36.4% over the same period last year. During the Period, profits attributable to equity holders of the Company amounted to HK\$41,076,000, representing a decrease of 4.1% over the same period last year. Basic earnings per Share were HK\$6.4 cents, a decrease of 4.1% over the same period last year. No diluted earnings per share have been presented as there were no dilutive ordinary shares during both periods.

MANAGEMENT DISCUSSION AND ANALYSIS



Operating expenses

In the first half of 2007, the Group's sales and marketing expenses were HK\$88,007,000 (first half of 2006: HK\$65,105,000), and percentage to the Group's revenues decreased from 10.5% in the same period last year to 10.4% during the Period. In order to proactively strengthen the brandname of "Vinda", the Group launched a number of product advertising and diversified marketing plans, and the proportion of actual advertising and promotion expenses to the Group's revenues increased from 3.8% to 4.8%.

In the first half of 2007, administration expenses and other operating expenses amounted to HK\$32,075,000 (first half of 2006: HK\$30,591,000), and percentage to the Group's revenues decreased from 4.9% in the same period last year to 3.8% during the Period, which reflected that the Group's overall management system and the strategy of strict controls in administration expenses which the Group implemented during the Period have been successful.

Profit from business operations

During the Period, the Group's EBITDA was HK\$111,529,000 (same period in 2006: HK\$91,534,000), representing an increase of 21.8% over the same period last year. Besides, there was an increase in the ratio of the Group's advertising and promotion expenses to the turnover as compared with the same period last year. However, due to the Group's implementation of more accurate operation system, the resources distribution and utilisation rate have improved, and the Group's EBITDA was increased.

BUSINESS REVIEW

In the first half of 2007, the economy in the PRC further developed, and industrial growth accelerated. Average incomes of urban and rural residents improved, and their level of consumption continued to rise. Awareness of personal hygiene was also enhanced, as a result the Group's sales recorded a remarkable growth in the first half year. The Group's turnover amounted to HK\$848,512,000, representing an increase of 36.4% over the same period in 2006.

As living standards in various cities, including tier-one to tier-three cities, townships and villages, continued to increase, coupled with the enhancement in education levels, demands for medium to high-end toilet paper, paper handkerchiefs, facial tissues and paper napkins increase persistently. Hence, the Group is increasing its production capacity, which apart from meeting demands, can also enhance the Group's competitiveness. In order to cope with the intensifying competition in the tissue paper product market in the PRC, in particular the Eastern China region, the Group has paid more promotion expenses than in the past, with the aim to expand its market share.

In the first half year, in order to further promote brand awareness, marketing and promotion expenses amounted to HK\$8.05 million (2006: HK\$4.74 million) (representing approximately 10% of the distribution cost in the same period in 2006), of which over HK\$6 million were made through targeted sports marketing and sponsorship arrangements with China National Women Volleyball Team and the National Bowling Championships, and the marketing arrangement with the National Basketball Association (NBA). These arrangements have established a healthy and dynamic image for the brand, and the relays/direct broadcasts of these sports events have countrywide coverage and even to all the major cities in the world.

In the first half year, global demands for end products wholly or partly manufactured from pulps increased, leading to the pulp prices to increase continuously and was still standing persistently high, thereby causing production costs to increase. In order to maintain its market leadership and prevent loss of customers, there were no price raise in the Group's overall products in the first half year. These have affected the Group's profit margins in the first half year.

MANAGEMENT DISCUSSION AND ANALYSIS



FUTURE OUTLOOK

The Group's household paper products have one of the highest market shares in the PRC. In order to ensure the Group's leading position in the industry, the Group launched considerable advertising and promotion in the first half year, thereby significantly enhanced the awareness of our brand throughout the PRC. After our successful listing in the middle of the year, the loyalty and recognition of distributors and consumers on "Vinda" products were considerably enhanced. Remarkable growth has also been recorded in sales.

Commencing from the second half year, the Group will start to raise selling price of our products, thereby enabling the profit margins to recover gradually. At the same time, in order to satisfy demand, the Group is also dedicated to the continuous development of new products to optimise product structure, expand categories of complementary products. For example, paper napkins for kitchens and tissues for use in away-from-home locations.

On 24 July and 27 July 2007, the Group entered into equipment sales and purchase agreements with Korbe and Kawanoe Zoki respectively, with a view to further increasing the production capacity of our business in Jiangmen and Xiaogan from the existing annual production of 240,000 tons to 320,000 tons in future to cope with the market demands in the foreseeable future, thereby consolidating the Group's leading position among counterparts in Southern China and Central China.

In order to deepen penetration in the key markets in Beijing, Hubei, Guangdong and Sichuan and extend its coverage across key addressable markets in China, such as the Bohai region and Eastern China, the Group will be dedicated in the continuous construction of huge distribution network and cost effective logistics systems, with the aim to satisfy the ever-increasing demands of customers, and to quicken our pace of business expansion.

The Group has further recruited more staff, fully dedicated in the exploration of overseas markets, and implemented continuous technical reforms and upgraded management plans both in the production and corporate management, with the aim to enhance the Company's cost efficiency and strengthen staff training, so as to get prepared for further entering the international market in future.

OTHER FINANCIAL INFORMATION

Liquidity, financial resources and bank loans

The Group's financial position remained healthy. As at 30 June 2007, the Group's bank and cash balances (including pledged bank deposits of HK\$55,759,000 (31 December 2006: HK\$43,113,000)) amounted to approximately HK\$163,414,000 (31 December 2006: HK\$104,670,000), and short-term and long-term loans in aggregate amounted to approximately HK\$1,119,491,000 (31 December 2006: HK\$927,762,000). During the period, the Group's capital expenditure on the purchases and construction of new production facilities amounted to approximately HK\$143,455,000.

The annual interest rates of bank loans ranged from approximately 5.51% to 8.25%. As at 30 June 2007, certain of the property, plant and equipment with carry amount of HK\$402,623,000 (31 December 2006: HK\$444,516,000) have been pledged to secure for bank loans. As at 30 June 2007, the gross gearing ratio was approximately 225.2% (31 December 2006: 200.3%), 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 as a percentage of the total shareholders' equity, was approximately 192.4% (31 December 2006: 177.7%). These rates were very substantially improved by the proceeds from new shares issued in connection with the global offering (gross proceeds: HK\$813.8 million) and the exercise of over allotment option (gross proceeds: HK\$165.9 million), both completed in July 2007.

As at 30 June 2007 and 31 December 2006, the Group has no material contingent Liabilities.

MANAGEMENT DISCUSSION AND ANALYSIS



Foreign exchange risk

The Group mainly operates in the PRC with most of its transactions are denominated and settled in RMB and Hong Kong dollar (the "HK\$"). However, the Group has certain bank deposits and financial assets denominated in other currencies, mainly United States dollar (the "US\$"), Euros, Japanese Yen and Australian dollar (the "AU\$"), which are exposed to foreign currency translation risk.

The management has set up a policy to require Group companies to manage their foreign exchange risk against their functional currency. To manage their foreign exchange risk arising from future commercial transactions and recognized assets and liabilities, entities in the Group use forward contracts. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

Contingent liabilities

As at 30 June 2007 and 31 December 2006, the Group has no material contingent liabilities.

Capital commitments

Contracted but not provided for

Unaudited	Audited
As at 30 June 2007 HK\$'000	As at 31 December 2006 HK\$'000
127,514	161,767

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 does not recommend the payment of interim dividend for the six months ended 30 June 2007.

Human resources and management

As at 30 June 2007, the Group employed approximately 4,039 full-time and temporary staff. The Group's remuneration package is determined with reference to the experience and qualifications of the individual employee and general market conditions. Bonus is linked to the Group's financial results as well as individual's performance. The Group also ensures that all employees are provided with adequate training and continued professional opportunities.

OTHER INFORMATION

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

As at 30 June 2007, the Company had not received any notice of interests to be recorded under section 352 of the Securities and Futures Ordinance ("SFO") as the shares of the Company had not been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

As at the date of this report, 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 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 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 securities	Approximate percentage of interest
Li Chao Wang ⁽¹⁾	The Company	Interest of controlled company	272,270,235 Shares	30.12%
	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	272,270,235 Shares	30.12%
	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	272,270,235 Shares	30.12%
	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 securities	Approximate percentage of interest
Lee Kwong Sang ⁽⁴⁾	The Company	Interest of controlled company	42,007,567 Shares	4.65%
	Lee Der Fung Company Limited	Beneficial owner	10,000 shares of US\$1.00 each	100%

Notes:

1. The Shares are registered in the name of Fu An International Company Limited which is held as to 73.68% by Sentential Holdings Limited, 15.79% by Join Pride International Limited and 10.53% by Daminos Management Limited. The entire issued share capital of Sentential Holdings Limited is held by Eagle Power Assets Limited, whose entire issued share capital is held by HSBC International Trustee Limited in its capacity as trustee of CW Li Family Trust with Li Chao Wang as the settlor.
2. The Shares are registered in the name of Fu An International Company Limited which is held as to 73.68% by Sentential Holdings Limited, 15.79% by Join Pride International Limited and 10.53% by Daminos Management Limited. The entire issued share capital of Join Pride International Limited is held by Kingdom World Assets Limited, whose entire issued share capital is held by HSBC International Trustee Limited in its capacity as trustee of YF Yu Family Trust with Yu Yi Fang as the settlor.
3. The Shares are registered in the name of Fu An International Company Limited which is held as to 73.68% by Sentential Holdings Limited, 15.79% by Join Pride International Limited and 10.53% by Daminos Management Limited. The entire issued share capital of Daminos Management Limited is held by Profit Zone Assets Limited, whose entire issued share capital is held by HSBC International Trustee Limited in its capacity as trustee of YP Dong Family Trust with Dong Yi Ping as the settlor.
4. The Shares are registered in the name of Lee Der Fung Company Limited, the entire issued share capital of which is held by Lee Kwong Sang. Under the SFO, Lee Kwong Sang is deemed to be interested in all the Shares held by Lee Der Fung Company Limited.

Save as disclosed above, as at the date of this report, none of the directors or chief executive of the Company have any interests or short positions 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.

OTHER INFORMATION

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

As at 30 June 2007, the Company had not received any notice of interests to be recorded under section 336 of the SFO as the shares of the Company had not been listed on the Stock Exchange as at that date.

As at the date of this report, 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	Number of shares held	Nature of Interest	Percentage of issued share capital
Fu An International Company Limited	272,270,235	Beneficial owner	30.12%
Sentential Holdings Limited (<i>Note 1</i>)	272,270,235	Interest of controlled company	30.12%
Eagle Power Assets Limited (<i>Note 1</i>)	272,270,235	Interest of controlled company	30.12%
HSBC International Trustee Limited (<i>Note 1</i>)	272,270,235	Trustee of CW Li Family Trust	30.12%
Li Chao Wang (<i>Note 1</i>)	272,270,235	Settlor and beneficiary of CW Li Family Trust	30.12%
SCA Hygiene Holding AB	127,524,330	Beneficial owner	14.11%
SCA Group Holding BV (<i>Note 2</i>)	127,524,330	Interest of controlled company	14.11%
Svenska Cellulosa Aktiebolaget (<i>Note 2</i>)	127,524,330	Interest of controlled company	14.11%
Cathay Paper Limited	84,567,232	Beneficial owner	9.36%
Cathay Capital Holdings, L.P. (<i>Note 3</i>)	84,567,232	Interest of controlled company	9.36%
Cathay Master GP, Ltd. (<i>Note 3</i>)	84,567,232	Interest of controlled company	9.36%
Commonwealth Bank of Australia (<i>Note 4</i>)	54,245,000	Interest of controlled company	6.00%

Notes:

1. 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 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.
2. 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.
3. 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.

OTHER INFORMATION

4. These Shares are registered in the name of First State Investments (Hong Kong) Ltd. which is indirectly wholly-owned by Commonwealth Bank Australia.

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

SHARE OPTION SCHEME

A share option 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 Scheme enables the Company to grant option to employees, directors or any member of the Group, including any executive, non-executive directors and independent non-executive directors, advisors, consultants of the Company or any subsidiary as incentives or rewards for their contributions to the Group.

The Scheme shall be valid and effective for a period of 10 years commencing from 10 July 2007, after which period no further option 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 option must be held before its vesting, performance, operating and financial targets and other criteria to be satisfied before the vesting of an option and other terms and conditions of an option, provided that 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 Company may not grant any options if the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes exceeding 30% of the Shares in issue from time to time. The total number of Shares issued and to be issued upon exercise of options granted to a participant under the Scheme or other schemes (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the Shares in issue from time to time. Any further grant of options 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.

Since the Scheme has become effective upon the Company's listing of its shares on the Stock Exchange on 10 July 2007, no share options were granted, exercised or cancelled by the Company under the Scheme during the period under review and there are no outstanding share options under the Scheme as at 30 June 2007.

CORPORATE GOVERNANCE

Since the Company was only listed on the Stock Exchange on 10 July 2007 (the "Listing Date"), the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 to the Listing Rules was not applicable to the Company for the period under review. However, none of the directors of the Company is aware of any information that would reasonably indicate that the Company or any of its directors is not or was not, for any part of the period between the Listing Date and the date of this report, in due compliance with the Corporate Governance Code, except for deviations from provision A.2.1 of the Code.



OTHER INFORMATION

Code provision A.2.1 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 the Chairman of the Board and is also deemed to be 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.

AUDIT COMMITTEE

The Company has established an audit committee comprising two independent non-executive directors, namely Mr. Kam, Robert and Mr. Hui Chin Tong, Godfrey, and a non-executive director Mr. Mak Kin Kwong. The chairman of the audit committee is Mr. Kam, Robert.

The audit committee provides an important link between the Board and the Company's external and internal auditors in matters coming within the scope of the group audit. It also reviews the effectiveness of both the external and internal audit and of internal controls and risk evaluation, including the interim report for the six months ended 30 June 2007.

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 principle duty of the remuneration committee is to regularly monitor the remuneration 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 principle 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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its code for dealing in securities of the Company by the directors of the Company. 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 since the Listing Date.

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

The Company's shares were listed on the Stock Exchange on 10 July 2007. Therefore, neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities for the six months ended 30 June 2007.



CONDENSED CONSOLIDATED BALANCE SHEET

	Note	Unaudited	Audited
		As at 30 June 2007 HK\$'000	As at 31 December 2006 HK\$'000
ASSETS			
Non-current assets			
Tangible and intangible assets	9	1,247,623	1,072,053
Deferred income tax assets		25,260	23,243
		1,272,883	1,095,296
Current assets			
Inventories		337,724	330,181
Trade receivables	10	171,535	149,861
Other receivables and prepayments		190,477	54,956
Other current financial assets		56,339	43,454
Cash and cash equivalents		107,655	61,557
		863,730	640,009
Total assets		2,136,613	1,735,305
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	13	4,251	4,251
Share premium		44,260	69,260
Other reserves		448,526	389,585
Total equity		497,037	463,096

CONDENSED CONSOLIDATED BALANCE SHEET



	Note	Unaudited As at 30 June 2007 HK\$'000	Audited As at 31 December 2006 HK\$'000
LIABILITIES			
Non-current liabilities			
Borrowings	11	317,563	192,413
Deferred government grants		33,868	27,166
Deferred income tax liabilities		1,116	788
		<u>352,547</u>	<u>220,367</u>
Current liabilities			
Trade payables, other payables and accrued expenses	12	454,454	282,503
Current income tax liabilities		30,647	27,700
Borrowings	11	801,928	735,349
Other current liabilities		—	6,290
		<u>1,287,029</u>	<u>1,051,842</u>
Total liabilities		<u>1,639,576</u>	<u>1,272,209</u>
TOTAL EQUITY AND LIABILITIES		<u>2,136,613</u>	<u>1,735,305</u>
NET CURRENT LIABILITIES		<u>(423,299)</u>	<u>(411,833)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>849,584</u>	<u>683,463</u>



CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		Unaudited	
		For the six months	
		ended 30 June	
	Note	2007	2006
		HK\$'000	HK\$'000
Revenue	4	848,512	622,284
Cost of sales		(662,734)	(465,778)
		<hr/>	<hr/>
Gross profit		185,778	156,506
Selling and marketing costs		(88,007)	(65,105)
Administrative expenses		(32,075)	(30,591)
Other income		6,572	4,310
		<hr/>	<hr/>
Operating profit	5	72,268	65,120
Finance income		3,204	329
Finance costs		(27,394)	(21,333)
		<hr/>	<hr/>
Finance costs - net		(24,190)	(21,004)
		<hr/>	<hr/>
Profit before income tax		48,078	44,116
Income tax expenses	6	(7,002)	(1,303)
		<hr/>	<hr/>
Profit for the period and attributable to equity holders of the Company		41,076	42,813
		<hr/> <hr/>	<hr/> <hr/>
Earnings per share for profit attributable to the equity holders of the Company			
- basic	7	HK6.4 cents	HK6.7 cents
		<hr/> <hr/>	<hr/> <hr/>
Dividend	8	25,000	12,000
		<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Unaudited
Attributable to equity holders
of the Company for the
six months ended 30 June

	Share capital and share premium HK\$'000	Other reserves HK\$'000	Total HK\$'000
Balance as at 1 January 2006	73,511	267,503	341,014
Income recognised directly in equity			
- Foreign exchange differences	—	4,420	4,420
Profit for the 1st half of the year	—	42,813	42,813
	<hr/>	<hr/>	<hr/>
Total recognised income for the 1st half of 2006	—	47,233	47,233
	<hr/>	<hr/>	<hr/>
Issue of ordinary shares	20,000	—	20,000
Dividend	(12,000)	—	(12,000)
	<hr/>	<hr/>	<hr/>
Balance as at 30 June 2006	<u>81,511</u>	<u>314,736</u>	<u>396,247</u>
Balance as at 1 January 2007	73,511	389,585	463,096
Income recognised directly in equity			
- Foreign exchange differences	—	17,865	17,865
Profit for the 1st half of the year	—	41,076	41,076
	<hr/>	<hr/>	<hr/>
Total recognised income for the 1st half of 2007	—	58,941	58,941
	<hr/>	<hr/>	<hr/>
Issue of ordinary shares	—	—	—
Dividend	(25,000)	—	(25,000)
	<hr/>	<hr/>	<hr/>
Balance as at 30 June 2007	<u>48,511</u>	<u>448,526</u>	<u>497,037</u>



CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited For the six months ended 30 June	
	2007 HK\$'000	2006 HK\$'000
Net cash generated from operating activities	63,171	(15,904)
Net cash used in investing activities	(136,611)	(74,851)
Net cash generated from financing activities	101,673	135,342
Net increase in cash and cash equivalents	28,233	44,587
Cash and cash equivalent as at 1 January	61,557	48,579
Effect of foreign exchange rate changes	17,865	4,420
Cash and cash equivalents as at 30 June	107,655	97,586

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION



1 General information

Vinda International Holdings Limited (the “Company”) and its subsidiaries (the “Group”) is a leading manufacturer of tissue paper products in China. Its principal products include toilet paper, paper handkerchiefs, facial tissue paper and paper napkins. The Group manufactures, markets and sells its premium brand of tissue paper products under its well-recognised “Vinda” brand as well as several other brands targeting different consumer segments and regions. The Group has manufacturing plants in various parts of the People’s Republic of China (the “PRC”) and sells mainly in the PRC.

The Company is a limited liability company incorporated in the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company has its primary listing on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

This condensed consolidated interim financial information was approved for issue on 20 September 2007.

2 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2007 has been prepared in accordance with Hong Kong Accounting Standard (“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 2006.

3 Accounting policies

The accounting policies and basis of preparation adopted for the condensed consolidated interim financial information are consistent with those of the annual financial statements for the year ended 31 December 2006, except for the adoption of the following new standards, amendments to standards and interpretations which are mandatory for financial year ending 31 December 2007:

HKFRS 7	Financial Instruments: Disclosures
HKAS 1 (Revised)	Amendment to Presentation of Capital Disclosures
HK(IFRIC)-Int 7	Apply the Restatement Approach under HKAS 29 “Financial Reporting in Hyperinflationary Economics”
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment

The following new standards, amendments to standards and interpretations have been issued but are not yet effective for 2007 and have not been early adopted:

- HKFRS 8, “Operating Segments”, effective for annual periods beginning on or after 1 January 2009;
- HKAS 23 (Revised), “Borrowing Cost”, effective for annual periods beginning on or after 1 January 2009;
- HK(IFRIC)-Int 11, “HKFRS 2 — Group and Treasury Share Transactions”, effective for annual periods beginning on or after 1 March 2007;
- HK(IFRIC)-Int 12, “Service Concession Arrangements”, effective for annual periods beginning on or after 1 January 2008; and
- HK(IFRIC)-Int 13, “Customer Loyalty Programmes”, effective for annual periods beginning after 1 July 2008. Management do not expect the interpretation to be relevant for the Group.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

4 Segment information

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

	Unaudited For the six months ended 30 June	
	2007 HK\$'000	2006 HK\$'000
Sales of goods	803,154	590,275
Sales of semi-finished goods and other materials	45,358	32,009
	<hr/>	<hr/>
Total revenue	848,512	622,284
	<hr/> <hr/>	<hr/> <hr/>

The Group is principally engaged in a single business segment. More than 90% of the Group's turnover and operating profit is earned within the PRC and all major operating assets of the Group are located in the PRC. Therefore, no business segment or geographical segment is presented.

5 Operating profit

Operating profit is stated after crediting and charging the following:

	Unaudited For the six months ended 30 June	
	2007 HK\$'000	2006 HK\$'000
Crediting		
Government grants for reinvestment	(4,987)	—
Amortisation of deferred government grants	(382)	(330)
Gain on derivative financial instruments	(194)	(81)
Foreign exchange gain	(966)	(1,946)
(Write-back of)/provision for impairment of trade receivables	(865)	216
(Write-back of)/provision for impairment of inventories	(308)	527
Depreciation and amortisation of tangible and intangible assets	31,517	25,575
Losses on disposals of property, plant and equipment	835	200
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION



6 Income tax

	Unaudited For the six months ended 30 June	
	2007	2006
	HK\$'000	HK\$'000
Hong Kong profits tax	4,401	7,174
PRC enterprise income tax	4,160	1,690
Deferred income tax	(1,559)	(7,561)
	<hr/>	<hr/>
	7,002	1,303
	<hr/> <hr/>	<hr/> <hr/>

- (a) Hong Kong profits tax has been provided for at the rate of 17.5% (2006: 17.5%) on the estimated assessable profits for the period.
- (b) PRC income tax represents tax charges on the assessable profits of the PRC subsidiaries of the Group at the prevailing tax rates applicable to the PRC subsidiaries.
- (c) Deferred income tax is calculated in full on temporary differences under the liability method using the prevailing tax rates applicable to the PRC subsidiaries of the Group.
- (d) On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the "new CIT Law"). The new CIT Law change the corporate income tax rate for respective PRC subsidiaries of the Company, which are foreign invested enterprises, to 25% with effect from 1 January 2008. As a result of the new CIT Law, the carrying value of deferred tax assets has been written down by approximately HK\$ 1,734,841 for the six months ended 30 June 2007.

The new CIT Law provides that further detailed measures and regulations on the determination of taxable profit, tax incentives and grandfathering provisions will be issued by the State Council in due course. As and when the State Council announces the additional regulations, the Company will assess their impact, if any, and this change in accounting estimate will be accounted for prospectively.

7 Earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders of the Company of HK\$41,076,000 (Corresponding period in 2006: HK\$42,813,000) and the assumption that the Group has undergone the capitalization issue described in note 17, thereby bringing the total to 637,621,680 shares as at 1 January 2006.

No diluted earnings per share is presented as there were no dilutive potential ordinary shares during both period.

8 Dividend

Pursuant to a resolution at the Board meeting dated 26 March 2007, an interim dividend of HK\$25,000,000 was declared for the year ended 31 December 2006. The dividends have been paid in June 2007.

An interim dividend of ordinary share has been declared for the year ended 31 December 2005 with an aggregate amount of HK\$12,000,000.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

9 Tangible and intangible assets

	Unaudited HK\$'000
Six months ended 30 June 2006	
As at 1 January 2006	818,658
Additions	64,853
Disposals	(6,604)
Depreciation and amortisation	(25,575)
Exchange differences	8,738
	<u>860,070</u>
Six months ended 30 June 2007	
As at 1 January 2007	1,072,053
Additions	172,019
Disposals	(882)
Depreciation and amortisation	(31,517)
Exchange differences	35,950
	<u>1,247,623</u>

10 Trade receivables

The majority of the Group's sales is on open accounts with credit terms ranging from 30 days to 90 days. As at 30 June 2007 and 31 December 2006, the ageing analysis of the trade receivables was as follows:

	Unaudited As at 30 June 2007 HK\$'000	Audited As at 31 December 2006 HK\$'000
Within 3 months	165,098	142,674
4 months to 6 months	5,605	6,649
7 months to 12 months	832	538
	<u>171,535</u>	<u>149,861</u>

There was no concentration of credit risk with respect to trade receivables as the Group has a large number of customers. The carrying value of the trade receivables approximates their fair value due to the short-term maturity.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION



11 Borrowings

	Unaudited As at 30 June 2007 HK\$'000	Audited As at 31 December 2006 HK\$'000
Non-current	317,563	192,413
Current	801,928	735,349
	<u>1,119,491</u>	<u>927,762</u>

Changes in bank borrowings are analyzed as follows:

	Unaudited HK\$'000
For the six months ended 30 June 2006	
As at 1 January 2006	627,629
New borrowings	896,104
Repayment of borrowings	(741,321)
Foreign exchange differences	6,275
As at 30 June 2006	<u>788,687</u>
For the six months ended 30 June 2007	
As at 1 January 2007	927,762
New borrowings	1,054,368
Repayment of borrowings	(893,917)
Foreign exchange differences	31,278
As at 30 June 2007	<u>1,119,491</u>



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

12 Trade payables, other payables and accrued expenses

	Unaudited	Audited
	As at	As at
	30 June	31 December
	2007	2006
	HK\$'000	HK\$'000
Trade payables	209,344	141,365
Notes payable	—	2,524
Other payables		
- salaries payable	9,880	9,727
- taxes payable other than income tax	12,095	6,305
- advances from customers	11,344	9,603
- other	190,975	93,347
Accrued expenses	20,816	19,632
	454,454	282,503

(a) The ageing analysis of the trade payables was as follows:

	Unaudited	Audited
	As at	As at
	30 June	31 December
	2007	2006
	HK\$'000	HK\$'000
Within 3 months	195,536	137,139
4 months to 6 months	9,839	2,145
7 months to 12 months	2,048	211
1 to 2 years	251	192
2 to 3 years	6	38
Over 3 years	1,664	1,640
	209,344	141,365

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

13 Share capital

	Number of authorised shares	Number of issued and fully paid shares	Amount Ordinary shares HK\$'000
Opening balance at 1 January 2006	46,000,000	41,674,620	4,167
Issue of ordinary shares	—	833,492	84
At 30 June 2006	<u>46,000,000</u>	<u>42,508,112</u>	<u>4,251</u>
Opening balance at 1 January 2007	46,000,000	42,508,112	4,251
Increase of authorised shares	79,954,000,000	—	—
At 30 June 2007	<u>80,000,000,000</u>	<u>42,508,112</u>	<u>4,251</u>

On 19 June 2007, the Company's authorised share capital was increased from HK\$4,600,000 to HK\$8,000,000,000 by the creation of additional 79,954,000,000 shares of HK\$0.1 each.

(a) Investment by SCA Hygiene Holding AB ("SCA Hygiene")

On 29 March 2007, SCA Hygiene acquired 2,736,137 shares, 1,939,755 shares and 3,825,730 shares from Fu An International Company Limited ("Fu An"), Vinda Investment Limited ("Vinda Investment") and Lee Der Fung Company Limited ("Lee Der Fung"), respectively, representing in aggregate 20% of the total issued share capital of the Company, for a total consideration of Renminbi ("RMB") 366 million (equivalent to approximately HK\$ 370 million).

(b) Investment by ML GCRE IBK LLC ("ML GCRE")

On 30 March 2007, ML GCRE acquired 2,121,155 shares from Lee Der Fung, representing 4.99% of the total issued share capital of the Company, for a consideration of HK\$ 99.8 million.

(c) Shares transfer from Vinda Investment to Lee Der Fung

On 31 March 2007, Vinda Investment transferred 42,095 shares in the Company to Lee Der Fung for a nominal consideration.

(d) On 19 June 2007, the Company's share option scheme was approved by the board of directors. The board of directors may, under the share option scheme, grant options to employees, directors or non-executive directors of the Group. No options have been granted up to the date of this report.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

14 Capital commitments

	Unaudited As at 30 June 2007 HK\$'000	Audited As at 31 December 2006 HK\$'000
Contracted but not provided for	127,514	161,767

15 Contingent liabilities

There were no material contingent liabilities for the Group as at 30 June 2007 and 31 December 2006.

16 Related party transactions

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

Name of related party	Relationship
Lee Der Fung Company Limited ("Lee Der Fung")	Investor of the Company
Fu An International Company Limited ("Fu An")	Investor of the Company
Cathay Paper Limited ("Cathay Paper")	Investor of the Company
Vinda Investment Limited ("Vinda Investments")	Original investor of the Company (ceased to be a shareholder of the Company since 31 March 2007)
SCA Hygiene Holding AB ("SCA Hygiene")	Shareholder of the Company since 29 March 2007
ML GCRE IBK LLC ("ML GCRE")	Shareholder of the Company since 30 March 2007
Guangdong Vinda Paper Company Limited ("Guangdong Vinda")	Originally controlled by Mr. Li Chao Wang, Chairman of the Company
Mr. Li Chao Wang	Chairman of the Company
Mr. Su Luo Fu	Director of the Company (resigned on 15 June 2007)
Mr. Chia Yen On	Director of the Company (resigned on 15 June 2007)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

16 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 and usual course of business. Other than the related party transactions disclosed elsewhere in the consolidated financial statements, significant related party transactions of the Company during the relevant periods also include:

	Unaudited For the six months ended 30 June	
	2007 HK\$'000	2006 HK\$'000
(1) Sales of products to related party - SCA Hygiene (Note (i))	26,819	48,122

Note (i) On 29 March 2007, SCA Hygiene became a shareholder of the Company. The transactions with SCA Hygiene were disclosed in the balance for the six months ended 30 June 2006.

	Unaudited For the six months ended 30 June	
	2007 HK\$'000	2006 HK\$'000
(2) Interest expense on loans from related parties - Mr. Su Luo Fu (Note (ii))	—	68

Note (ii) In 2005, pursuant to a loan agreement entered into by Forton Enterprises Limited ("Forton Enterprises"), a subsidiary of the Company, and Mr. Su Luo Fu, Mr. Su Luo Fu granted a loan with an amount of HK\$1,000,000 to Forton Enterprises. The loan was effective from January 2005 and was repayable on 29 December 2006 with an effective annual interest rate of 5%. In 2006, pursuant to a loan agreement entered into by Forton Enterprises and Mr. Su Luo Fu, Mr. Su Luo Fu granted a loan with an amount of US\$130,000 to Forton Enterprises. The loan was effective from March 2006 and was repayable on 29 December 2006 with an annual interest rate of 12%. As at 30 June 2007, there was no interest payable to Mr. Su Luo Fu (31 December 2006: Nil).

	Unaudited For the six months ended 30 June	
	2007 HK\$'000	2006 HK\$'000
(3) Key management compensation		
Directors		
- Basic salaries, housing allowances, other allowances, benefits-in-kind and other benefits	1,278	1,097
Senior management		
- Basic salaries, housing allowances, other allowances, Benefits-in-kind and other benefits	572	501
	1,850	1,598

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION



16 Related party transactions (Continued)

(c) Year-end balances with related parties

	Unaudited As at 30 June 2007 HK\$'000	Audited As at 31 Decemeber 2006 HK\$'000
(1) Balances due from related parties		
- SCA Hygiene (Note (i))	1,849	18,667
- Fu An	—	72
- Vinda Investment	—	19
	1,849	18,758
(2) Due to related parties		
- Guangdong Vinda	—	134
- Mr. Su Luo Fu	—	53
	—	187

Note (i) On 29 March 2007, SCA Hygiene became a shareholder of the Company. The balances with SCA Hygiene were disclosed at 31 December 2006.

The amounts due from and due to related parties are mainly arising from the above-mentioned transactions, dividend appropriation and other ordinary business transactions.

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

17 Events after the balance sheet date

On 10 July 2007, the Company issued 221,135,006 new ordinary shares of HK\$0.10 each at HK\$3.68 per share in connection with its global offering and the commencement of the listing of its shares on the Main Board of the Stock Exchange, and raised gross proceeds of approximately HK\$813.8 million. In addition, on 19 July 2007, pursuant to the exercise of the over-allotment option, an additional 45,085,000 new ordinary shares of HK\$0.10 each were issued at HK\$3.68 per share and gross proceeds of approximately HK\$165.9 million were raised.

On 10 July 2007, a total of 595,113,568 new ordinary shares of HK\$0.10 each were issued and allotted to the then equity shareholders of the Company (namely Fu An, Lee Der Fung, Cathay Paper, SCA Hygiene and ML GCRE) in proportion to their respective shareholdings, by the capitalisation and application of HK\$59,511,356.80 from the share premium account as payment in full of par value of such shares.