



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

2008

Interim Report

Healthy lifestyle starts from Vinda



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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. LEUNG Ping Chung, Hermann
Mr. MAK Kin Kwong
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. MAK Kin Kwong
Mr. HUI Chin Tong, Godfrey

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

AUDITOR

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
Deutsche Bank AG, Hong Kong Branch



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 2008 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 2008 (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

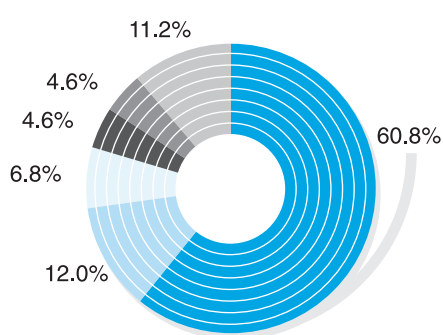
INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2008

	2008	2007	Changes
	HK\$'000	HK\$'000	%
Revenue	1,184,801	848,512	39.6
Profit attributable to equity holders of the Company	61,764	41,076	50.4
Gross profit margin	18.7%	21.9%	-3.2
Net profit margin	5.2%	4.8%	0.4
Earnings per share	HK6.8 Cents	HK 6.4 Cents	
Stock turnover	90 days	91 days	
Debtors turnover	32 days	35 days	



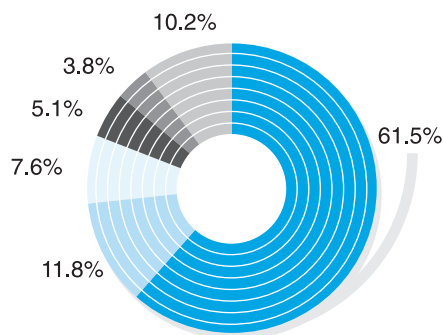
INTERIM RESULTS AND FINANCIAL HIGHLIGHTS

TURNOVER BY PRODUCT CATEGORIES



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

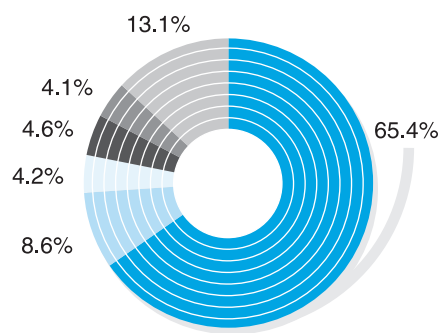
January-June, 2008



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

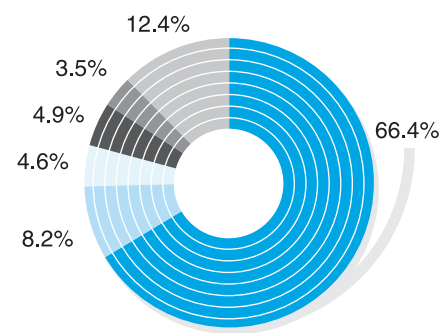
January-June, 2007

SALES VOLUME BY PRODUCT CATEGORIES



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

January-June, 2008



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

January-June, 2007



MANAGEMENT DISCUSSION AND ANALYSIS

The first half of 2008 was a period full of challenges. The central and western regions of China experienced the worst snowstorm for the last fifty years at the beginning of this year, a massive earthquake occurred in Wenchuan County of Sichuan Province on 12 May, extensive flooding occurred in mid to late June after heavy rainstorms over vast areas across Guangdong and Guangxi Provinces, all of these impacted negatively on the business environment of China. Nevertheless, Vinda International generated a record high revenue for the Period with handsome growth in profits. Under the environment of numerous challenges, the operating results for the Period reflected the advantages of Vinda and the concerted efforts of all our staff.

The Group recorded a turnover of HK\$1,184,801,189 for the Period (2007: HK\$848,511,715), representing an increase of 39.6% over the same period of last year. Profit attributable to equity holders was HK\$61,763,884 (2007: HK\$41,076,141), increased by 50.4% over the same period of last year. Basic earnings per share were HK6.8 cents (2007: HK6.4 cents). The results for the first half of this year clearly reflected the operation efficiency of the Company, consolidating the leading position of the Group in the domestic household paper sector.

BUSINESS REVIEW

Although the occurrence of a series of human irresistible events in China during the Period led to affect production and operation at the Group's manufacture bases in Hubei, Sichuan and Guangdong, the overall production volume of the Group still grew by 22.93%, revenue increased by 39.6% to HK\$1,184,801,189 under the driving forces of increased sales volume and prices.

During the Period, the Group also achieved stage progress in further market penetration. In March, the new production base in Longyou, Zhejiang Province, had commenced construction, and the construction project of new additional production capacity in Jiangmen, Guangdong Province, also progressed smoothly, all production staff, relevant technical and management staff were well-equipped for making the best preparation for production, the scheduled timetable for adjustment test and pilot production was unaffected despite the unstable climatic changes.

In addition, the Group's 30,000-tonne production base in Beijing also exploited its geographical advantage during the Olympic Games and captured business opportunities successfully. For staging the Beijing Olympic Games, strict traffic controls were implemented in Beijing and its peripheral areas since June, the majority of transportation activities were affected. But the Group's production base in Beijing gave strong assurance to support local sales and ensured sufficient supply of products during the Olympic Games.

On the new equipment's gradual commission and commencement of production there, production volume will increase further during the second half of the year. The total annual production capacity of the Group is expected to reach 300,000 tonnes by the end of December 2008. It is believed that we should continue to expand our production capacity so as to stay competitive.

During the Period under review, the Group raised the price of various products considerably and effectively transferred part of the pressure of increased raw materials costs. During the first half of the year, the proportion of high gross profit products in sales was 33.3%, increased by 0.1% when compared with the same period of 2007 (2007: 33.2%), while the proportion of the Group's toilet tissue paper rolls in sales was 60.8%, fell by 0.7% year-on-year (2007: 61.5%). Along with the rapid expansion of sales of the group, products with higher profit margin managed to keep or slightly increase its weight. Product mix is an important factor driving profitability. The Group will continue to improve it with diligent efforts.



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS STRATEGY

A clear development strategy has been implemented by the Group, with persistent focus on and dedication to the production and sales of household paper products, and the determination of striving to be a leading manufacturer of household paper products in the domestic market. The household paper market of China is a vigorous market. The numerous local enterprises in the market and the envious watch from some multinational companies led to more complicated market competition. However, higher environmental protection requirements from the national authorities would imply the elimination of enterprises with low production capacity and the accelerated consolidation of the market, bringing opportunities for large enterprises like Vinda International.

The Group's high geographical coverage, comprehensive sales network and the reputable famous and leading brand of the Vinda product series in China are the basic elements for rapid development of the Group. The Group will continue to consolidate the market position of the tissue paper product series and implement diversified strategies; establish a new production-sales balance by overriding the existing production-sales balance in the circumstances of a continuous expanding production capacity and keen market competition; create new business modes through persistent implementation and development of the "Rooted in Quality, Tailored to Customers" principles, enrich the ingredients of the Vinda brand and expand external coverage, in order to create a new era of Vinda fast-moving consumables.

DEVELOP A NEW TECHNOLOGY SUCCESSFULLY AND KEEP ON IMPROVING OPERATION EFFICIENCY

During the Period, while production capacity of the Group was maintained at the year-end level of 2007, further reduction in actual energy consumption was achieved through improvement in technology, partially offsetting the impact of the rising raw material costs. Through the development of self-owned technology, computerized inspection and automatic adjustment of product weight were achieved, which enhanced the accuracy in the compliance of product weight indicators. Together with the reduction in manual operations, production efficiency was enhanced with reduction in operating costs.

HUMAN RESOURCES AND MANAGEMENT

None of the enterprises in the sector was unaffected by the current economic environment. Our excellent performance was not only the result of our dedication, but was also dependent on our successful corporate culture and values as well as a stable, well experienced and diligent management team and a team of active and progressive staff.

Staff is the most important capital of the Company. As at 30 June 2008, the Group had 4,413 full-time staff. To maintain the continuing learning ability and develop the potential of the staff, the Company organized a series of job-related vocational training, the Vinda Sports Day, external training activities, etc. during the first half of the year in order to strengthen team unity continuously and maintain the vigour and progress of the organization.



MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the six months ended 30 June 2008, the Group generated operating revenue of HK\$1,184,801,189, representing an increase of 39.6% as compared to the same period of last year. EBITDA was HK\$152,758,797 (Same period of 2007: HK\$111,528,993), increased by 37.0% as compared to the same period of last year. Profit attributable to equity holders of the Company was HK\$61,763,884, increased by 50.4% over the same period of last year. Earnings per share were HK6.8 cents, increased by 6.25% as compared to the same period of last year.

Selling and marketing costs of the Group for the first half of 2008 were HK\$81,551,505 (First half of 2007: HK\$88,007,414), representing a decrease to 6.88% in the revenue of the Group for the current period from 10.37% recorded in the same period of last year. The reason for the decreased share in the revenue was mainly due to more stringent sales management and cost controls were administered by the Group during the period and the adoption of commercial discount settlement method.

For the first half of 2008, administrative expenses were HK\$49,293,291 (First half of 2007: HK\$32,074,651), representing an increase to 4.16% in the total revenue of the Group for the current period from 3.78% recorded in the same period of last year. The increased share of administrative expenses was caused on the one hand by an increase in the investment of human capital and professional management with the implementation of more stringent internal management measures of the Group, while on the other hand, some tax reforms of the PRC also resulted in an increase in the administrative expenses of the Group.

FOREIGN EXCHANGE RISKS

The majority of Group's sales revenue and purchases of auxiliary materials are made in the PRC and denominated and settled in RMB, while the majority of key raw materials are imported and paid in US dollar. A significant part of the Group's capital expenditure are payable in Japanese yen in respect of imported machinery. Foreign exchange risks were mainly resulted from future business transactions, recognized assets and liabilities denominated in currencies other than the functional currencies of the entities. As at 30 June 2008, the Group had no regular and existing hedging policies.



MANAGEMENT DISCUSSION AND ANALYSIS

FUTURE PROSPECTS

Although the world economy was plagued by uncertainties as a result of the persistently high oil prices, the subprime mortgage crisis and continuing inflation during the first half of 2008, these economic factors were not completely reflected in China. We predict that the economy of China will slow down but will not be stagnant at all. Driven by urbanization, industrialization and further opening of markets, the economic giant with a huge population will continue to maintain reasonable growth, and there will still be ample room for further growth in the household paper consumption market of China.

As regards raw materials, with the continuous rise in the past years, the price rise of wood pulp has shown signs of slowdown and even downward trend. Transactions in the commodity market indicate that pulp price may enter a phase of adjustment. Looking forward, we shall establish a balanced business scale, a production base compatible with distribution and a supply centre in order to capture more business opportunities for development. As such, the Group will focus on the implementation of the following strategies in the second half of the year:

- Make persistent efforts in market development. Markets are the soil beds of products. The Group will focus on maintaining the speed of market expansion and market shares before the price rise and on this basis enhance market development in the Eastern China as well as Hong Kong and Macau. Meanwhile, the Group will expand the export market through cooperation with key major customers and commercial customers of multinational companies to carry out central purchase.
- Continue to adopt technology innovations and increase production efficiency. Technology innovation is the driving force for the continuous progress of enterprises. We shall continue to enhance product quality, increase operation efficiency of equipment and reduce wastage of materials through the innovations of proprietary technology.
- Continue to implement the strategy of human resource development and create an excellent corporate culture environment. For the provision of more staff development opportunities and to encourage more personal progress and diligent efforts, the Group will continue to implement the development strategy of internal training and promotion and the absorption of external talents, while maintaining a healthy and harmonious working environment and a corporate culture atmosphere with autonomy, innovations and team spirit for staff.

Through product mix optimization, increase in production capacity, an excellent management team and brand advantages, we have full confidence in the Group's development in the second half of the year, and we will implement the development plan step by step to consolidate the leading position of the Group in the domestic household paper sector.



MANAGEMENT DISCUSSION AND ANALYSIS

OTHER FINANCIAL INFORMATION

Liquidity, financial resources and bank loans

The Group's financial position remained healthy. As at 30 June 2008, the Group's bank and cash balances (including pledged bank deposits of HK\$30,757,583 (31 December 2007: HK\$6,706,535)) amounted to HK\$232,826,510 (31 December 2007: HK\$258,788,016), and short-term and long-term loans in aggregate amounted to HK\$613,128,134 (31 December 2007: HK\$654,175,010). The annual interest rates of bank loans ranged from 3.96% to 8.51%.

As at 30 June 2008, the gross gearing ratio was 38.1% (31 December 2007: 44.6%), 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 23.6% (31 December 2007: 27.0%).

Contingent Liabilities

As at 30 June 2008 and 31 December 2007, the Group has no material contingent liabilities.

Capital Commitments

	Unaudited	Audited
	As at	As at
	30 June	31 December
	2008	2007
	HK\$	HK\$
Contracted but not provided for	267,825,229	242,287,552

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 2008.



OTHER INFORMATION

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

As at 30 June 2008, 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 securities	Approximate percentage of interest
Li Chao Wang ⁽¹⁾	The Company	Interest of controlled company	277,039,235 Shares	30.65%
	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	277,039,235 Shares	30.65%
	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	277,039,235 Shares	30.65%
	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%
Leung Ping Chung, Hermann	The Company	Beneficial owner	100,000 Shares	0.01%



OTHER INFORMATION

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.

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 2008, 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	Number of shares held	Nature of Interest	Percentage of issued share capital
Fu An International Company Limited	277,039,235	Beneficial owner	30.65%
Sentential Holdings Limited (<i>Note 1</i>)	277,039,235	Interest of controlled company	30.65%
Eagle Power Assets Limited (<i>Note 1</i>)	277,039,235	Interest of controlled company	30.65%
HSBC International Trustee Limited (<i>Note 1</i>)	277,039,235	Trustee of CW Li Family Trust	30.65%
Li Chao Wang (<i>Note 1</i>)	277,039,235	Settlor and beneficiary of CW Li Family Trust	30.65%
SCA Hygiene Holding AB	169,531,897	Beneficial owner	18.76%
SCA Group Holding BV (<i>Note 2</i>)	169,531,897	Interest of controlled company	18.76%
Svenska Cellulosa Aktiebolaget (<i>Note 2</i>)	169,531,897	Interest of controlled company	18.76%
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>)	53,640,000	Interest of controlled company	5.93%

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 Li Chao Wang as the settlor. Under the SFO, Sentential Holdings Limited, Eagle Power Assets Limited, HSBC International Trustee Limited and Li Chao Wang are all deemed to be interested in the Shares held by Fu An International Company Limited.
- These Shares are registered in the name of SCA Hygiene Holding AB, which is indirectly wholly-owned by Svenska Cellulosa Aktiebolaget, a company whose shares are traded on the Stockholm, London and New York (as ADRs) stock exchanges. Under the SFO, Svenska Cellulosa Aktiebolaget is deemed to be interested in the Shares held by SCA Hygiene Holding AB.



OTHER INFORMATION

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.
4. These Shares are registered in the name of First State Investments (Hong Kong) Ltd. which is indirectly wholly-owned by Commonwealth Bank of 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 2008.



OTHER INFORMATION

CORPORATE GOVERNANCE

The Company is committed to maintain a high standard of corporate governance practices by emphasizing a quality board of directors, sound internal control, transparency and accountability to all the shareholders of the Company.

For the six months ended 30 June 2008, the Company has complied with the Code on Corporate Governance Practices (the "Code") except for deviations from provision A.2.1 of the Code. 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 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.

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 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 2008.

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 during the six months ended 30 June 2008.

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

During the six months ended 30 June 2008, 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 the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 16 to 32, which comprises the condensed consolidated balance sheet of Vinda International Holdings Limited (the “Company”) and its subsidiaries as at 30 June 2008 and the related condensed consolidated income statement, the condensed consolidated statement of changes in equity and the condensed consolidated cash flows statement for the six months 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, 13 September 2008



CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

	Note	30 June 2008 Unaudited HK\$	31 December 2007 Audited HK\$
ASSETS			
Non-current assets			
Property, plant and equipment	5	1,576,284,305	1,391,200,294
Leasehold land and land use rights	5	119,441,580	95,396,490
Intangible assets	5	2,914,509	2,966,002
Deferred income tax assets		33,661,902	31,592,589
Total non-current assets		1,732,302,296	1,521,155,375
Current assets			
Inventories		462,385,693	501,295,002
Trade receivables, other receivables and prepayments	6	265,653,902	245,497,749
Due from related parties	16	3,821,250	4,272,969
Pledged bank deposits		30,757,583	6,706,535
Derivative financial instruments		359,769	131,890
Cash and cash equivalents		202,068,927	252,081,481
Total current assets		965,047,124	1,009,985,626
Total assets		2,697,349,420	2,531,141,001
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	7	90,384,169	90,384,169
Share premium	7	834,834,579	834,834,579
Other reserves		682,833,554	541,373,559
Total equity		1,608,052,302	1,466,592,307

The notes on pages 21 to 32 form an integral part of this condensed interim financial information.



CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (continued)

	Note	30 June 2008 Unaudited HK\$	31 December 2007 Audited HK\$
LIABILITIES			
Non-current liabilities			
Borrowings	8	280,383,237	308,639,527
Deferred government grants		29,677,324	28,223,836
Deferred income tax liabilities		1,419,264	869,655
Total non-current liabilities		311,479,825	337,733,018
Current liabilities			
Trade payables, other payables and accrued expenses	9	406,610,406	347,577,580
Current income tax liabilities		38,461,990	33,702,613
Borrowings	8	332,744,897	345,535,483
Total current liabilities		777,817,293	726,815,676
Total liabilities		1,089,297,118	1,064,548,694
Total equity and liabilities		2,697,349,420	2,531,141,001
Net current assets		187,229,831	283,169,950
Total assets less current liabilities		1,919,532,127	1,804,325,325

The notes on pages 21 to 32 form an integral part of this condensed interim financial information.



CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

		Unaudited Six months ended 30 June	
	Note	2008 HK\$	2007 HK\$
Revenue	4	1,184,801,189	848,511,715
Cost of sales		(963,005,719)	(662,734,237)
Gross profit		221,795,470	185,777,478
Selling and marketing costs		(81,551,505)	(88,007,414)
Administrative expenses		(49,293,291)	(32,074,651)
Other income		2,281,028	6,572,282
Operating profit	10	93,231,702	72,267,695
Finance income		1,503,197	3,203,746
Finance costs		(10,948,181)	(27,393,725)
Finance costs, net		(9,444,984)	(24,189,979)
Profit before income tax		83,786,718	48,077,716
Income tax expense	11	(22,022,834)	(7,001,575)
Profit for the period and attributable to equity holders of the Company		61,763,884	41,076,141
Earnings per share for profit attributable to the equity holders of the Company (expressed in HK\$ per share)			
– basic	12	0.068	0.064
– diluted	12	0.068	0.064
Dividend	13	19,884,517	25,000,000

The notes on pages 21 to 32 form an integral part of this condensed interim financial information.



CONDENSED CONSOLIDATED INTERIM STATEMENTS 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 2007	4,250,811	69,260,002	389,585,378	463,096,191
	Income recognised directly in equity				
	– currency translation differences	—	—	17,864,576	17,864,576
	Profit for the period	—	—	41,076,141	41,076,141
	Total recognised income for the six months ended 30 June 2007	—	—	58,940,717	58,940,717
	Dividend	—	(25,000,000)	—	(25,000,000)
	Balance as at 30 June 2007	4,250,811	44,260,002	448,526,095	497,036,908
	Balance as at 1 January 2008	90,384,169	834,834,579	541,373,559	1,466,592,307
	Income recognised directly in equity				
	– currency translation differences	—	—	99,580,628	99,580,628
	Profit for the period	—	—	61,763,884	61,763,884
	Total recognised 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

The notes on pages 21 to 32 form an integral part of this condensed interim financial information.



CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

		Unaudited Six months ended 30 June	
	Note	2008 HK\$	2007 HK\$
Cash flows from operating activities:			
– continuing operations		145,217,695	63,171,540
Cash flows from operating activities – net		145,217,695	63,171,540
Cash flows from investing activities:			
– purchases of property, plant and equipment		(90,011,983)	(143,454,685)
– proceeds on disposal of property, plant and equipment		—	47,164
– other investing cash flows – net		(18,209,280)	6,796,202
Cash flows from investing activities – net		(108,221,263)	(136,611,319)
Cash flows from financing activities:			
– dividends paid	13	(19,884,517)	(31,102,892)
– repayments of borrowings	8	(503,114,657)	(893,917,485)
– proceeds from borrowings	8	431,049,144	1,054,368,030
– increase in pledged deposits		(24,051,048)	(12,646,198)
– initial public offerings expenses		—	(14,828,295)
– other finance cash flows – net		—	(200,093)
Cash flows from financing activities – net		(116,001,078)	101,673,067
Net increase in cash and cash equivalents			
Cash and cash equivalents at beginning of period		252,081,481	61,557,237
Exchange differences		28,992,092	17,864,576
Cash and cash equivalents at end of period		202,068,927	107,655,101

The notes on pages 21 to 32 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 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 was approved for issue on 13 September 2008.

2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2008 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 2007, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“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 2007, which has been approved by the Board of Directors (the “Board”) on 18 April 2008.

The following new interpretations are mandatory for the first time for the financial year beginning 1 January 2008 but are not currently relevant for the Group:

- HK(IFRIC) - Int 11, ‘HKFRS 2 – Group and treasury share transactions’
- HK(IFRIC) - Int 12, ‘Service concession arrangements’
- HK(IFRIC) - Int 14, ‘HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction’

The following new standards, amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 January 2008 and have not been early adopted:

- HKFRS 8, ‘Operating segments’, effective for annual periods beginning on or after 1 January 2009. HKFRS 8 replaces HKAS 14, ‘Segment reporting’, and requires a ‘management approach’ under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply HKFRS 8 from 1 January 2009. The expected impact is still being assessed in detail, but it appears likely that the number of reported segments may increase.



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

3 ACCOUNTING POLICIES *(Continued)*

- HKAS 23 (amendment), 'Borrowing costs', effective for annual periods beginning on or after 1 January 2009. The Group will apply HKAS 23 (amendment) from 1 January 2009. Management is currently assessing the impact of HKAS 23 (amendment), but does not anticipate any material impact on the Group's accounts as the Group has already followed the principles of capitalise borrowing costs for qualify assets in accordance with existing HKAS 23.
- HKFRS 2 (amendment) 'Share-based payment', effective for annual periods beginning on or after 1 January 2009. The Group will apply HKFRS 2 amendment from 1 January 2009, but it is not expected to have any impact on the Group's accounts.
- HKFRS 3 (amendment), '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. Management is assessing the impact of the new requirements regarding acquisition accounting and consolidation on the Group.
- HKAS 1 (amendment), 'Presentation of financial statements', effective for annual periods beginning on or after 1 January 2009. Management is assessing the impact under the revised disclosure requirements of this standard.
- HKAS 32 (amendment), 'Financial instruments: presentation', and consequential amendments to HKAS 1, 'Presentation of financial statements', effective for annual periods beginning on or after 1 January 2009. The amendment requires some puttable financial instruments and some financial instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation to be classified as equity. This is not relevant to the Group as the Group does not have any puttable instruments.
- HK(IFRIC) – Int 13, 'Customer loyalty programmes', effective for annual periods beginning on or after 1 July 2008. This interpretation is not relevant to the Group's operations because none of the Group's companies operate any loyalty programmes.
- HK(IFRIC) – Int 15, 'Agreements for the Construction of Real Estate', effective for annual periods beginning on or after 1 January 2009. This is not relevant to the Group as the Group does not undertake any construction of real estate business.
- HK(IFRIC) – Int 16, 'Hedges of a Net Investment in a Foreign Operation', effective for annual periods beginning on or after 1 October 2008. This is not relevant to the Group as the Group does not have any hedges of a net investment in a Foreign Operation.



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	
	2008	2007
	HK\$	HK\$
Sales of goods	1,114,913,764	803,153,667
Sales of semi-finished goods and other materials	69,887,425	45,358,048
Total revenue	<u>1,184,801,189</u>	<u>848,511,715</u>

The Group is principally engaged in a single business segment. More than 85% of the Group's turnover and operating profit is earned within the People's Republic of China (the "PRC") for the six months ended 30 June 2008 and all major operating assets of the Group are located in the PRC. Therefore, no business segment or geographical segment is presented.

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 2007			
Opening net book amount 1 January 2007	985,395,491	83,744,799	2,912,265
Additions	171,020,433	—	165,563
Disposals	(49,795)	—	—
Depreciation and amortisation (Note 10)	(30,235,491)	(1,144,684)	(136,910)
Exchange differences	33,992,401	1,954,746	4,387
Closing net book amount 30 June 2007	<u>1,160,123,039</u>	<u>84,554,861</u>	<u>2,945,305</u>



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6 TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

	As at	
	30 June 2008 Unaudited HK\$	31 December 2007 Audited HK\$
Trade receivables	213,535,899	192,162,950
Other receivables	28,052,076	40,258,616
Notes receivable	1,131,516	2,889,040
Prepayments	22,934,411	10,187,143
	<u>265,653,902</u>	<u>245,497,749</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 2008 Unaudited HK\$	31 December 2007 Audited HK\$
Trade receivables		
Within 3 months	208,548,690	183,276,212
4 months to 6 months	4,584,753	8,791,787
7 months to 12 months	402,456	94,951
	<u>213,535,899</u>	<u>192,162,950</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		
			Ordinary shares HK\$	Share premium HK\$	Total HK\$
Opening balance at 1 January 2007	46,000,000	42,508,112	4,250,811	69,260,002	73,510,813
Increase of authorised shares (a)	79,954,000,000	—	—	—	—
Dividend (b)	—	—	—	(25,000,000)	(25,000,000)
At 30 June 2007	<u>80,000,000,000</u>	<u>42,508,112</u>	<u>4,250,811</u>	<u>44,260,002</u>	<u>48,510,813</u>
Opening balance at 1 January 2008	80,000,000,000	903,841,686	90,384,169	834,834,579	925,218,748
Dividend	—	—	—	—	—
At 30 June 2008	<u>80,000,000,000</u>	<u>903,841,686</u>	<u>90,384,169</u>	<u>834,834,579</u>	<u>925,218,748</u>

(a) 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 issuance of additional 79,954,000,000 shares of HK\$0.1 each.

(b) According to the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and the articles of association of the Company, dividends can be declared out of share premium account subject to a solvency test.

(c) 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).

(d) 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.

(e) 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.

(f) 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 INTERIM FINANCIAL INFORMATION

8 BORROWINGS

	As at	
	30 June 2008 Unaudited HK\$	31 December 2007 Audited HK\$
Non-current	280,383,237	308,639,527
Current	332,744,897	345,535,483
	613,128,134	654,175,010

Movements in borrowings are analysed as follows:

	Unaudited HK\$
Six months ended 30 June 2007	
Opening amount as at 1 January 2007	927,762,900
New borrowings	1,054,368,030
Repayments of borrowings	(893,917,485)
Exchange differences	31,277,916
Closing amount as at 30 June 2007	<u>1,119,491,361</u>
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>

Interest expense on borrowings for the six months ended 30 June 2008 amounted to HK\$28,119,402 (six months ended 30 June 2007: HK\$31,934,192).



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

9 TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES

	30 June 2008 Unaudited HK\$	As at 31 December 2007 Audited HK\$
Trade payables	220,725,941	146,937,979
Other payables	132,960,239	148,274,998
Accrued expenses	52,924,226	52,364,603
	<u>406,610,406</u>	<u>347,577,580</u>

Ageing analysis of trade payables as at 30 June 2008 and 31 December 2007 (including amounts due to related parties of trading in nature) were as follows:

	30 June 2008 Unaudited HK\$	As at 31 December 2007 Audited HK\$
Trade payables		
Within 3 months	179,686,979	127,862,267
4 months to 6 months	18,869,099	16,135,442
7 months to 12 months	13,553,820	113,392
1 year to 2 years	5,925,111	1,192,601
2 years to 3 years	1,056,655	63,418
Over 3 years	1,634,277	1,570,859
	<u>220,725,941</u>	<u>146,937,979</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 2008 and 2007:

	Unaudited	
	Six months ended 30 June	
	2008	2007
	HK\$	HK\$
Government grants for reinvestment (a)	—	(4,986,587)
Amortisation of deferred government grants	(540,981)	(382,280)
Gain on derivative financial instruments	(521,627)	(193,596)
Foreign exchange gain, net	(1,950,868)	(965,586)
Provision for/(write-back) of provision for impairment of receivables	789,213	(864,983)
Write-back of provision for impairment of inventories	(188,180)	(307,561)
Depreciation of property, plant and equipment	45,739,164	30,235,491
Amortisation of intangible assets	150,463	136,910
Amortisation of leasehold land and land use rights	1,487,747	1,144,684
Loss on disposal of property, plant and equipment	—	835,237
	—————	—————

- (a) In 2007, Vinda Paper (Guangdong) Company Limited ("Vinda Paper (Guangdong)") appropriated dividends to Forton Enterprises Limited ("Forton Enterprises") with a total amount of RMB 14,955,947 (equivalent to HK\$15,167,534) and Forton Enterprises reinvested in Vinda Paper (Guangdong) by using the same dividends appropriated from Vinda Paper (Guangdong). Accordingly, Forton Enterprises received government grants amounting to RMB 4,917,024 (equivalent to HK\$ 4,986,587) from the PRC local tax bureau in July 2007.

11 INCOME TAXES

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2007: 17.5%) on the estimated assessable profit for the year. Taxation on overseas profits 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	
	2008	2007
	HK\$	HK\$
Current income tax		
– Hong Kong profits tax	2,552,966	4,400,320
– PRC enterprise income tax	20,291,119	4,160,431
Deferred income tax	(821,251)	(1,559,176)
	—————	—————
	22,022,834	7,001,575
	—————	—————



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

12 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	
	2008	2007
	HK\$	HK\$
Profit attributable to equity holders of the Company (HK\$)	61,763,884	41,076,141
Weighted average number of ordinary shares in issue	903,841,686	637,621,680
Basic earnings per share (HK\$ per share)	0.068	0.064

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 Limited, SCA Hygiene and ML GCRE) in proportion to their respective shareholdings, by the capitalisation and application of HK\$59,511,357 from the share premium account as payment in full of 595,113,568 shares at par value (the "Capitalisation Issue").

In determining the weighted average number of ordinary shares in issue for the period ended 30 June 2007, a total of 595,113,568 ordinary shares adjusted for the Capitalisation Issue were deemed to be in issue since 1 January 2007.

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all diluted potential ordinary sharers.

The diluted earnings per share for six months ended 30 June 2008 is the same as the basic earnings per share as the Company has no potential dilutive ordinary shares outstanding as at 30 June 2008.



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

13 DIVIDENDS

On 26 March 2007, the Board of Directors proposed a final dividend in respect of the year ended 31 December 2006 of HK\$25,000,000, representing HK\$0.59 per ordinary share. Such dividend was paid in June 2007.

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.

14 CAPITAL COMMITMENTS FOR PROPERTY, PLANT AND EQUIPMENT

	As at	
	30 June 2008 Unaudited HK\$	
	31 December 2007 Audited HK\$	
Contracted but not provided for	267,825,229	242,287,552

15 CONTINGENT LIABILITIES

As at 30 June 2008 and 2007, the Group had no material contingent liabilities.

16 RELATED-PARTY TRANSACTIONS

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

Name of related party	Relationship
SCA Hygiene	Shareholder since 29 March 2007
SCA Hygiene Australasia Pty Limited ("SCA HA")	Subsidiary of Svenska Cellulosa Aktiebolaget AB (the ultimate holding company of SCA Hygiene)



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

16 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 2008 also include:

	Unaudited	
	Six months ended 30 June	
	2008	2007
	HK\$	HK\$
(1) Sales of products to a related party:		
— SCA HA (i)	1,324,137	26,819,314
(i) On 29 March 2007, SCA Hygiene became one of the shareholders of the Company. The corresponding transactions of the Group with SCA Hygiene for the six months ended 30 June 2007 included the transactions before 29 March 2007 for comparative purpose.		

	Unaudited	
	Six months ended 30 June	
	2008	2007
	HK\$	HK\$
(2) Key management compensation:		
Directors		
– Basic salaries, housing allowances, other allowances, benefits-in-kind and other benefits	3,068,639	1,278,059
Senior management		
– Basic salaries, housing allowances, other allowances, benefits-in-kind and other benefits	2,464,648	572,056
	5,533,287	1,850,115



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

16 RELATED-PARTY TRANSACTIONS *(Continued)*

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

	As at	
	30 June 2008 Unaudited HK\$	31 December 2007 Audited HK\$
(1) Amount due from related parties		
– SCA HA	3,821,250	4,272,969

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

