Healthy Lifestyle Starts from Vinda

Vinda International Holdings Limited

(incorporated in the Cayman Islands with limited liability)

Stock Code: 3331

Annual Report
2011


Be Top of
Consumer Mind

CONTENTS

CORPORATE INFORMATION

Directors

Executive Directors

Mr. LI Chao Wang (Chairman)
Ms. YU Yi Fang (Vice Chairman)
Ms. ZHANG Dong Fang (Chief Executive Officer)
Mr. DONG Yi Ping (Chief Technology Officer)

Non-Executive Directors

Mr. Johann Christoph MICHALSKI
Mr. Ulf Olof Lennart SODERSTROM

Independent Non-Executive Directors

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

Alternate Director

Mr. CHIU Bun (alternate to Mr. MICHALSKI and Mr. SODERSTROM)

Audit Committee

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

Remuneration Committee

Dr. CAO Zhen Lei (Chairman)
Mr. HUI Chin Tong, Godfrey
Mr. TSUI King Fai

Nomination Committee

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

Authorised Representatives

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

Company Secretary

Mr. TSANG Zee Ho, Paul, CPA, FCCA

Auditors

PricewaterhouseCoopers

Legal Advisers to the Company

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

Registered Office

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P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Principal Place of Business in Hong Kong

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Kowloon, Hong Kong
Tel: (852) 2366 9853
Fax: (852) 2366 5805

Place of Listing and Stock Code

The Stock Exchange of Hong Kong Limited
Stock Code: 3331

Principal Share Registrar and Transfer Office

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

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

Website

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


柔软一球 幸福全球


Vinda
维达

FINANCIAL HIGHLIGHTS

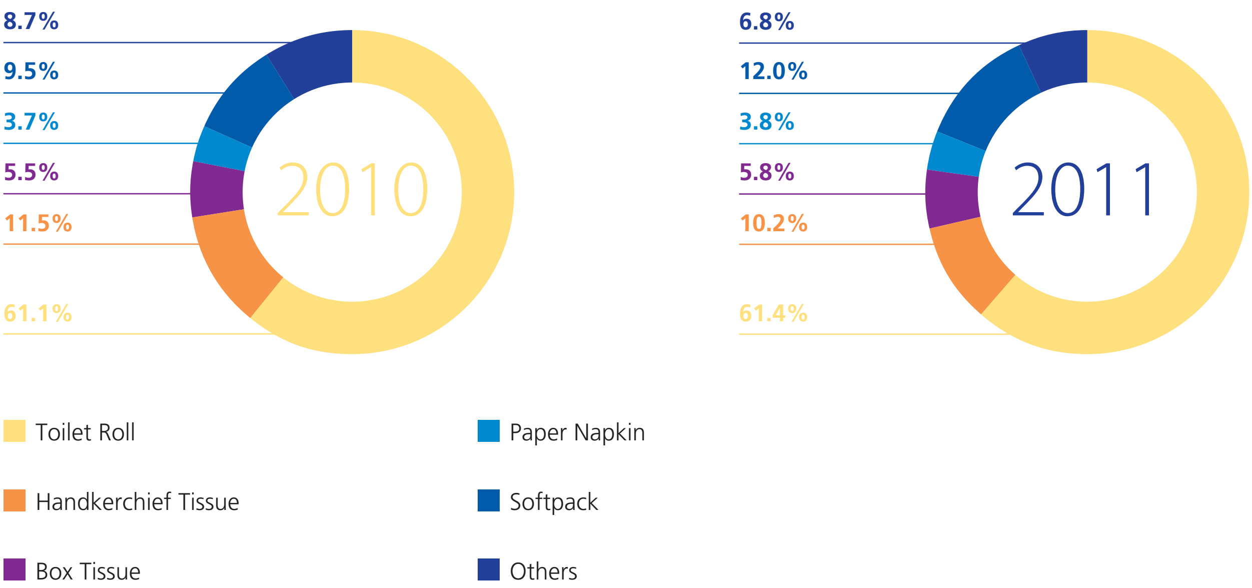
	2011	2010
Gross profit margin (%)	**27.2%**	29.5%
Net profit margin (%)	**8.5%**	10.2%
Earnings per share (HK$)	**43.3 cents**	40.4 cents
Dividend per share (HK$)	**12.0 cents**	12.0 cents
— interim dividend (paid) (HK$)	**3.3 cents**	3.3 cents
— final dividend (proposed) (HK$)	**8.7 cents**	8.7 cents
Finished goods turnover	**33 days**	32 days
Debtors turnover	**48 days**	43 days
Creditors turnover	**69 days**	71 days
Current ratio (times)	**1.48**	1.47
Gearing ratio (%)[1]	**62.2%**	40.5%
Net gearing ratio (%)[2]	**39.4%**	26.0%

Notes:

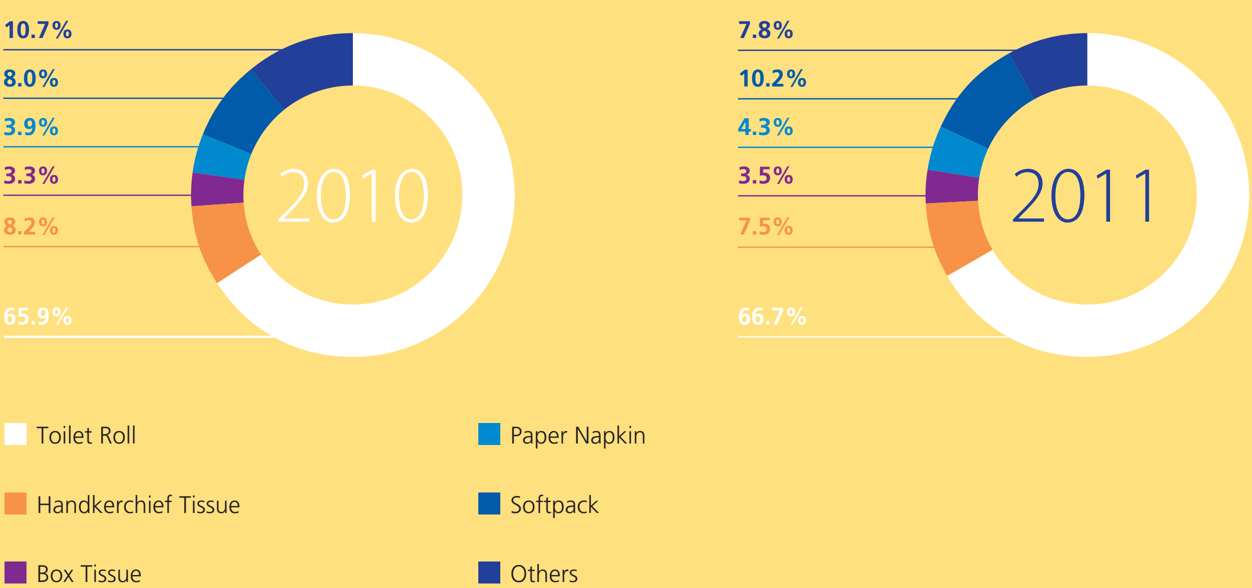
1. Calculated on the basis of the amount of total borrowings as a percentage of the total shareholders' equity.

2. Calculated on the basis of the amount of total borrowings less cash and cash equivalents as a percentage of the total shareholders' equity.

Turnover by Product Categories



Sales Volume by Product Categories



花の韻
Flower


柔甜一缕 幸福一缕

CHAIRMAN'S STATEMENT

LI Chao Wang
Chairman

On behalf of the Board of Vinda International Holdings Limited ("Vinda International" or the "Company", together with its subsidiaries, the "Group"), I am pleased to present the Group's annual report for the year ended 31 December 2011.

In 2011, the global economy was shrouded by various uncertainties and disasters such as the European sovereign debt crisis, the earthquake in northeastern Japan, political instability in Middle East and North Africa. These events caused the economy of various nations to continue deteriorating. Looking at China, despite the slowdown in export growth, and persistently high inflation rate, China's domestic consumption market is still flourishing, and the nation's economy kept developing at a steady yet relatively fast pace. As a result of rising per capita income of urban and rural citizens, demand for daily personal hygiene products continues to expand; in particular, the growth in demand of quality household paper products is particularly significant, painting a favourable operating environment for Vinda International.

In the year under review, the Group's revenue surged by 32.3% to reach HK$4,765,299,413 (2010: HK$3,602,168,770) while gross profit was HK$1,296,507,669 (2010: HK$1,062,037,455). Profit attributable to equity holders was HK$405,714,390 (2010: HK$368,946,107 and basic earnings per share reached 43.3 HK cents (2010: 40.4 HK cents).

The Board proposed the declaration of a final dividend of 8.7 HK cents per share for the financial year ended 31 December 2011 to all shareholders.

2011 carried great significance for both the Group and myself. During the year, Vinda International established its own development blueprint — the 6th five-year plan. With its leadership position in China's household paper market, combined with the staff team's cohesive and pragmatic practices, implementation of the 6th five-year plan has shown considerable results in its first year for various areas of business development including, brand enhancement, product innovation, sales channel and production capacity expansion etc. For myself, I had the privilege of being honoured

> Thanks to years of trust and support from our consumers and partners, Vinda has matured from a small-scale factory focusing on a limited range of household products into today's sizable enterprise with a full array of quality products.

with the "Ernst and Young Entrepreneur of the Year 2011 China" award. This award not only represents the business community's recognition and encouragement for me, but also a symbol of commendation for the past 25 years of dedication from Vinda International's whole staff.

Branding is the key to success for the fast-moving consumer goods industry, and that is no exception in China's household paper products industry. The Group continually upholds its business development philosophy of "Courageously Expand, Endlessly Innovate", and created great brand equity for "Vinda" through persistence in product quality. During the year under review, the Group seized the market needs and proactively optimized the "Vinda" brand as well as cultivating flagship product series and new "Star Products", in a view to solidifying our profitability. Moreover, we collaborated with renowned American animations studio, DreamWorks Inc. to co-launch the Kung Fu Panda Series, winning affection from a vast group of young consumers and effectively expanded our consumer base. With regard to sales channel development, we saw a rapid increase of modern channels in China in recent years; and thus, in addition to establishing a rooted distribution network, the Group must quicken its pace in developing modern channel such as hypermarkets to capture more market share.

To satisfy China's strong demand for quality household paper products, as part of the first echelon in the industry, the Group methodically added a total of 100,000 tons in Zhejiang of eastern China, Sichuan of western China, and Liaoning of northeastern China, bringing the total production capacity to 470,000 tons during the year to satisfy regional market demand. The Group continually increased our pace of expansion and actively planned the construction of its new plant located in Laiwu, Shandong, in preparation for development in Shandong's market and to pave the way for perfecting its nation-wide asterisk shaped production geo-matrix. Additionally, the Group established the third plant in the Xinhui region of Guangdong to quickly increase production capacity in southern China with an aim to exceed and complete ahead of schedule, our mid-term goal at 700,000 tons, and take a step towards our target of 1,000,000 tons of annual production capacity.

Having a sound financial position, flexible raw materials procurement strategy and the ability to transfer costs are key to effectively managing volatile raw material costs. Looking back in the first half of 2011, although wood pulp prices consistent soaring caused pressure to the Groups profit margin at one point, the influential Vinda brand allowed the Group to adjust its prices and successfully transfer part of the costs to the consumers. During the second half of the year, the Group capitalized on the gradual downward trend of wood pulp prices and proportionately increased procurement, which stabilized the Groups profitability to a certain extent.

China has the fastest growing personal care products market globally which creates huge potential for expansion for Vinda International, and is a catalyst to drive our future growth In 2011, the Group targeted China's massive baby diapers market and developed its "Babifit" products through its joint-venture, V-Care Holdings Limited ("V-Care"), which has delivered satisfactory results so far. In the future, V-Care will expand in a diverse manner, with an aim to capture a share of the high profit margin markets such as adult diapers and female hygiene products markets, in order to alleviate the impact of price fluctuation due to reliance of a single raw material. V-Care will also leverage Vinda International's extensive distribution network to create greater synergy.

Looking at 2012, wood pulp prices will stay volatile. China's central government will strengthen its environmental protection regulations and will revoke production capacity limitations in the industry, causing competition to intensify. Facing such operating environment, the Group is pragmatically accelerating the implementation of 6th five-year plan. After thorough consideration and analysis, the management team has decided to reorganize the marketing structure and management strategies for the north and south regions in order to serve the rapidly changing fast-moving consumer goods market of China. We continue to adhere to developing high quality products, maintain our prudent fiscal policies and accelerate development for our personal care products business so as to lay a solid foundation for the long-term growth of Vinda International.

Vinda was founded in 1985, and thanks to years of trust and support from our consumers and partners, Vinda has matured from a small-scale factory focusing on a limited range of household products into today's sizable enterprise with a full array of quality products. I will personally take upon myself the promise to always use a pragmatic attitude and innovation to lead the continual growth of Vinda International. I would also like to take this opportunity to express my deep gratitude to our shareholders, customers and business partners. The Group is confident that in the coming year, it will continue bringing quality lifestyle to the wider public, and creating greater returns for its shareholders.

Yours faithfully,
Li Chao Wang
Chairman

Hong Kong
27 March 2012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ZHANG Dong Fang
Chief Executive Officer

Dear Shareholders,

2011 marked the start of China's 12th Five-Year Plan as well as the beginning of Vinda International's 6th five-year plan. Despite the rounds of crisis suffered by the global economy, China's overall economy maintained steady growth. According to the National Bureau of Statistics, China's GDP reached RMB47.2 trillion in 2011, representing an increase of 9.2% compared to 2010. Such increase reflected the citizen's rising per capita income, improving purchasing power and ascending living standards, which drove the growth in demand for quality household paper products.

During the year under review, the Group systematically implemented its 6th five-year plan, and targeted our investment in various areas of our business, including business development, brand enhancement, product diversification, sales channel buildup, and capacity expansion. Executing the plan effectively enhanced the overall value of the Group, boosted consumer loyalty, and extended our customer base into various levels, which significantly drove the Group's earnings. As one of the leaders in the industry, Vinda International continues to lead in our share of the toilet roll products market. We've also maintained our leading position in household paper products markets of Southern China, Central China, Beijing as well as Hong Kong. And so, the Group's 6th five-year plan had been launched with a great start!

Enhancing Brand Management and Innovating Marketing and Promotion Strategies

Vinda International's success lies in its ability to develop a distinct brand image and unique brand personality. During the year, management incorporated results from professional market research studies and optimized the "Vinda" brand, by proactively infusing fresh elements into the brand, and effectively rejuvenating the brand image. The outcome of these efforts speaks loudly in first- and second-tier cities in particular.

Through reorganization of our branding strategy and focused nurturing of our Star Products, an assortment of

> "For Vinda International, as part of the forefront of the industry, we must capture market share and become the dominant brand and the leader in the industry."

key product series has demonstrated a solid growth trend. Our flagship series, the "Blue Classics Series" maintains its industry leader position while our "FEEL Series" and "Flowery Series" both recorded significant growths. Our "Pleasant Goat and Big Big Wolf Series" maintains its popularity amongst families. The success of our animation series attracted the attention of DreamWorks Inc., which resulted in an international partnership. Together we co-launched the new "Kung Fu Panda Series" that places China's national treasure — the panda — in a leading role. This partnership added an international element to the "Vinda" brand, and heightened the brand premium. In recent years, demand for softpack products also grew rapidly; hence as we promote sales of non-toilet roll products, we particularly dedicated greater efforts in cultivating our softpack products to widen the gross profit margin.

During 2011, besides the Group's usual above-the-line and below-the-line marketing and promotions work such as placing outdoor advertisements; leveraging the internet; taking electronic and print media interviews as well as undertaking title sponsorship for various charities, the Group placed strong emphases on point-of-sales promotions and held marketing activities. These activities include a creative roadshow and point-of-sales display competition, all of which carry Vinda's unique marketing and promotional strategy.

Continuously Expanding Sales Network

The Group actively strengthened its regional coverage and dedicated great efforts in establishing intimate partnerships with distributors to strengthen the regional development of second- and third-tier cities. In May, the Group held its inaugural national distributor conference, which nearly 1,000 distributors from across the country participated in. The conference theme was "Vinda: think WIN-WIN", at which we rolled out our new products, and managed to increase sales of non-toilet paper roll. During the conference, we also openly introduced the Group's product strategy for the next five years.

Worth noting is the growing importance of modern channels such as supermarkets and hypermarkets for distribution in China's current market, as many nation-wide supermarkets rapidly expand. For Vinda International, as part of the forefront of the industry, we must capture market share and become the dominant brand and the leader in the industry. In reality, the proportion of the Group's turnover that modern channels account for have further increased, and it is expected that in the future, this proportion will continue to increase. Looking forward, the Group hopes to reach a healthy balance between the three distribution channels — traditional channels, modern channels and commercial clients — to complement the varying growth pace of different regions.

Production Geo-Matrix Designed to Meet Market Needs

When the Group formulates our capacity expansion plans, we will take into consideration the varying market demand, levels of urgency, transportation costs and other factors affecting different regions. Currently, our annual production capacity is at 470,000 tons, spread amongst seven production places, and dispersed across the nation in an asterisk (*) shaped production geo-matrix. Given the large demand in Southern China, the Group decided that in 2012, it will open a new plant in Xinhui District, Jiangmen, Guangdong Province and import four Italian paper-making machines to increase capacity by 80,000 tons. These high-performing Italian paper-making machines have 20,000 tons of production capacity each, and consume less energy compared to other European paper-making machines; thus, effective for improving operational efficiency and product quality. Reduced energy-consumption and greater production efficiency are results of Vinda International's innovation and research in paper-marking processes. We will also continue developing our Northeastern and Central China markets and expand the facilities at Liaoning and Hubei, to add an expected total of 70,000 tons. Overall, the Group will continue to speed up our pace of expansion, with a goal to exceed and complete 700,000 tons of annual production capacity ahead of schedule, and take a step towards our newest goal of 1,000,000 tons.

Expanding into the Personal Care Products Business

Adhering to the Group's mission to "Provide high quality daily hygiene products for people to enjoy", we continually launched new products to satisfy the consumers' ever-changing needs. Since 2010, the Group recognized the enormity of China's personal care products market, in particular the diapers market; thus, decided to employ V-Care as a platform to extend its business into personal care products. This move marks the first step the Group took into the diaper market, which have a relatively low penetration rate. Later on, the Group will progressively extend into the female hygiene products market and adult diapers market to widen the Group's future room for profit.

During the year, the Group's first ever baby diaper brand "Babifit" was officially launched, with three product series which target different levels of the market. The first trade fair for the brand was held in August, and attracted the attendance of many distributors. Currently, V-Care is proactively constructing three baby diaper production lines in the plant located in Hubei, with an expectation that the first production line will commence production in May 2012, while self-production will fully operate by the third quarter. By that time, V-Care can enrich its product offering with flexibility and increase the number of SKUs. Combined with sales channels dedicated to baby products and a series of field marketing and promotional activities, "Babifit" is expected to show steady growth, and in time, the personal care products business will contribute greatly to the Group's earnings.

Professional Management

The Group adheres to professional management style, and is dedicated to transforming its human resources management as well as operational and financial policies, in order to establish good company structure.

During the year under review, we were delighted to welcome Mr. Ouyang Heping onto our team as our Chief Human Resources Officer. With Mr. Ouyang's extensive experiences in the industry, we believe he will effectively address the Group's human resources needs as well as devising and implementing a series of professional enhancement and personal development programmes.

With regard to operations, the Group continuously optimized our manufacturing technologies and stabilized our pulp usage process to ensure product quality and heighten operational efficiency. Furthermore, we strengthened the long-term partnership with our wood pulp suppliers to improve flexibility in raw materials procurement and reduce procurement expenses.

Facing the volatile global economy, Vinda International has taken agile financial and financing strategies. Internally, we imposed strict controls on budgeting and strengthened management of the sales cycle including accounts receivable. Externally, we solidified our stable relationship with the banking community to assist in promotion of financing measures. In June, the Group successfully obtained a three-year term loan facility of HK$750 million granted by a close-knit syndicate of banks. The loan facility had funded the Group's capacity expansion and enhanced the foundation of our long-term capital, thus providing sturdy support of our grand development plans for the future.

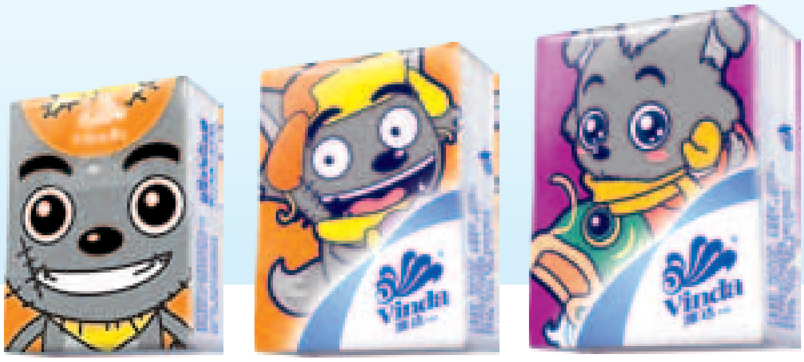
Future Prospects

In the coming year, Vinda International will take a solid strategy and will pragmatically execute the 6th five-year plan. The Group will expand sales channels and capacity, while maintaining effective financial policies to create high quality and convenient lifestyle for our consumers.

Armed with strong brand power, quality and abundant product series, extensive sales network and solid business foundations, the management is confident that during this new year, we will continue our leadership of the market to grow and create greater value for our shareholders, so that we may all share fruitful results.

Yours faithfully,
ZHANG Dong Fang
Chief Executive Officer

Hong Kong
27 March 2012



China's annual per capita consumption of household paper was rising steadily, escalating from 2.7 kilograms in 2007 to 3.48 kilograms in 2010. Nevertheless, China's paper usage level is still insignificant compared with the world average of 4.18 kilograms and Asia's other well-developed countries and cities (e.g. 14.57 kilograms in Japan, 18.11 kilograms in Hong Kong), indicating strong growth potential of China's household paper market.

Strengthening Brand Building through Creative Marketing

Given such immense development potential in market, Vinda International relentlessly strives to achieve the best results. In 2011, the Group's overall revenue grew 32.3%, in particular, the growth rate for sales revenue of softpack reached an impressive 66.5%.

Regarding our sales and marketing approach, the Group will emphasize the promotion of "Star Products" in the coming years. During the year, we employed three waves of creative marketing campaigns targeted at different consumer groups to effectively improve brand loyalty, enhance the brand's youthful image and sharpen the competitive edge for each product. Firstly, we introduced the "維達柔韌有功夫" marketing campaign to co-launch the "Kung Fu Panda" series in cooperation with DreamWorks Inc., a renowned animation company from the United States. This campaign enticed adults with high purchasing power as well as fans of animation, and as a result, propelled the sales of the non-toilet roll products in our blue classics line. In the second wave, we promoted the "FEEL" series under the "維達幸福最有FEEL" campaign, which bolstered our interaction with the youth consumer segment such as university students. The third wave of creative marketing was the "維達與您幸福過新年" campaign, under which we advertised for the "Pleasant Goat and Big Big Wolf" to build our rapport amongst families with children. In the future, the Group will continue to adopt diversified as well as innovative marketing and promotional tactics, not only to secure the market share of the core segment, but also to increase the proportion of sales for high-profit-margin products, so as to defend the Group's profitability.

Sales Network Extended to New Markets

Vinda International's greatest asset is our extensive and efficient sales network. The Group continued to deepen our foothold in existing markets and solidify our leading position in southern and central China, Beijing and Hong Kong. At the same time, the Group stepped up efforts to cultivate our presence in eastern, western and northeastern China. The Group also expanded the proportion of sales via modern channels, in accordance to the rapid development of supermarket chains in China. By the end of 2011, the number of Vinda International's sales offices reached 155 (31 December 2010: 141) while the number of distributors reached 1,174 (31 December 2010: 856), building a national sales network of 260,000 points of sales, and further broadening market coverage.

Adopting Flexible Procurement Strategy

With regard to cost of sales structure, wood pulp is the key raw material used in manufacturing household paper products. A wood pulp supply shortage occurred during the first half of 2011 resulted in a spike in wood pulp prices which peaked in the middle of 2011. During the second half, various external circumstances caused the demand from Europe and the United States for wood pulp to ease, while suppliers' inventory level also exceeded normal levels at one point, leading to the steady decline of wood pulp prices. Facing the volatile wood pulp prices, the Group adopted a flexible procurement strategy and increased the procurement of wood pulp in the second half of 2011 as wood pulp prices were relatively low, while preserving healthy cash flow for the Group.

Technological Upgrades Rapidly Boosting Production Capacity

Production capacity expansion has always played a vital role in the path of development for Vinda International. During the year, the new production capacity totaled 100,000 tons: 50,000 tons by the production base in Longyou County, Zhejiang Province; 25,000 tons by the production base in Anshan City, Liaoning Province; 25,000 tons by the production base in Deyang City, Sichuan. The total production capacity ramped up to 470,000 tons, while sales volume increased 18.9% year-on-year to 335,044 tons.

In view of the market's increasing demand for quality household paper products, the Group will accelerate the pace of expansion with an aim to reach the mid-term goal of 700,000 tons of production ahead of schedule, and setting the new target at 1,000,000 tons. The Group plans to increase production capacity in the fourth quarter of 2012 by 80,000 tons by the new plant in Sanjiang Town, Xinhui District, Guangdong Province; 30,000 tons by the Anshan plant in Liaoning Province, and 40,000 tons by Xiaogan plant in Hubei Province. Separately, the construction plan of our new plant in Laiwu City, Shandong Province had passed the environmental assessment and is expected to commence production by 2013. In addition to increasing production capacity, this new plant will effectively help trim down logistical expenses for the Group.

To complement the Group's plan to rapidly expand production capacity, further enhance product quality and production efficiency as well as amplify the advantage of economies of scale, the Group plans to upgrade the technology of its existing paper-making machines and also introducing a number of paper-making machines from Italy. Each Italian paper-making machine is designed for a production capacity of 20,000 tons a year, with superior capabilities in reducing energy consumption on top of elevating paper quality.

Developing Personal Care Products Business

In 2010, V-Care Holdings Limited was established by the Group as an associate for the development of personal care products business. V-Care launched 24 baby diaper SKUs among three product lines of its own "Babifit" brand, distinctly targeting customers from the mid- to up-market, the mid-market and the low-end market in 2011. V-Care's plant in central China will commence operations in 2012, and three newly acquired production lines for baby diapers will also progressively begin to operate. The Group expects that once self-production is initiated, the V-Care team will be able to strengthen research and development of new products and improve gross margins. For the coming year, V-Care will allocate more resources to establish sales channels for its personal care products, beyond Vinda's existing distribution network, such as using supermarket chains and exclusive channels for baby products, including maternity hospitals, maternity stores. The Group strives to boost market coverage in efforts to improve our long-term profitability.

Implementing Low Wastage, High Efficiency Management

Over the years, the Group has always adhered to the production management philosophy of "high quality, low wastage and high efficiency" and strived to achieve "safety, environmental protection, quality and cost reduction" as the production objective. This year, the Group greatly enhanced the environmentally friendly facilities to help achieve the carbon emissions reduction target as set in the Central Government's "12th Five-Year Plan" — through technology upgrades and optimization of the sewage treatment system and effectively lowering water consumption per ton of paper. The Group also effectively reduced energy consumption by optimizing the incoming water temperature control of boilers and employing steam reuse technique. In addition, by improving packaging efficiency, the Group enhanced production efficiency. Meanwhile, the Group obtained 36 utility model patents and one invention patent during the year. In particular, 17 of the utility model patents and the one invention patent were used for environmental protection and energy conservation, so as to promote effective plant management and increase productivity.

Human Resources and Management

Employees of high caliber are the key to the Group's competitiveness and value creation. During the year, the Human Resources Department proactively recruited talented employees to cater to expansion needs of the Group and optimized various human resources schemes for talent retention, including a professional assessment system, reorganization of job positions, revision of the performance management procedures, and remuneration and welfare policies, etc. Furthermore, the Group perpetuated its management trainee programme to groom talents for Vinda's future development. As of 31 December 2011, the Group had 6,633 employees.

Employee remuneration packages are reviewed regularly — taking into account local market conditions, working experience and performance of individual employees — to ensure the competiveness of the Group's remuneration policy in the industry. The Group also uses a share option scheme to attract and retain talent. During the year, the Group granted 4,837,000 share options to its employees and directors pursuant to its share option scheme, with relevant fair value costs amounting to HK$15,538,000.

Foreign Exchange and Fair Value Interest Rate risk

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

Borrowings obtained at variable rates expose the Group to cash flow interest-rate risk. As at 31 December 2011,the Group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. The effective portion of changes in the fair value of interest rate swaps that are designated and qualified as cash flow hedge is recognised in equity.

Share-Based Payment

As approved by the Board meeting on 24 February 2009, 27,546,000 share options were granted to the directors and certain employees at an exercise price of HK$2.98 per share. The Group has no legal or constructive obligation to repurchase or settle the options in cash. The options are exercisable during the following periods:

(i) in respect of the options granted to directors, on or after 24 February 2009;

(ii) in respect of the options granted to employees,

  (a) up to 20% on or after 24 February 2010;

  (b) up to 50% on or after 24 February 2011;

  (c) all the remaining options on or after 24 February 2012;

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

In February 2009, all the directors and employees accepted the share options.

On 15 April 2010, 3,000,000 share options were granted to a director at an exercise price of HK$5.42 per share. The Group has no legal or constructive obligation to repurchase or settle the options in cash. The options are exercisable during the following periods:

(a) up to 33% on or after 15 April 2010;

(b) up to 67% on or after 15 April 2011;

(c) all the remaining options on or after 15 April 2012;

and in each case, not later than 14 April 2020.

In April 2010, the director accepted the share options.

On 15 April 2011, 4,837,000 share options were granted to the directors and certain employees at an exercise price of HK$8.648 per share. The Group has no legal or constructive obligation to repurchase or settle the options in cash. The options are exercisable on or after 15 April 2011 and no later than 14 April 2021.

In April 2011, all the directors and employees accepted the share options.

Future Prospects

Looking ahead in 2012, China's macro economy will maintain stable growth, while the Central Government will continue to implement stringent environmental protection policies which will eliminate smaller and non-compliant paper manufacturers. Unrest will persist for external economies; subsequently, volatility in raw material prices will also persist.

In 2012, we will focus on the following:

1. Strengthen control at points of sale within the sales and distribution network, increase the distribution rate for each product, optimize the product mix and cultivate the personal care product business;
2. Accelerate the pace of production capacity expansion and implement production safety standards, working towards a new annual production capacity target of 1,000,000 tons;
3. Diligently monitor the raw materials prices to enhance risk control of the procurement process;
4. Commit to environmental protection, and augment environmental protection projects;
5. Optimize the information management system.

Liquidity, Financial Resources and Bank Loans

The Group's financial position remained healthy. As at 31 December 2011, the Group's bank and cash balances (including restricted bank deposits of HK$1,292,449 (31 December 2010: HK$45,689)) amounted to HK$715,904,170 (31 December 2010: HK$389,597,471), and short-term and long-term loans amounted to HK$1,952,478,533 (31 December 2010: HK$1,087,677,371). 59.0% of the bank borrowings are medium- to long- term (2010: 48.8%). The annual interest rates of bank loans ranged from 1.11% to 6.65%.

As at 31 December 2011, the gearing ratio was 62.2% (31 December 2010: 40.5%), which was calculated on the basis of the amount of total borrowings as a percentage of the total shareholders' equity. The net gearing ratio, which was calculated on the basis of the amount of total borrowings less cash and cash equivalents as a percentage of the total shareholders' equity, was 39.4% (31 December 2010: 26.0%). The gearing ratio increased due to newly increased borrowings.

Contingent Liabilities

As at 31 December 2011 and 31 December 2010, the Group had no material contingent liabilities.

Capital Commitments

	As at 31 December	
	2011	2010
	HK$	HK$
Property, plant and equipment and intangible assets	**488,722,501**	226,840,451
Investment in an associate	**61,500,000**	123,000,000
	550,222,501	349,840,451

Final Dividend

The Board has resolved to propose to shareholders the distribution of a final dividend for the year ended 31 December 2011 at HK8.7 cents (2010: HK8.7 cents) totaling HK$81,621,981, subject to approval by shareholders at the annual general meeting (the "AGM") on 23 May 2012. If so approved by shareholders, it is expected that the final dividend will be paid on or about 25 June 2012 to shareholders whose names appear on the register of member of the Company on 6 June 2012.

Closure of Register of Members

The register of members of the Company will be closed from 18 May 2012 to 23 May 2012, both dates inclusive, during which period no transfer of shares will be registered in order to ascertain shareholders' eligibility to attend and vote at the AGM, all transfers documents accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 17 May 2012.

In addition, the register of members of the Company will be closed from 6 June 2012 to 8 June 2012, both dates inclusive, during which period no transfer of shares will be registered in order to ascertain shareholders' entitlement to the proposed final dividend, all transfers documents accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 5 June 2012.

Biography of Directors

Executive Directors

Mr. LI Chao Wang (李朝旺), aged 53, is a founder of the Group. He was appointed as an Executive Director of the Company on 17 August 1999 and has become the Chairman of the Board since 28 April 2000. In his current capacity, he would spearhead overall corporate development and strategic planning. Formerly until January 2010, he also acted as the Chief Executive Officer of the Group. Mr. LI has over 25 years of experience in the household paper industry and executive business management. Mr. LI currently is a member of Guangdong Political Consultative Committee, the vice president of the China Household Paper Association, vice president of the All-China Federation of Industry and Commerce Papermakers' Group and The Standing Committee of Guangdong federation of industry & commerce and the president of the Jiangmen City Federation of Industry and Commerce. Mr. LI graduated from the Guangdong Radio and Television University's business administration program.

Ms. YU Yi Fang (余毅昉), aged 57, is a co-founder of the Group. Ms. YU was appointed as an Executive Director on 1 February 2000 and further appointed as the Vice Chairman of the Board from January 2010 to assist Mr. LI Chao Wang in pursuing strategic development. Ms. YU was formerly the Chief Operating Officer of the Group. She has over 25 years of experience in China's household paper industry and 19 years of financial management experience as manager of financial affairs for the Group. Ms. YU graduated from the Guangdong Radio Television University's accounting program.

Ms. ZHANG Dong Fang (張東方), aged 49, joined the Company on 22 February 2010 as its Chief Executive Officer (the "CEO") and Executive Director. Ms. ZHANG has extensive experience in business management gained in a multi-national corporate environment. Prior to joining Vinda, She was the vice president-North Asia Division of a Swiss multi-national group which is engaged in the production and sales of flavors and fragrances for use in perfumes, cosmetics, food and beverage, and household products. The said group ranks among the world leaders in flavors and fragrances production. Before that, Ms. ZHANG was the managing director of the said group responsible for its business in Greater China from 1998 to 2008 and gained extensive experience in domestic and international FMCG markets. Ms. ZHANG graduated from Guangdong Foreign Language and Trade University with a bachelor's degree in art in 1983. She also graduated from International Institute for Management Development (IMD), a world-renowned business school in Switzerland, with a diploma in business management in 1994.

Mr. DONG Yi Ping (董義平), aged 49, Senior Engineer, was appointed as an Executive Director on 1 February 2000 and is the Group's Chief Technology Officer (the "CTO"). Mr. DONG joined Vinda Paper (Guangdong) in 1992. Mr. DONG has over 20 years of experience in equipment operations and safety, quality control, and research and development. Prior to joining the Group, he served for senior positions in two other paper manufacturing companies. Mr. DONG graduated in 1991 from the paper manufacturing program of the Tianjin University of Science and Technology (previously the Tianjin College of Light Industry), with a master's degree in engineering.

Non-Executive Directors

Mr. Ulf Olof Lennart SODERSTROM, aged 48, was appointed as a Non-Executive Director of the Board on 30 March 2011 and he is the President of Svenska Cellulosa Aktiebolaget ("SCA") Asia Pacific based in Shanghai. Mr. SODERSTROM joined SCA in 2009 as Senior Vice President, Business Development and Strategy, responsible for IT, acquisitions, business intelligence and sustainability. He has many years of experience in executive positions in business. He joined SCA from Boliden (leading European metals company) as President of Business Area Market, responsible for marketing and sales, strategy process, market analysis and internal and external communication. His background also includes serving in senior positions at Scania and Forcenergy, among other companies. Mr. SODERSTROM studied economics at the University of Stockholm and received a Master of Business Administration from the Stockholm School of Economics in 2002.

Mr. Johann Christoph MICHALSKI, aged 46, was appointed as a Non-Executive Director on 19 April 2008. Since April 2011 Mr. MICHALSKI is the President of SCA Global Hygiene Category, the marketing and R&D division of SCA. Previously, Mr Michalski has been since April 2008 the president of SCA Asia Pacific business unit under the SCA group based in Shanghai, the PRC. Before that he served as senior vice president of Business Development and Strategic Planning. Prior to joining SCA in 2001 he held a number of senior management positions in the New Zealand dairy group Fonterra as well as the global FMCG company, Unilever. He has over 20 years of experience in leadership roles in business development and strategy, consumer marketing and innovation in the consumer goods industry. Mr. MICHALSKI has a master degree in economics from Kiel University, Germany.

Mr. CHIU Bun (趙賓), aged 36, was re-designated as an Alternate Director of Mr. MICHALSKI and Mr. SODERSTROM on 30 March 2011. Prior to that, Mr. Chiu was a Non-Executive Director of the Group since 19 June 2007. Mr. CHIU joined SCA in 2005 as general counsel of SCA Asia Pacific based in Shanghai and currently serves in SCA Hygiene North Asia as director of Business Development and Legal Affairs. Mr. CHIU previously worked with international law firms including Clifford Chance, Perkin Coie and Morrision & Foerster. He is admitted as a solicitor in Hong Kong and England & Wales. Mr. CHIU received a bachelor's degree in information management from the University College London, the Postgraduate Certificate in Laws (PCLL) from the University of Hong Kong and a master of laws degree from Remin University of China, Beijing.

Independent Non-Executive Directors

Dr. CAO Zhen Lei (曹振雷), aged 53, was appointed as an Independent Non-Executive Director on 19 June 2007. Dr. CAO is the vice president of the Sinolight Corporation. With more than 20 years of experience in research and management in the pulp and paper industry in China, Dr. CAO also serves as secretary-general of the Standing Committee of the China Technical Association of Paper Industry and deputy director of the All-China Federation of Industry and Commerce's Papermakers Association. Dr. CAO is an independent director of Shangdong Huatai Paper Industry Joint Stock Co., Ltd., a company listed in the PRC. Dr. CAO holds a bachelor's degree from the South China University of Technology with a specialization in the pulp and paper industry, a master's degree in paper making from the Light Industry Institute of Science and Technology, a Ph.D. in chemical engineering from the University of Saskatchewan and an Executive M.B.A. from Peking University's Guanghua School of Management.

Mr. HUI Chin Tong, Godfrey (許展堂), aged 52, was appointed as an Independent Non-Executive Director on 19 June 2007. Since the 1980's, Mr. HUI has established and managed several businesses in the PRC and is currently serving as executive director of Network CN Inc. Mr. HUI obtained his bachelor's degree in business management from The Chinese University of Hong Kong and a master's degree in business management from the University of Hull in the United Kingdom.

Mr. TSUI King Fai (徐景輝), aged 62, was appointed as an Independent Non-Executive Director on 19 June 2007. Mr. TSUI is a director and senior consultant at WAG Worldsec Corporate Finance Limited, a registered financial services company in Hong Kong. He has over 30 years of extensive experience in accounting, finance and investment management, particularly in investments in the PRC. Mr. TSUI worked for two of the Big Four audit firms in the United States and Hong Kong and served in various public listed companies in Hong Kong in a senior capacity. Mr. TSUI is currently acting as an Independent Non-Executive Director of Lippo Limited, Lippo China Resources Limited, Hongkong Chinese Limited, China Aoyuan Property Group Limited and Newton Resources Limited. He graduated from the University of Houston, Texas, the United States and holds a master of science in accountancy and a bachelor of business administration with first class honors. Mr. TSUI is a fellow of the Hong Kong Institute of Certified Public Accountants, a member of the Institute of Chartered Accountants in Australia and a member of the American Institute of Certified Public Accountants.

Mr. KAM Robert (甘廷仲), aged 54, was appointed as an Independent Non-Executive Director on 19 June 2007. Mr. KAM started his career with one of the Big Four international accounting firms and currently is a partner in the chartered accountancy firm, Kam & Beadman, based in Sydney, Australia. He has many years of experience in providing audit, tax and accounting services, including public company statutory audits, information systems audits and internal audits. Mr. KAM graduated with a bachelor of commerce degree from the University of Western Australia. Mr. KAM is a chartered accountant and a member of the Institute of Chartered Accountants in Australia, a Registered Auditor in New South Wales, Australia and a Registered Auditor of the Australian Securities Commission. Mr. KAM is also a Justice of the Peace for the State of New South Wales in Australia.

Biography of Senior Management

Mr. TSANG Zee Ho, Paul (曾思豪), aged 50, is the Chief Financial Officer (the "CFO"), and Company Secretary of the Group. He joined the Group in April 2007. He began his career with an international accounting firm in tax consulting. Since 1988, Mr. TSANG has held various senior finance and management positions with public and private companies as well as professional firms in Hong Kong and China, including associate director of Deloitte & Touche Corporate Finance, general manager of corporate finance of Century City Group, a listed company in Hong Kong, and chief financial officer of a private group of companies which has diversified operations and interests in Guangzhou, PRC. Mr. TSANG graduated from the University of Hong Kong and is a fellow member of the Association of Chartered Certified Accountants in the U.K. and a non-practicing member of the Hong Kong Institute of Certified Public Accountants.

Mr. ZHANG Jian (張健), aged 40, is the Chief Operating Officer of the Group. He graduated from Wu Yi University in electronic technology, and joined Vinda Paper Group in the same year. He served as a manager in the production, marketing, and procurement departments, and deputy manager and general manager of the Company. He is an executive director of the Guangdong Paper Association.

Mr. Richard SU (蘇洛夫), aged 55, is the Assistant to Chief Executive Officer, responsible for the centralized material procurement of the Group. Mr. Su obtained his bachelor degree from Remin University of China majoring in trade economics in 1983. He joined Vinda Paper Group in September 1999 as Director of Purchase and the Deputy Chief Operating Officer sequentially. He has over 20 years of experience in sourcing and trade management.

Mr. HE Hui Xian (何惠獻), aged 38, is the Vice President of Sales & Marketing for the Group responsible for regional sales management in PRC as well as overseas markets. He graduated from Anhui Finance and Trade College in 1996 majoring in trade and economics and joined Vinda Paper Group in January 1997. He has taken various managerial roles for sales department, including the EVP (domestic sales) of the Group.

Mr. TANG Hai Tang (湯海棠), aged 41, is the Vice President of Sales & Marketing for the Group responsible for the marketing & media as well as key accounts divisions. Mr. TANG graduated from South China University of Technology in biochemistry in 1994. He joined Vinda Paper Group in August 1995 and served as deputy general manager of Company's subsidiary, marketing director and EVP (marketing & media) for the Group etc..

Mr. HU Yong Jin (胡永進), aged 39, is the Vice President of Sales & Marketing for the Group, taking charge of regional sales management in China. Mr. HU graduated from Anhui Institute of Technology in 1996 as a bachelor majoring in Automobile Design and Manufacturing. He joined Vinda Paper Group in October 1998 and served sequentially as manager and deputy general manager as well as general manager of Company's subsidiary, and EVP (sales of southern region).

Mr. Michael OUYANG (歐陽和平), age 46, was appointed as our Chief Human Resources Officer. Prior to joining Vinda, Mr. Ouyang served as General Manager of HR & Administration Center in Goodbaby Group, GM-Human Resources in Shen Zhen Da Chan Bay Modern Port Development Co., Ltd., HR & Administration Director in Lee Kum Kee (Xin Hui) Food Co., Ltd. HR Director in Watsons China, HR Manager in AIG South China, HR & Administration Manager of Owens Corning and HR Manager of Guangdong Nortel, etc. Mr. Ouyang holds MBA degree from Murdoch University of Australia and Bachelor of Arts degree from Xiangtan University.

Ms. ZHANG Cui Ling (張翠玲), aged 44, is the Deputy Director of internal control department for the Group. Ms. ZHANG graduated from Guangdong Mechanical College in industrial management engineering and holds a MBA degree of Wuhan University of Science & Technology. She joined Vinda Paper Group in July of the same year and has served as the manager of finance, purchasing logistics, quality control, and administration department of the Company's subsidiaries.

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 of the shareholders of the Company. For the year ended 31 December 2011, the Company has complied with all the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

Directors' Securities Transactions

The Company has adopted a code for securities transactions by directors of the Company (the "Code of Conduct") on terms no less exacting than the required standard of the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules on the Stock Exchange. Having made specific enquiry with all the directors of the Company (the "Directors" or individually the "Director"), all of them confirmed that they have complied with the required standard set out in the Model Code and the Code of Conduct regarding securities transactions by the Directors during the year ended 31 December 2011.

Board of Directors

Composition

The board of directors (the "Board") of the Company comprises ten Directors, four of which are Executive Directors, two are Non-Executive Directors and four are Independent Non-Executive Directors. The members of the Board as at the date of this annual report are as follows:

Executive Directors
Mr. LI Chao Wang *(Chairman) (alternate to Ms. YU Yi Fang and Mr. DONG Yi Ping)*
Ms. YU Yi Fang *(Vice Chairman) (alternate to Mr. LI Chao Wang)*
Ms. ZHANG Dong Fang *(Chief Executive Officer)*
Mr. DONG Yi Ping *(Chief Technology Officer) (alternate to Mr. LI Chao Wang)*

Non-Executive Directors
Mr. Johann Christoph MICHALSKI
Mr. Ulf Olof Lennart SODERSTROM *(appointed on 31 March 2011)*
Mr. CHIU Bun *(re-designated as alternate to Mr. Johann Christoph MICHALSKI and Mr. Ulf Olof Lennart SODERSTROM on 31 March 2011)*

Independent Non-Executive Directors
Dr. CAO Zhen Lei
Mr. KAM Robert
Mr. HUI Chin Tong, Godfrey
Mr. TSUI King Fai

The Board formulates overall strategies and policies of the Group. It also ensures the availability of adequate capital and managerial resources to implement the strategies adopted, the adequacy of systems of financial and internal control and the conduct of business in conformity with applicable laws and regulations. The Board members are fully committed to their roles and have always acted in the best interests of the Group and its shareholders at all times. There is no financial, business, family or other material/relevant relationship amongst Directors. The Directors' biographical information is set out on pages 25 to 27 under the section headed "Biography of Directors and Senior Management" of this annual report.

Board meetings are held regularly at approximately quarterly intervals and also held on ad hoc basis as required by business needs. Regular Board meetings and ad hoc Board meetings are attended by a majority of the Directors in person or through other electronic means of communication. In addition, special Board meetings are convened from time to time for the Board to discuss issues that require the Board's timely attention. Since the special Board meetings are concerned with the day-to-day management of the Company which often requires prompt decisions, usually only the Executive Directors and senior management attend the meetings. During the year ended 31 December 2011, other than resolutions passed in writing by all the Directors, the Board held a total of 9 regular and ad hoc Board meetings.

The attendance of each member at the Board meetings is set out below. Figure in brackets indicates maximum number of meetings held in the period in which the individual was a Board member.

Directors	**Number of regular and ad hoc Board meetings attended**	**Number of special Board meetings attended**
Executive Directors		
Mr. LI Chao Wang *(Chairman)*	8(9)	18(18)
Ms. YU Yi Fang *(Vice Chairman)*	8(9)	18(18)
Ms. ZHANG Dong Fang *(Chief Executive Officer)*	9(9)	18(18)
Mr. DONG Yi Ping *(Chief Technology Officer)*	7(9)	11(18)
Non-Executive Directors		
Mr. Johann Christoph MICHALSKI	7(9)	
Mr. Ulf Olof Lennart SODERSTROM *(appointed on 31 March 2011)*	6(7)	
Mr. CHIU Bun *(re-designated as alternate to Mr. MICHALSKI and Mr. SODERSTROM on 31 March 2011)*	2(2)	
Independent Non-Executive Directors		
Dr. CAO Zhen Lei	8(9)	
Mr. KAM Robert	9(9)	
Mr. HUI Chin Tong, Godfrey	9(9)	
Mr. TSUI King Fai	9(9)	

Chairman of the Board and Chief Executive Officer

The Chairman of the Board is Mr. LI Chao Wang and the CEO of the Company is Ms. ZHANG Dong Fang. The roles of the Chairman of the Board and the CEO of the Company are segregated to ensure their respective independence, accountability and responsibility. The major duties of the chairman are to provide leadership to the Board and spearhead overall corporate development and strategic planning whilst the chief executive officer is responsible for implementing the decisions and strategy approved by the Board and managing day-to-day operations of the Group with the support of the executive directors.

Executive Directors

The Executive Directors are responsible for running the Group and executing the strategies adopted by the Board. They lead the Group's management team in accordance with the directions set by the Board and are responsible for ensuring that proper internal control system is in place and the Group's business conforms to applicable laws and regulations.

Non-Executive Directors

The Non-Executive Directors provide a wide range of expertise and experience and bring independent judgment on issues relating to the Group's strategies, development, performance and risk management through their contribution at the Board and committee meetings.

Independent Non-Executive Directors

The Independent Non-Executive Directors serve the important function of ensuring and monitoring the basis for an effective corporate governance framework. Their participation provides adequate checks and balances to safeguard the interests of the Group and its shareholders including the review of continuing connected transactions described below. The Board consists of four Independent Non-Executive Directors and two of them have appropriate professional qualifications or accounting or related financial management expertise. The Board confirms that the Company has received from each of the Independent Non-Executive Directors a confirmation of independence for the year ended 31 December 2011 pursuant to Rule 3.13 of the Listing Rules and considers such Directors to be independent.

Appointments, Re-election and Removal of Directors

Each of the Executive Directors, Non-Executive Directors and Independent Non-Executive Directors of the Company has entered into a service contract with the Company for a specific term. Such term is subject to his re-election by the Company at an annual general meeting upon retirement. The Articles of the Company provide that any Director appointed by the Board, either to fill a casual vacancy in the board or as an addition to the existing Board, shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

Under the Company's Articles, one-third of all Directors (whether Executive or Non-Executive) is subject to retirement by rotation and re-election at each annual general meeting provided that every Director shall be subject to retirement at least once every three years. A retiring Director is eligible for re-election and continues to act as a Director throughout the meeting at which he retires.

Members of the Company may, at any general meeting convened and held in accordance with Company's Articles to remove a Director at any time before the expiration of his period of office notwithstanding anything to the contrary in Company's Articles or in any agreement between the Company and such Director.

The Board Committees

Remuneration Committee

The Company established a remuneration committee on 19 June 2007. The Board has adopted the terms of reference for the remuneration committee which are in line with the Code Provisions set out in the Code on Corporate Governance Practices set out in Appendix 14 of the Listing Rules. The remuneration committee comprises three members and is chaired by Dr. CAO Zhen Lei. The other members are Mr. HUI Chin Tong, Godfrey and Mr. TSUI King Fai.

The remuneration committee is responsible for formulating and making recommendation to the Board on the Group's remuneration policy, the determination of specific remuneration packages of all Executive Directors and senior management and making recommendations to the Board the remuneration of Non-Executive Directors. It takes into consideration on factors such as salaries paid by comparable companies, time commitment and responsibilities of Directors and senior management, employment conditions elsewhere in the Group and desirability of performance-base remuneration.

During the year ended 31 December 2011, the remuneration committee held 1 meeting. The remuneration committee reviewed the remuneration policy of the Company and the remuneration of Directors and senior management and made recommendation to the Board.

The attendance of each member at the remuneration committee meetings is set out below. Figure in brackets indicates maximum number of meetings held in the period in which the individual was a member of the remuneration committee.

Members	**Number of meetings attended**
Dr. CAO Zhen Lei	1(1)
Mr. HUI Chin Tong, Godfrey	1(1)
Mr. TSUI King Fai	1(1)

Nomination Committee

The Company established a nomination committee on 19 June 2007. The Board has adopted the terms of reference for the nomination committee which are in line with the Code Provisions set out in the Code on Corporate Governance Practices set out in Appendix 14 of the Listings Rules. The nomination committee comprises two Independent Non-Executive Directors, namely Mr. HUI Chin Tong, Godfrey and Mr. TSUI King Fai; and one Executive Director, Mr. LI Chao Wang. Mr. HUI Chin Tong, Godfrey is the chairman of the nomination committee.

The nomination committee considers and recommends to the Board suitably qualified persons to become Directors and is responsible for reviewing the structure, size and composition of the Board on a regular basis.

Before a prospective Director's name is formally proposed, the opinions of the existing Directors (including the Independent Non-Executive Directors) are sought. The selection criteria of the qualified candidates are mainly based on the assessment of their qualifications, experience and expertise as well as the requirements under the Listing Rules. The nomination committee selects and recommends candidates for directorship having regard to the balance of skills and experience appropriate to the Group's business. During the year ended 31 December 2011, the nomination committee reviewed the current structure, size and composition of the Board and the remuneration of the senior management.

The attendance of each member at the nomination committee meetings is set out below. Figure in brackets indicates maximum number of meetings held in the period in which the individual was a member of the nomination committee.

Members	**Number of meetings attended**
Mr. HUI Chin Tong, Godfrey	1(1)
Mr. TSUI King Fai	1(1)
Mr. LI Chao Wang	1(1)

Audit Committee

The Company established an audit committee on 19 June 2007. The Board has adopted the terms of reference for the audit committee which are in line with the Code Provisions set out in the Code on Corporate Governance Practices set out in Appendix 14 of the Listing Rules. The audit committee comprises Independent Non-Executive Directors, namely Mr. KAM Robert, Mr. HUI Chin Tong, Godfrey and Mr. TSUI King Fai. Mr. KAM Robert is the chairman of the audit committee.

The audit committee is accountable to the Board and the principal duties of the audit committee include the review and supervision of the financial reporting process and internal control system of the Group.

During the year ended 31 December 2011 the audit committee held 2 meetings. The audit committee reviewed with the senior management and auditors of the Company the accounting policies and practices adopted by the Group and discussed auditing, the internal control system and financial reporting matters. It also reviewed the financial statements of the Company and the Company's annual and interim reports, the management letter from the auditors of the Company and the audit scope and fees for the year ended 31 December 2011.

The attendance of each member at the audit committee meetings is set out below. Figure in brackets indicates maximum number of meetings held in the period in which the individual was a member of the audit committee.

Members	**Number of meetings attended**
Mr. KAM Robert	2(2)
Mr. HUI Chin Tong, Godfrey	2(2)
Mr. TSUI King Fai	2(2)

Accountability and Audit

Financial Reporting

The Directors acknowledge their responsibility for preparing all information and representations contained in the financial statements for the year ended 31 December 2011 as disclosed in this annual report. The Directors consider that the financial statements have been prepared in conformity with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and reflect amounts that are based on the best estimates and reasonable, informed and prudent judgment of the Board and management with an appropriate consideration to materiality. As at 31 December 2011, the Directors, having made appropriate enquiries, are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's and the Company's ability to continue as a going concern. Accordingly, the Directors have prepared the financial statements on a going concern basis. The statement of the auditors of the Company regarding their responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 49 to 50 of this annual report.

Internal Controls

The Board is responsible for overseeing the Company's system of internal control. To facilitate the effectiveness and efficient operations and to ensure compliance with relevant laws and regulations, the Group emphasizes the importance of a sound internal control system which is also indispensable for mitigating the Group's risk exposures. The Group's system of internal control is designed to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage and eliminate risks of failure in operational systems and fulfillment of the business objectives. The internal control system is reviewed on an ongoing basis by the Board in order to make it practical and effective in providing reasonable assurance in relation to protection of material assets and identification of business risks. The Board is satisfied that, based on information furnished to it and on its own observations, the present internal controls of the Group are satisfactory. The Group is committed to the identification, monitoring and management of risks associated with its business activities and has implemented a practical and effective control system which includes a defined management structure with limits of authority, a sound cash management system and periodic review of the Group's performance by the Audit Committee and the Board. The Board has conducted review of the effectiveness of the system of internal control and is of the view that the system of internal control adopted for the year ended 31 December 2011 is sound and is effective to safeguard the interests of the shareholders' investment and the Company's assets.

Auditors' Remuneration

An analysis of the remuneration of the Company's auditors, Messrs PricewaterhouseCoopers, for the year ended 31 December 2011 is set out as follows:

	Services rendered Fee paid/payable *HK$'000*
Audit services	6,039

Communication with Shareholders

The Company endeavors to develop and maintain continuing relationships and effective communications with its shareholders and investors. In an effort to facilitate and enhance the relationships and communication, the Company has established the following various channels:

1. The annual general meeting provides a forum for shareholders of the Company to raise comments and exchange views with the Board. The Chairman and the Directors are available at the annual general meetings of the Company to address shareholders' queries;

2. Separate resolutions are proposed at the general meetings on each substantially separate issue and procedures for demanding a poll in general meetings are included in the circulars to the shareholders of the Company to facilitate the enforcement of shareholders' rights;

3. Interim and annual results are announced as early as possible, to keep shareholders of the Company informed of the Group's performance and operations; and

4. Updated key information of the Group is available on the Company's website to enable the shareholders of the Company and the investors to have timely access to information about the Group.

The Directors have pleasure in presenting herewith their report together with the audited accounts for the year ended 31 December 2011.

Principal Activities and Geographical Analysis of Operations

The Company is principally engaged in investment holding. The principal activities of the subsidiaries of the Company and other related information are set out in note 10 to the consolidated financial statements.

Results and Appropriations

The results of the Group for the year are set out in the consolidated statement of comprehensive income on page 55.

The Directors recommend the payment of a final dividend of HK8.7 cents (2010: HK8.7 cents) per ordinary share, totaling HK$81,621,981.

Reserves

Details of the movements in the reserves of the Group and of the Company during the year ended 31 December 2011 are set out in Note 17 to the consolidated financial statements.

Property, Plant and Equipment

Details of the movements in property, plant and equipment of the Group are set out in Note 7 to the consolidated financial statements.

Share Capital

Details of the movements in share capital of the Company are set out in Note 15 to the consolidated financial statements.

Distributable Reserves

The Company's reserves available for distribution comprise the share premium account and retained profits. At 31 December 2011, the reserves of the Company available for distribution to shareholders amounted to HK$1,256,499,484 (2010: HK$1,210,554,878), stated in Note 15 and Note 17 to the consolidated financial statements.

Five-Year Financial Summary

A summary of the consolidated results of the Group for the last five financial years and of its consolidated assets and liabilities as at the end of the last five financial years is set out on pages 123 to 124 respectively.

Purchase, Sale or Redemption of Securities

During the year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed shares.

Directors

The Directors during the year were:

Executive Directors

Mr. LI Chao Wang *(Chairman) (alternate to Ms. YU Yi Fang and Mr. DONG Yi Ping)*
Ms. YU Yi Fang *(Vice Chairman) (alternate to Mr. LI Chao Wang)*
Ms. ZHANG Dong Fang *(Chief Executive Officer)*
Mr. DONG Yi Ping *(Chief Technology Officer) (alternate to Mr. LI Chao Wang)*

Non-Executive Directors

Mr. Johann Christoph MICHALSKI
Mr. Ulf Olof Lennart SODERSTROM *(appointed on 31 March 2011)*
Mr. CHIU Bun *(re-designated as alternate to Mr. Johann Christoph MICHALSKI and Mr. Ulf Olof Lennart SODERSTROM on 31 March 2011)*

Independent Non-Executive Directors

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

Biographical Details of Directors and Senior Management

Brief biographical details of Directors and senior management are set out on pages 25 to 29.

Confirmation of Independence of Independent Non-executive Directors

The Company has received from each of the Independent Non-Executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and the Company considers that all of the Independent Non-Executive Directors to be independent.

Directors' Service Contracts

Each Executive Director has entered into a service contract with the Company for an initial term of three years and continuing thereafter on an annual basis until terminated by not less than three months' notice in writing served by either party.

Directors' Interests and Controlling Shareholders' Interests in Contracts

Save as the lease agreement entered into between a wholly-owned subsidiary of the Company and Jiangmen Taiyuan Paper Company Limited, details of which is set out in paragraph (D) in the "Continuing Connected Transactions" section on page 41, no contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director or a controlling shareholder of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Continuing Connected Transactions

A) On 15 December 2010, the Company entered into a master supply agreement (the "Master Supply Agreement") with a wholly-owned subsidiary of Svenska Cellulosa Aktiebolaget ("SCA"), a substantial shareholder of the Company and a connected person, whereby members of the Group will sell the Group's household consumable paper products, such as toilet rolls, table napkins, tissue towels and face tissues to SCA and its subsidiaries (excluding (i) SCA Hygiene Australasia Pty Limited and SCA Hygiene Australasia Limited (collectively "SCA HA") which are separately covered under a renewed product supply agreement dated 30 April 2010, details of which have been set out in the announcement of the Company dated 30 April 2010, and (ii) SCA Tissue Hong Kong Limited which is separately covered under a product supply agreement dated 29 June 2010, details of which have been set out in the announcement of the Company dated 30 June 2010) at prices to be determined on an arm's length basis and comparable to the prevailing market rates or at rates similar to those offered by the Group to independent third parties.

The Master Supply Agreement has a term of 3 years commencing on 1 January 2011 and ending on 31 December 2013 (both dates inclusive).

The annual caps in relation to the sale of the Group's household consumable paper products to SCA and its subsidiaries under the Master Supply Agreement for the three years ending 31 December 2011, 2012 and 2013 are HK$5.0 million, HK$6.0 million and HK$7.2 million respectively.

The transactions under the Master Supply Agreement constitute continuing connected transactions under Chapter 14A of the Listing Rules. The applicable percentage ratios (other than the profits ratio) calculated with reference to the individual annual caps on an annual basis was less than 5%. Accordingly, the continuing connected transactions under the Master Supply Agreement were only subject to the reporting and announcement requirements under Rules 14A.45 to 14A.47 of the Listing Rules and exempt from the approval of the independent shareholders' approval under Rule 14A.34 of the Listing Rules. The Group has complied with the relevant requirements under the Listing Rules.

Details of the transactions between the Group and SCA's subsidiaries (excluding SCA HA and SCA Tissue Hong Kong Limited) are as follows:

Continuing connected transactions	**Proposed cap for the year ended 31 December 2011** HK$	**Actual transactions for the year ended 31 December 2011** HK$
Sales of goods by the Group to SCA Trading (Shanghai) Co. Ltd.	5,000,000	2,936,532

B) On 30 April 2010, the Company entered into a renewed master product supply agreement (the "Renewed Supply Agreement") with SCA HA (both as customers) pursuant to which SCA HA will acquire household consumable paper products from the Group at prices to be determined on an arm's length basis and comparable to the prevailing market rates or at rates similar to those offered by the Group to independent third parties and subject to other terms and conditions set out therein. SCA HA are both wholly-owned subsidiaries of SCA which have been the indirect substantial shareholders of the Company since 29 March 2007, and are therefore considered as connected persons of the Company.

The Renewed Supply Agreement has a term of 3 years commencing on 1 January 2010 and ending on 31 December 2012.

The annual caps under the Renewed Supply Agreement for the years ending 31 December 2010, 2011 and 2012 are HK$43 million, HK$43 million and HK$43 million respectively.

The transactions under the Renewed Supply Agreement constitute continuing connection transactions under Chapter 14A of the Listing Rules. Since each of the applicable percentage ratios (other than the profits ratio) calculated with reference to each of the annual caps for the Renewed Supply Agreement was less than 2.5%, the continuing connected transactions contemplated under the Renewed Supply Agreement were only subject to the reporting and announcement requirements under Rules 14A.45 to 14A.47 of the Listing Rules and exempt from the independent shareholders' approval requirement under Rule 14A.34 of the Listing Rules. The Group has complied with the relevant requirements under the Listing Rules.

Details of the transactions between the Group and SCA HA are as follows:

Continuing connected transactions	**Proposed cap for the year ended 31 December 2011** HK$	**Actual transactions for the year ended 31 December 2011** HK$
Sales of goods by the Group to SCA HA	43,000,000	42,888,828

C) On 29 June 2010, Vinda Hong Kong and Vinda Guangdong, both wholly-owned subsidiaries of the Company, entered into a new product supply agreement (the "New Product Supply Agreement") with SCA Hong Kong, a connected person, whereby (1) Vinda Guangdong and Vinda Hong Kong agreed to terminate the Product Supply Agreement effective on signing of the New Product Supply Agreement, and (2) Vinda Hong Kong agreed to manufacture and export the Products to SCA Hong Kong pursuant to the terms and conditions of the New Product Supply Agreement at an agreed processing fee.

The New Product Supply Agreement has a term commencing on 29 June 2010 and ending on 31 December 2012.

The annual cap in relation to the processing fee under the New Product Supply Agreement for the period from 29 June 2010 to 31 December 2010 is HK$8.0 million. The annual caps for the years ending 31 December 2011 and 2012 are HK$13.5 million and HK$16.0 million respectively.

The transactions under the New Product Supply Agreement constitute continuing connected transactions under Chapter 14A of the Listing Rules. Since each of the applicable percentage ratios with reference to each of the annual caps for the New Product Supply Agreement was more than 0.1% but less than 5%, the continuing connected transactions under the New Product Supply Agreement were subject to reporting and announcement requirements under Rules 14A.45 to 14A.47 of the Listing Rules but exempt from the independent shareholders' approval requirement under Rule 14A.34 of the Listing Rules. The Group has complied with the relevant requirements under the Listing Rules.

Details of the transactions between the Group and SCA Hong Kong are as follows:

Continuing connected transactions	**Proposed cap for the year ended 31 December 2011** HK$	**Actual transactions for the year ended 31 December 2011** HK$
Processing trade by the Group to SCA Hong Kong	13,500,000	3,913,466

D) On 22 November 2011, a wholly-owned subsidiary of the Company entered into a lease agreement (the "Lease Agreement") with Jiangmen Taiyuan Paper Company Limited (the "Landlord"), a company indirectly owned as to 74.21% by Mr. Li Chao Wang, 15.79% by Ms. Yu Yi Fang and 10.00% by Mr. Dong Yi Ping and thereby a connected person. Pursuant to the Lease Agreement, the Landlord has agreed to lease to the Group a piece of land located in Xinhui District, Guangdong, the PRC together with a factory and the relevant ancillary infrastructures and facilities to be constructed for an initial term of 15 years commencing on 22 November 2011 with an initial fixed annual rental of RMB29,000,000 until 31 December 2014. The Landlord has agreed to grant to the Group a rent free period from the commencement of the term of the lease until (i) 3 months after the date of delivery of the land, the factory and all incidental facilities for vacant possession, or (ii) 31 December 2012, whichever is later.

The annual caps in relation to the rental under the Lease Agreement for the period between the date of the Lease Agreement to 31 December 2011 and the three years ending 31 December 2012, 2013 and 2014 are nil, nil, RMB29,000,000 and RMB29,000,000 respectively.

The transactions under the Lease Agreement constitute continuing connected transactions under Chapter 14A of the Listing Rules. Since each of the applicable percentage ratios (other than the profits ratio) calculated with reference to each of the annual caps for the Lease Agreement was less than 5%, the continuing connected transactions contemplated under the Lease Agreement were only subject to the reporting, announcement and annual review requirements and exempt from the independent shareholders' approval requirement under Rule 14A.34 of the Listing Rules.

E) On 30 March 2011, the Company entered into a master agreement (the "Master Agreement") with V-Care Holdings Limited ("V-Care") whereby (a) the Group is appointed by V-Care as its non-exclusive sales agent and be responsible for the sale of V-Care's personal care products in the PRC (including Hong Kong, Macau and Taiwan), in consideration of which V-Care will pay to the Group on a monthly basis a commission based on a market rate of a prescribed percentage of the total net sales value of the sale of V-Care's products solicited or procured by the Group; (b) members of the Group will purchase V-Care's personal care products which the Group will sell to its customers at prices and other terms negotiated between the Company and V-Care on an arm's length basis and on normal commercial terms, comparable to the prevailing market rates or at rates similar to those offered by V-Care to independent third parties; and (c) members of the Group will sell the Group's household consumable paper products, such as packet tissue, box tissue, soft packs and wet wipes to V-Care at prices and other terms negotiated between the Company and V-Care on an arm's length basis and on normal commercial terms, comparable to the prevailing market rates or at rates similar to those offered by the Group to independent third parties.

The Master Agreement has a term commencing on 30 March 2011 and ending on 31 December 2012.

The annual caps under the Master Agreement for the years ending 31 December 2011 and 2012 are HK$39,290,000 and HK$149,710,000 respectively.

The transactions under the Master Agreement constitute continuing connected transactions under Chapter 14A of the Listing Rules. Since each of the applicable percentage ratios (other than the profits ratio) calculated with reference to each of the annual caps for the Master Agreement was less than 5%, the continuing connected transactions contemplated under the Master Agreement were only subject to the reporting, announcement and annual review requirements and exempt from the independent shareholders' approval requirement under Rule 14A.34 of the Listing Rules.

Details of the transactions between the Group and V-Care are as follows:

Continuing connected transactions	**Proposed cap for the year ended 31 December 2011** HK$	**Actual transactions for the year ended 31 December 2011** HK$
Purchase of goods by the Group from V-Care (China) Limited ("V-Care (China)")	33,000,000	1,973,143
Sales of goods by the Group to V-Care (China)	2,200,000	1,690,305
Sales commission by the Group from V-Care (China)	4,090,000	1,259,372

The aforesaid continuing connected transactions have been reviewed by the Independent Non-Executive Directors of the Company. The Independent Non-Executive Directors confirmed that the aforesaid connected transaction were entered into:

(a) in the ordinary and usual course of business of the Group;

(b) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and

(c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the company as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group in accordance with paragraph 14A.38 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A copy of the auditor's letter has been provided by the Company to The Stock Exchange of Hong Kong Limited.

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

As at 31 December 2011, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code contained in Appendix 10 of the Listing Rules were as follows:

Long Positions In Shares, Underlying Shares And Debentures

Name	Company name of associated corporations	Nature of interest	Number of Shares	Number of underlying Shares[4]	Aggregate interest	Approximate percentage of interest
Li Chao Wang[1]	The Company	Interest of controlled company	284,206,235 Shares	936,000	285,142,235	30.39%
	Fu An International Company Limited	Interest of controlled company	282 shares of US$1.00 each	—	—	74.21%
	Sentential Holdings Limited	Interest of controlled company	1 share of US$1.00 each	—	—	100%
	Eagle Power Assets Limited	Settlor and beneficiary of CW Li Family Trust	1 share of US$1.00 each	—	—	100%
Yu Yi Fang[2]	The Company	Interest of controlled company	284,206,235 Shares	9,038,000	293,244,335	31.26%
	Fu An International Company Limited	Interest of controlled company	60 shares of US$1.00 each	—	—	15.79%
	Join Pride International Limited	Interest of controlled company	10 shares of US$1.00 each	—	—	100%
	Kingdom World Assets Limited	Settlor and beneficiary of YF Yu Family Trust	1 share of US$1.00 each	—	—	100%
Dong Yi Ping[3]	The Company	Interest of controlled company	284,206,235 Shares	9,038,000	293,244,235	31.26%
	Fu An International Company Limited	Interest of controlled company	38 shares of US$1.00 each	—	—	10.00%
	Daminos Management Limited	Interest of controlled company	10 shares of US$1.00 each	—	—	100%
	Profit Zone Assets Limited	Settlor and beneficiary of YP Dong Family Trust	1 share of US$1.00 each	—	—	100%

Name	Company name of associated corporations	Nature of interest	Number of Shares	Number of underlying Shares[4]	Aggregate interest	Approximate percentage of interest
Zhang Dong Fang	The Company	personal	—	3,936,000	3,936,000	0.42%
Johann Christoph Michalski	The Company	personal	—	80,000	80,000	0.01%
Ulf Olof Lennart Soderstrom	The Company	personal	—	80,000	80,000	0.01%
Cao Zhen Lei	The Company	personal	—	80,000	80,000	0.01%
Kam Robert	The Company	personal	—	80,000	80,000	0.01%
Hui Chin Tong, Godfrey	The Company	personal	100,000	80,000	180,000	0.02%
Tsui King Fai	The Company	personal	—	80,000	80,000	0.01%

Notes:

1. The Shares are registered in the name of Fu An International Company Limited which is held as to 74.21% by Sentential Holdings Limited, 15.79% by Join Pride International Limited and 10.00% by Daminos Management Limited. The entire issued share capital of Sentential Holdings Limited is held by 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 74.21% by Sentential Holdings Limited, 15.79% by Join Pride International Limited and 10.00% by Daminos Management Limited. The entire issued share capital of Join Pride International Limited is held by 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 74.21% by Sentential Holdings Limited, 15.79% by Join Pride International Limited and 10.00% by Daminos Management Limited. The entire issued share capital of Daminos Management Limited is held by Profit Zone Assets Limited, whose entire issued share capital is held by HSBC International Trustee Limited in its capacity as trustee of YP Dong Family Trust with DONG Yi Ping as the settlor.

4. Details of share options held by the directors are shown in the section of "Share Option Scheme".

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

Share Option Scheme

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

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

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

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

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

Details of movements of the options granted under the Share Option Scheme for the year ended 31 December 2011 are as follows:

	Date of Grant	Exercise price per Share HK$	as at 01/01/2011	Number of Shares issuable under the options granted during the period	exercised during the period	forfeited during the period	cancelled during the period	as at 31/12/2011	Exercise period
Directors									
Li Chao Wang	15/04/2011	8.648	—	936,000	—	—	—	936,000	15/04/2011 to 14/04/2021
Yu Yi Fang	24/02/2009	2.980	9,038,000	—	—	—	—	9,038,000	24/02/2009 to 23/02/2019
Zhang Dong Fang	15/04/2010	5.420	3,000,000	—	—	—	—	3,000,000	(Note 1)
	15/04/2011	8.648	—	936,000	—	—	—	936,000	15/04/2011 to 14/04/2021
Dong Yi Ping	24/02/2009	2.980	9,038,000	—	—	—	—	9,038,000	24/02/2009 to 23/02/2019
Johann Christoph Michalski	24/02/2009	2.980	400,000	—	(400,000)	—	—	—	24/02/2009 to 23/02/2019
	15/04/2011	8.648	—	80,000	—	—	—	80,000	15/04/2011 to 14/04/2021
Ulf Olof Lennart Soderstrom	15/04/2011	8.648	—	80,000	—	—	—	80,000	15/04/2011 to 14/04/2021
Chiu Bun	24/02/2009	2.980	400,000	—	(400,000)	—	—	—	24/02/2009 to 23/02/2019
Cao Zhen Lei	15/04/2011	8.648	—	80,000	—	—	—	80,000	15/04/2011 to 14/04/2021
Kam Robert	15/04/2011	8.648	—	80,000	—	—	—	80,000	15/04/2011 to 14/04/2021
Hui Chin Tong, Godfrey	15/04/2011	8.648	—	80,000	—	—	—	80,000	15/04/2011 to 14/04/2021
Tsui King Fai	15/04/2011	8.648	—	80,000	—	—	—	80,000	15/04/2011 to 14/04/2021
Employees of the Group									
In aggregate	24/02/2009	2.980	4,166,000	—	(592,000)	—	—	3,574,000	(Note 2)
	15/04/2011	8.648	—	2,485,000	(60,000)	—	—	2,425,000	15/04/2011 to 14/04/2021
			26,042,000	4,837,000	(1,452,000)	—	—	29,427,000	

Note 1. (i) Options representing 1,000,000 shares are exercisable from 15 April 2010 to 14 April 2020

(ii) Options representing 1,000,000 shares are exercisable from 15 April 2011 to 14 April 2020

(iii) Options representing 1,000,000 shares are exercisable from 15 April 2012 to 14 April 2020

Note 2. (i) 20% of the option are exercisable on the expiry of 1 year of the date of grant, i.e. on/after 24 February 2010

(ii) 30% of the option are exercisable on the expiry of 2 years of the date of grant, i.e. on/after 24 February 2011

(iii) 50% of the option are exercisable on the expiry of 3 years of the date of grant, i.e. on/after 24 February 2012

and in each case, no later than 23 February 2019.

Arrangement to Purchase Shares or Debentures

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

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

As at 31 December 2011, the interests and short positions of the substantial shareholders of the Company in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Long positions in shares and underlying shares

Name of shareholder	Nature of interest	Interest in Shares	Interest in underlying shares [5]	Aggregate interest	Percentage of issued share capital
Fu An International Company Limited	Beneficial owner	284,206,235	—	284,206,235	30.29%
Sentential Holdings Limited [1]	Interest of controlled company	284,206,235	—	284,206,235	30.29%
Eagle Power Assets Limited [1]	Interest of controlled company	284,206,235	—	284,206,235	30.29%
HSBC International Trustee Limited [1]	Trustee of CW Li Family Trust	284,206,235	—	284,206,235	30.29%
Li Chao Wang [1]	Settlor and beneficiary of CW Li Family Trust	284,206,235	936,000	285,142,235	30.39%
SCA Hygiene Holding AB	Beneficial owner	169,531,897	—	169,531,897	18.07%
SCA Group Holding BV [2]	Interest of controlled company	169,531,897	—	169,531,897	18.07%
Svenska Cellulosa Aktiebolaget [2]	Interest of controlled company	169,531,897	—	169,531,897	18.07%
Invesco Hong Kong Limited [3]	Beneficial owner	64,649,000	—	64,649,000	6.89%
Prime Capital Management (Cayman) Limited [4]	Beneficial owner	46,989,000	—	46,989,000	5.01%

Notes:

1. These Shares are registered in the name of Fu An International Company Limited which is held as to 74.21% by Sentential Holdings Limited, 15.79% by Join Pride International Limited and 10.00% by Daminos Management Limited. The entire issued share capital of Sentential Holdings Limited is held by Eagle Power Assets Limited, whose entire issued share capital is held by HSBC International Trustee Limited in its capacity as trustee of CW Li Family Trust with Mr. LI Chao Wang as the settler. Under the SFO, Sentential Holdings Limited, Eagle Power Assets Limited, HSBC International Trustee Limited and LI Chao Wang are all deemed to be interested in the Shares held by Fu An International Company Limited.

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. Invesco Hong Kong Limited was interested in 64,649,000 shares of the Company as investment manager.

4. Prime Capital Management (Cayman) Limited was interested in 46,989,000 shares of the Company as investment manager.

5. Details of share options held by the directors are shown in the section of "Share Options Scheme".

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

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Major Customers and Suppliers

During the year, the percentage of sales of goods attributable to the Group's five largest customers combined are 12.14%.

During the year, the percentages of purchases of goods attributable to the Group's major suppliers are approximately as follows:

— the largest supplier	15.94%
— five largest suppliers combined	51.22%

None of the Directors, their associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in the above major suppliers.

Sufficiency of Public Float

Based on the information that is publicly available and within the knowledge of the Directors, as at the date of this report, there is sufficient public float of more than 25% of the Company's issued shares as required under the Listing Rules.

Pre-emptive Rights

There is no provision for pre-emptive rights under the Company's Articles of Association and there is no restriction against such rights under the laws of the Cayman Islands.

Auditors

The accounts have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for reappointment.

On behalf of the Board
LI Chao Wang
Chairman

Hong Kong, 27 March 2012

羅兵咸永道

Independent Auditor's Report
To the shareholders of Vinda International Holdings Limited
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Vinda International Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 51 to 122, which comprise the consolidated and company balance sheets as at 31 December 2011, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 27 March 2012

	Note	As at 31 December 2011 HK$	2010 HK$
ASSETS			
Non-current assets			
Property, plant and equipment	7	**3,022,040,685**	2,272,640,034
Leasehold land and land use rights	6	**184,797,092**	160,496,665
Intangible assets	8	**10,445,847**	11,085,320
Deferred income tax assets	20	**115,700,768**	87,688,594
Investment in an associate	9	**59,800,509**	—
		3,392,784,901	2,531,910,613
Current assets			
Inventories	11	**1,372,221,620**	1,321,689,469
Trade receivables, other receivables and prepayments	12	**939,353,259**	647,011,913
Prepayments to and receivables from related parties	34(c)	**43,273,883**	1,100,830
Restricted bank deposits	13	**1,292,449**	45,689
Cash and cash equivalents	14	**714,611,721**	389,551,782
		3,070,752,932	2,359,399,683
Total assets		**6,463,537,833**	4,891,310,296
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	15	**93,818,369**	93,673,169
Share premium	15	**1,119,423,427**	1,113,265,875
Other reserves	17		
— Proposed final dividend		**81,621,981**	81,495,657
— Others		**1,843,730,722**	1,399,720,969
Total equity		**3,138,594,499**	2,688,155,670

	Note	As at 31 December 2011 HK$	2010 HK$
LIABILITIES			
Non-current liabilities			
Borrowings	19	**1,151,334,272**	530,262,883
Deferred government grants	21	**74,289,746**	69,980,811
Derivative financial instruments	22	**17,424,745**	—
Deferred income tax liabilities	20	**1,662,617**	1,713,636
		1,244,711,380	601,957,330
Current liabilities			
Trade payables, other payables and accrued expenses	18	**1,209,944,172**	980,263,434
Borrowings	19	**801,144,261**	557,414,488
Due to related parties	34(c)	**1,779,362**	—
Current income tax liabilities		**67,364,159**	63,519,374
		2,080,231,954	1,601,197,296
Total liabilities		**3,324,943,334**	2,203,154,626
Total equity and liabilities		**6,463,537,833**	4,891,310,296
Net current assets		**990,520,978**	758,202,387
Total assets less current liabilities		**4,383,305,879**	3,290,113,000

The financial statements were approved by the Board of Directors on 27 March 2012 and were signed on its behalf.

LI Chao Wang	**ZHANG Dong Fang**
Director	*Director*

The notes on pages 58 to 122 are an integral part of these consolidated financial statements.

	Note	As at 31 December 2011 HK$	2010 HK$
ASSETS			
Non-current assets			
Investments in and balances with subsidiaries	10	**1,294,250,921**	1,227,879,602
Current assets			
Trade receivables, other receivables and prepayments		**146,932**	145,595
Dividends receivable		**355,630,067**	252,158,205
Due from subsidiaries	34(c)	**713,137,032**	—
Cash and cash equivalents	14	**1,630,628**	843,937
		1,070,544,659	253,147,737
Total assets		**2,364,795,580**	1,481,027,339
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	15	**93,818,369**	93,673,169
Share premium	15	**1,119,423,427**	1,113,265,875
Other reserves	17		
— Proposed final dividend		**81,621,981**	81,495,657
— Others		**311,943,447**	184,921,485
Total equity		**1,606,807,224**	1,473,356,186

	Note	As at 31 December 2011 HK$	2010 HK$
LIABILITIES			
Non-current liabilities			
Borrowings	19	**697,475,756**	—
Derivative financial instrument	22	**3,423,823**	—
		700,899,579	—
Current liabilities			
Other payables and accrued expenses	18	**12,569,048**	7,671,153
Borrowing	19	**44,519,729**	—
		57,088,777	7,671,153
Total liabilities		**757,988,356**	7,671,153
Total equity and liabilities		**2,364,795,580**	1,481,027,339
Net current assets		**1,013,455,882**	245,476,584
Total assets less current liabilities		**2,307,706,803**	1,473,356,186

The financial statements were approved by the Board of Directors on 27 March 2012 and were signed on its behalf.

LI Chao Wang
Director

ZHANG Dong Fang
Director

The notes on pages 58 to 122 are an integral part of this financial statement.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	Note	For the year ended 31 December 2011 HK$	2010 HK$
Revenue	5	**4,765,299,413**	3,602,168,770
Cost of sales	24	**(3,468,791,744)**	(2,540,131,315)
Gross profit		**1,296,507,669**	1,062,037,455
Selling and marketing costs	24	**(574,773,574)**	(444,985,005)
Administrative expenses	24	**(238,878,433)**	(181,352,062)
Other income and gains — net	23	**22,786,442**	27,769,484
Operating profit		**505,642,104**	463,469,872
Interest income	26	**4,816,589**	2,700,957
Foreign exchange gain, net	26	**57,812,949**	21,664,322
Finance costs	26	**(43,982,615)**	(27,653,957)
Finance income/(costs), net	26	**18,646,923**	(3,288,678)
Share of post-tax loss of an associate	9	**(2,358,175)**	—
Profit before income tax		**521,930,852**	460,181,194
Income tax expense	27(a)	**(116,216,462)**	(91,235,087)
Profit attributable to equity holders of the Company		**405,714,390**	368,946,107
Other comprehensive income:			
Currency translation differences		**137,951,695**	80,850,222
Hedging reserve	17	**(3,586,084)**	—
Total comprehensive income attributable to equity holders of the Company		**540,080,001**	449,796,329
Earnings per share for profit attributable to the equity holders of the Company for the year (expressed in HK$ per share)			
— basic	30	**0.433**	0.404
— diluted	30	**0.426**	0.398

The notes on pages 58 to 122 are an integral part of these consolidated financial statements.

	Note	For the year ended 31 December 2011 HK$	2010 HK$
Dividends	31	**112,559,768**	112,376,123

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011

	Note	Share capital	Share premium	Other reserves	Total
		Attributable to equity holders of the Company			
		HK$	HK$	HK$	HK$
Balance at 1 January 2010		90,464,169	838,018,579	1,141,425,655	2,069,908,403
Profit for the year		—	—	368,946,107	368,946,107
Other comprehensive income					
— Currency translation differences		—	—	80,850,222	80,850,222
Total comprehensive income for 2010		—	—	449,796,329	449,796,329
Transaction with owners					
Employees share option scheme					
— Value of employee services	16	—	—	6,136,000	6,136,000
— Exercise of share options	15	359,000	14,182,340	(3,843,140)	10,698,200
Allotment of shares	15	2,850,000	261,064,956	—	263,914,956
Dividends	31	—	—	(112,298,218)	(112,298,218)
Transaction with owners		3,209,000	275,247,296	(110,005,358)	168,450,938
Balance at 31 December 2010		93,673,169	1,113,265,875	1,481,216,626	2,688,155,670
Balance at 1 January 2011		**93,673,169**	**1,113,265,875**	**1,481,216,626**	**2,688,155,670**
Profit for the year		**—**	**—**	**405,714,390**	**405,714,390**
Other comprehensive income					
— Currency translation differences		**—**	**—**	**137,951,695**	**137,951,695**
— Hedging reserve		**—**	**—**	**(3,586,084)**	**(3,586,084)**
Total comprehensive income for 2011		**—**	**—**	**540,080,001**	**540,080,001**
Transaction with owners					
Employees share option scheme					
— Value of employee services	16	**—**	**—**	**18,183,000**	**18,183,000**
— Exercise of share options	15	**145,200**	**6,157,552**	**(1,635,712)**	**4,667,040**
Dividends	31	**—**	**—**	**(112,491,212)**	**(112,491,212)**
Transaction with owners		**145,200**	**6,157,552**	**(95,943,924)**	**(89,641,172)**
Balance at 31 December 2011		**93,818,369**	**1,119,423,427**	**1,925,352,703**	**3,138,594,499**

The notes on pages 58 to 122 are an integral part of these consolidated financial statements.

	Note	For the year ended 31 December 2011 HK$	2010 HK$
Cash flows from operating activities			
Cash generated from operations	32(a)	489,872,661	248,904,350
Interest paid		(36,272,218)	(25,348,718)
Income tax paid		(131,759,793)	(100,389,688)
Net cash generated from operating activities		321,840,650	123,165,944
Cash flows from investing activities			
Investment in an unlisted associate		(61,500,000)	—
Purchase of property, plant and equipment		(748,840,772)	(451,687,914)
Proceeds from disposal of property, plant and equipment	32(b)	7,468,948	886,643
Payment for leasehold land and land use rights		(20,791,090)	(14,339,216)
Purchase of intangible assets		(2,056,201)	(6,530,307)
Interest received		4,816,589	2,700,957
Net cash used in investing activities		(820,902,526)	(468,969,837)
Cash flows from financing activities			
Proceeds from shares issued		4,667,040	274,613,156
Proceeds from borrowings		2,304,597,210	1,513,082,436
Repayments of borrowings		(1,383,974,240)	(1,288,627,857)
Dividends paid		(112,491,212)	(112,298,218)
Net cash generated from financing activities		812,798,798	386,769,517
Net increase in cash and cash equivalents		313,736,922	40,965,624
Effect of foreign exchange rate changes		11,323,017	1,637,051
Cash and cash equivalents, beginning of the year	14	389,551,782	346,949,107
Cash and cash equivalents, end of the year	14	714,611,721	389,551,782

The notes on pages 58 to 122 are an integral part of these consolidated financial statements.

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 principal activities of the subsidiaries are set out in Note 10. The Company and its subsidiaries are collectively referred to as the "Group".

The Company's shares have been listed on The Stock Exchange of Hong Kong Limited ("HKSE") since 10 July 2007.

The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

These consolidated financial statements are presented in Hong Kong dollar ("HK$") unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 27 March 2012.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by financial liabilities (including derivative instruments) at fair value through consolidated statement of comprehensive income.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

2 Summary of significant accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

2.1.1 Changes in accounting policy and disclosures

(a) Amended standards adopted by the Group

The following amendments to standards are mandatory for the first time for the financial year beginning 1 January 2011.

HKAS 24 (Revised), "Related Party Disclosures" is effective for annual period beginning on or after January 2011. It introduces an exemption from all of the disclosure requirements of HKAS 24 for transactions among government related entities and the government. Those disclosures are replaced with a requirement to disclose:

(i) The name of the government and the nature of their relationship;

(ii) The nature and amount of any individually significant transactions; and

(iii) The extent of any collectively-significant transactions qualitatively or quantitatively.

It also clarifies and simplifies the definition of a related party.

(b) New and amended standards have been issued but are not effective for the financial year beginning 1 January 2011 and have not been early adopted.

		Effective for accounting period beginning on or after
HKAS 12 (Amendment)	Deferred tax: Recovery of underlying assets	1 January 2012
HKAS 1 (Amendment)	Presentation of financial statements	1 July 2012
HKAS 27 (revised 2011)	Separate financial statements	1 January 2013
HKFRS 11	Joint arrangements	1 January 2013
HKAS 28 (revised 2011)	Associates and joint ventures	1 January 2013
HKAS 19 (Amendment)	Employee benefits	1 January 2013
HKAS 32 (Amendment)	Offsetting financial assets and financial liabilities	1 January 2014
HKFRS 7 and HKFRS 9 (Amendment)	Mandatory effective date and transition disclosures	1 January 2015
HKFRS 9	Financial instruments	1 January 2015
HKFRS 10	Consolidated financial statements	1 January 2013
HKFRS 12	Disclosures of interests in other entities	1 January 2013
HKFRS 13	Fair value measurement	1 January 2013

2 Summary of significant accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

2.1.1 Changes in accounting policy and disclosures (continued)

(b) New and amended standards have been issued but are not effective for the financial year beginning 1 January 2011 and have not been early adopted. (continued)

The Group is in the process of making assessment of the impact of these new or revised HKFRSs upon initial adoption, while it is not expected that the adoption of these new or revised HKFRSs will have a significant impact on the Group or the Company's financial statements.

2.2 Consolidation

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances and income and expenses on transactions between Group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.2.1 Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

2 Summary of significant accounting policies *(continued)*

2.2 Consolidation *(continued)*

2.2.1 Business combinations (continued)

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through consolidated statement of comprehensive income.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in consolidated statement of comprehensive income or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in consolidated statement of comprehensive income (Note 2.7).

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the financial statements of the investee's net assets.

2.2.3 Associate

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investment in an associate is accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the comprehensive income of the investee after the date of acquisition. The Group's investment in an associate includes goodwill identified on acquisition.

2 Summary of significant accounting policies *(continued)*

2.2 Consolidation *(continued)*

2.2.3 Associate (continued)

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to consolidated statement of comprehensive income where appropriate.

The Group's share of post-acquisition comprehensive income is recognised in consolidated statement of comprehensive income, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in an associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit/(loss) of an associate' in consolidated statement of comprehensive income.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associate. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associates are recognised in consolidated statement of comprehensive income.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources, has been identified as the executive committee that makes strategic decisions.

2 Summary of significant accounting policies *(continued)*

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Company's functional currency is Renminbi ("RMB"). Considering the Company is tax registered in Hong Kong, HK$ is chosen as the presentation currency to present the consolidated financial statements.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated statement of comprehensive income within 'finance income or cost'. All other foreign exchange gains and losses are presented in the consolidated statement of comprehensive income within 'other income and gains — net'.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to shareholders' equity. When a foreign operation is sold, exchange differences that were recorded in equity are recognised in the consolidated statement of comprehensive income as part of the gain or loss on sale.

2 Summary of significant accounting policies *(continued)*

2.5 Property, plant and equipment

Leasehold land classified as financial lease and all other property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated statement of comprehensive income during the financial period in which they are incurred.

Leasehold land classified as finance lease commences amortisation from the time when the land interest becomes available for its intended use. Amortisation on leasehold land classified as finance lease and depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Leasehold land classified as finance lease	20 to 50 years
Buildings	30 to 50 years
Leasehold improvements	3 years
Machinery	10 to 15 years
Furniture, fittings and equipment	4 to 5 years
Vehicles	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.8).

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are recognised within 'other income and gains — net' in the statement of comprehensive income.

Construction-in-progress ("CIP") represents buildings, plant and machinery under construction or pending installation and is stated at cost less accumulated impairment losses, if any. Cost includes the costs of construction of buildings, costs of plant and machinery, and interest charges arising from borrowings used to finance these assets during the period of construction or installation and testing. No provision for depreciation is made on CIP until such time as the relevant assets are completed and ready for the intended use. When the assets concerned are brought into use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated above.

2 Summary of significant accounting policies *(continued)*

2.6 Leasehold land and land use rights

All land in the People's Republic of China (the "PRC") is state-owned and no individual land ownership right exists. The Group acquired the right to use certain land. The premiums paid for such right are treated as prepayment for operating lease and recorded as leasehold land and land use rights, which are amortised over the lease periods using the straight-line method. The leasehold land and land use rights are stated at historical cost less accumulated amortisation and impairment losses.

2.7 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(b) Computer software

Acquired computer software is capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (5 years).

2.8 Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2 Summary of significant accounting policies *(continued)*

2.9 Financial assets

2.9.1 Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables', 'restricted bank deposits', 'due from related parties' and 'cash and cash equivalents' in the balance sheet (notes 2.12 and 2.16).

2.9.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset. Loans and receivables are initially recognised at fair value plus transaction costs and are subsequently carried at amortised cost using the effective interest method. Financial assets carried at fair value through profit or losses are initially recognised at fair value, and transaction costs are expensed in the consolidated statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the loans and receivables have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category other than those related to financing activities are present in the consolidated statement of comprehensive income within 'other gains/(losses)-net' in the period in which they arise, and those related to financing activities, are presented in the consolidated statement of comprehensive income within 'Foreign exchange gain, net' in the period in which they arise.

2 Summary of significant accounting policies *(continued)*

2.9 Financial assets *(continued)*

2.9.3 Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in consolidated statement of comprehensive income. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in consolidated statement of comprehensive income.

2.10 Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).

2 Summary of significant accounting policies *(continued)*

2.10 Derivative financial instruments and hedging activities *(continued)*

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items. The fair values of various derivative instruments used for hedging purposes are disclosed in Note 22.

Cash flow hedge

Amounts accumulated in equity are reclassified to consolidated statement of comprehensive income in the periods when the hedged item affects consolidated statement of comprehensive income. The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the consolidated statement of comprehensive income within 'financial costs'. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset.

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within 'other gains/(losses) — net'.

If the derivative is not designated as a hedging instrument, the results of those derivatives other than those related to financing activities are present in the consolidated statement of comprehensive income within 'other gains/(losses) — net' in the period in which they arise, and the results of those derivatives related to financing activities, such as interest rate swap and cross currency swap, are presented in the consolidated statement of comprehensive income within 'Foreign exchange gain, net' in the period in which they arise.

2.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity) and excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2 Summary of significant accounting policies *(continued)*

2.12 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold in the ordinary course of business. If collection of trade and other receivables is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.13 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less.

2.14 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.15 Trade and other payables

Trade payables are obligations to pay for goods that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.16 Borrowings and borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings at nil or low interest rates from government are treated as government grants and recognised initially at the cost of consideration received.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2 Summary of significant accounting policies *(continued)*

2.16 Borrowings and borrowing costs *(continued)*

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in consolidated statement of comprehensive income in the period in which they are incurred.

2.17 Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in consolidated statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and an associate, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2 Summary of significant accounting policies *(continued)*

2.17 Current and deferred income tax *(continued)*

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.18 Employee benefits

(a) Pension obligations

The Group has arranged for its Hong Kong employees to join the Mandatory Provident Fund Scheme (the "MPF"), a defined contribution plan. Under the MPF, the Group and its Hong Kong employees make monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation, subject to a cap of HK$1,000 per person per month and any excess contributions are voluntary.

In accordance with the rules and regulations in the PRC, the Group has arranged for its PRC employees to join a defined contribution retirement benefit plan organised by the PRC government. The PRC government undertakes to assume the retirement benefit obligations of all existing and future retired employees payable under this plan. The assets of this plan are held separately from those of the Group in an independent fund managed by the PRC government.

The Group also operates two defined contribution schemes which are available to the employees in Australia and the United States. Contributions are made based on certain percentage of the employees' compensation or a fixed sum.

The Group has no further payment obligations once the contributions have been paid. The Group's contributions to these plans are charged to the consolidated statement of comprehensive income as incurred.

(b) Other employee benefits

In addition to pension obligation, all PRC employees of the Group participate in various employee social security plans, including medical, housing and other welfare benefits, organised and administered by the governmental authorities. According to the relevant regulations, the premiums and welfare benefit contributions that should be borne by the Group are calculated based on percentages of the total salary of employees (or on other basis), subject to a certain ceiling, and are paid to the labour and social welfare authorities.

2 Summary of significant accounting policies *(continued)*

2.18 Employee benefits *(continued)*

(b) Other employee benefits (continued)

The Group has no further payment obligations once the contributions have been paid. The Group's contributions to these plans are charged to the consolidated statement of comprehensive income as incurred.

2.19 Share-based payments

The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and an employee remaining on service of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market performance and service vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date for value is estimated for the purpose of recognising the expense during the period between service commencement period and grant date. At the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service vesting conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated statement of comprehensive income, with a corresponding adjustment to equity.

The cash subscribed for the shares issued when the options are exercised is credited to share capital (nominal value) and share premium, net of any directly attributable transaction costs.

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity on the Company's financial statements.

2 Summary of significant accounting policies *(continued)*

2.20 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.21 Government assistance and grants

Government assistance is the action by government designed to provide an economic benefit specific to an entity. The government assistance which cannot reasonably have a value placed upon them and transactions with government which cannot be distinguished from the normal trading transactions of the entity are not recognised.

Grants from the government are recognised at their fair values where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated statement of comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the acquisition of land use rights and property, plant and equipment are included in non-current liabilities as deferred government grants and are recognised in the consolidated statement of comprehensive income on a straight line basis over the expected lives of the related assets.

2.22 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Group's activities. Revenue is shown net of value-added tax ("VAT"), returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, when it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

2 Summary of significant accounting policies *(continued)*

2.22 Revenue recognition *(continued)*

(a) Sales of goods

Sales of goods are recognised when a Group's entity has delivered products to the customer; the customer has accepted the products and collectability of the related receivables is reasonably assured.

(b) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

(c) Dividend income

Dividend income is recognised when the right to receive payment is established.

2.23 Operating Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

2.24 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

2 Summary of significant accounting policies *(continued)*

2.24 Contingent liabilities and contingent assets *(continued)*

Contingent assets are not recognised but are disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

2.25 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the Company's shareholders.

2.26 Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, fair value interest rate risk and cash flow interest rate risk), credit risk, and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial market and seeks to minimize potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign exchange risk

The Company and most of its subsidiaries' functional currency is RMB, since majority of the companies' revenues are derived from operations in mainland China. Foreign exchange risk arises when the future commercial transactions of sales to and purchases from overseas recognised assets or liabilities, such as cash and cash equivalents (Note 14), restricted bank deposits (Note 13), trade and other receivables (Note 12), trade and other payables (Note 18) and borrowings (Note 19), certain of which are denominated in United States dollar (the "US$"), HK$ (pegged with US$) and Australian dollar(the "AU$").

As at 31 December 2010 and 2011, if RMB had strengthened/weakened by 10% against US$ with all other variables held constant, the post-tax profit for each year would have changed mainly as a result of foreign exchange gains/losses on translation of US$ denominated cash and cash equivalents, trade and other receivables, trade and other payables and borrowings. Details of the changes are as follows:

	2011 HK$	2010 HK$
For the year ended: Post-tax profit increase/(decrease) — Strengthened by 10%	**48,534,472**	40,933,418
— Weakened by 10%	**(48,534,472)**	(40,933,418)
As at: Owners' equity increase/(decrease) — Strengthened by 10%	**48,534,472**	40,933,418
— Weakened by 10%	**(48,534,472)**	(40,933,418)

3 Financial risk management *(continued)*

3.1 Financial risk factors *(continued)*

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

As at 31 December 2010 and 2011, if RMB had strengthened/weakened by 10% against HK$ with all other variables held constant, the post-tax profit for each year would have changed mainly as a result of foreign exchange gains/losses on translation of HK$ denominated cash and cash equivalents, restricted bank deposits, trade and other receivables, trade and other payables and borrowings. Details of the changes are as follows:

	2011 **HK$**	2010 HK$
For the year ended: Post-tax profit increase/(decrease) — Strengthened by 10%	**104,571,787**	46,218,717
— Weakened by 10%	**(104,571,787)**	(46,218,717)
As at: Owners' equity increase/(decrease) — Strengthened by 10%	**104,571,787**	46,218,717
— Weakened by 10%	**(104,571,787)**	(46,218,717)

As at 31 December 2011, the Group hedged the foreign exchange risk on bank borrowings dominated in AU$ with cross currency swap (Note 22(a)). After taking the effect of this hedge instrument into consideration, if RMB had strengthened/weakened by 10% against HK$ with all other variables held constant, the post-tax profit for each year would have changed as follows:

	2011 **HK$**	2010 HK$
For the year ended: Post-tax profit increase/(decrease) — Strengthened by 10%	**12,525,000**	—
— Weakened by 10%	**(12,525,000)**	—
As at: Owners' equity increase/(decrease) — Strengthened by 10%	**12,525,000**	—
— Weakened by 10%	**(12,525,000)**	—

3 Financial risk management *(continued)*

3.1 Financial risk factors *(continued)*

(a) Market risk (continued)

(ii) Cash flow and fair value interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest-rate risk arises from borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest-rate risk. Borrowings obtained at fixed rates expose the Group to fair value interest-rate risk. Details of the Group's borrowings have been disclosed in Note 19.

Under certain circumstances, the Group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Generally, the Group raises long-term borrowings at floating rates and swaps them into fixed rates that are lower than those available if the Group borrowed at fixed rates directly. Under the interest rate swaps, the Group agrees with other parties to exchange, at specified intervals, the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional amounts.

As at 31 December 2010 and 2011, if interest rates on bank borrowings had been 10 basis points higher/lower with all other variables held constant, the post-tax profit for each year would have changed mainly as a result of higher/lower interest expense on floating rate borrowings. Details of the changes are as follows:

	2011 **HK$**	2010 HK$
For the year ended: Post-tax profit (decrease)/increase — 10 basis points higher	**(461,335)**	(716,514)
— 10 basis points lower	**461,335**	716,514
As at: Owners' equity (decrease)/increase — 10 basis points higher	**(461,335)**	(716,514)
— 10 basis points lower	**461,335**	716,514

3 Financial risk management *(continued)*

3.1 Financial risk factors *(continued)*

(b) Credit risk

The Group has no significant concentrations of credit risk. The carrying amounts of cash and cash equivalents, restricted bank deposits, due from related parties, and trade and other receivables represent the Group's maximum exposure to credit risk in relation to financial assets. It has policies in place to ensure that sales of products are made to customers with an appropriate credit history.

As at 31 December 2010 and 2011, all restricted bank deposits and cash and cash equivalents were deposited in state-owned banks and reputable financial institutions and were hence without significant credit risk. Management does not expect any losses from non-performance by these counterparties.

Credit sales are made to selected customers with good credit history. The Group has policies in place to ensure that outstanding trade receivables are collected on a timely basis.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group's objective is to maintain adequate committed credit lines to ensure sufficient and flexible funding is available to the Group. The Group also considers converting short-term borrowings into long-term borrowings to improve the Group's liquidity.

3 Financial risk management *(continued)*

3.1 Financial risk factors *(continued)*

(c) Liquidity risk (continued)

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. For term loans which contain a repayment on demand clause which can be exercised at the bank's sole discretion, the analysis shows the cash outflow based on the earliest period in which the entity can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loans with immediate effect. The maturity analysis for other bank borrowings is prepared based on the scheduled repayment dates.

Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	On demand HK$	Less than 1 year HK$	Between 1 and 2 years HK$	Between 2 and 5 years HK$
As at 31 December 2011				
Term loans subject to a repayment on demand clause	**155,250,000**	**—**	**—**	**—**
Other bank loans	**—**	**646,374,532**	**444,873,135**	**715,770,208**
Interests payable on borrowings (i)	**3,252,227**	**48,781,313**	**25,199,605**	**15,061,230**
Trade payables	**—**	**702,658,382**	**—**	**—**
Other payables	**—**	**209,612,929**	**—**	**—**
As at 31 December 2010				
Term loans subject to a repayment on demand clause	85,500,000	—	—	—
Other bank loans	—	471,914,488	340,166,426	190,096,457
Interests payable on borrowings (i)	1,624,500	26,185,632	10,517,989	11,826,127
Trade payables	—	580,094,715	—	—
Other payables	—	167,878,069	—	—

(i) The interest on borrowings is calculated based on borrowings held as at 31 December 2010 and 2011 without taking account of future issues. The Group has entered into certain interest swap contracts to fix the floating-rate into a fixed rate (Note 22). For those portions, the interest on borrowings is calculated using the fixed rate in the interest swap contract. Floating-rate interest is estimated using current interest rate as at 31 December 2010 and 2011 respectively.

3 Financial risk management *(continued)*

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents and restricted bank deposits. Total capital is calculated as equity, as shown in the consolidated balance sheet, plus net debt.

The gearing ratios at 31 December 2010 and 2011 were as follows:

	As at 31 December	
	2011	2010
	HK$	HK$
Total borrowings (Note 19)	**1,952,478,533**	1,087,677,371
Less: Cash and cash equivalents (Note 14)	**(714,611,721)**	(389,551,782)
Restricted bank deposits (Note 13)	**(1,292,449)**	(45,689)
Net debt	**1,236,574,363**	698,079,900
Total equity	**3,138,594,499**	2,688,155,670
Total capital	**4,375,168,862**	3,386,235,570
Gearing ratio	**28.26%**	20.62%

The gearing ratio as at 31 December 2011 increased by about 7.64%, due to the newly increased borrowings.

3 Financial risk management *(continued)*

3.3 Fair value estimation

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

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

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2011.

	Level 1	**Level 2**	**Level 3**	**Total**
	HK$	HK$	HK$	HK$
Liabilities				
Derivatives financial instruments	—	—	17,424,745	17,424,745
Total liabilities	—	—	17,424,745	17,424,745

As at 31 December 2010, there were no assets or liabilities that were measured at fair value.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined with reference to the valuation provided by the banks.

4 Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal to the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

4 Critical accounting estimates and judgments *(continued)*

(a) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management re-assesses the useful lives on a regular basis. Management will increase the depreciation charge where useful lives are shorter than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(b) Current tax and deferred tax

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred tax assets and taxation in the periods in which such estimate is changed.

(c) Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

(d) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in customer taste and competitor actions in response to industry cycles. Management reassesses the estimates at each balance sheet date.

4 Critical accounting estimates and judgments *(continued)*

(e) Provision for impairment of trade and other receivables

The Group's management determines the provision for impairment of trade and other receivables based on the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. Management reassesses the provision at each balance sheet date.

(f) Estimated impairment of property, plant and equipment

Property, plant and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations or market valuations. These calculations require the use of judgments and estimates.

Management judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related assets values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell or net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value in the impairment test and as a result affect the Group's financial condition and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to the consolidated statement of comprehensive income.

5 Segment information

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

	For the year ended 31 December	
	2011	2010
	HK$	HK$
Sales of goods	**4,599,009,257**	3,430,021,577
Sales of semi-finished goods and other materials	**161,117,318**	171,860,715
Processing trade	**3,913,466**	286,478
Sales commission	**1,259,372**	—
Total revenue	**4,765,299,413**	3,602,168,770

5 Segment information *(continued)*

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

The executive committee has determined that no business segment information is presented as over 97% of the Group's sales and operating profits are derived from the sales of paper products, which is considered one business segment with similar economic characteristics.

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

The Company is domiciled in Hong Kong. The amount of its revenue from external customers in Mainland China, Hong Kong and overseas is HK$4,315,161,411 (2010: HK$3,186,738,815), HK$418,420,353 (2010: HK$392,717,315), HK$31,717,649 (2010: HK$22,712,640) respectively.

The total non-current assets are analysed as follows:

	As at 31 December	
	2011	2010
	HK$	HK$
Total non-current assets other than deferred tax assets and investment in an associate		
— Mainland China	**3,150,109,528**	2,414,232,192
— Hong Kong and overseas	**69,174,096**	29,989,827
Deferred tax assets	**115,700,768**	87,688,594
Investment in an associate	**57,800,509**	—
Total non-current assets	**3,392,784,901**	2,531,910,613

6 Leasehold land and land use rights — Group

The Group's interests in leasehold land and land use rights represent the prepaid operating lease payments and their net book values are analysed as follows:

	As at 31 December	
	2011	2010
	HK$	HK$
Outside Hong Kong, held on:		
Lease of between 10 and 50 years	**184,797,092**	160,496,665

6 Leasehold land and land use rights — Group *(continued)*

	For the year ended 31 December	
	2011	2010
	HK$	HK$
At 1 January	**160,496,665**	145,408,286
Additions	**20,791,090**	14,339,216
Amortisation of leasehold land and land use rights (Note 24)	**(4,595,187)**	(4,480,906)
Exchange differences	**8,104,524**	5,230,069
	184,797,092	160,496,665

7 Property, plant and equipment — Group

	Land and buildings	Leasehold improvements	Machinery	Furniture, fittings and equipment	Vehicles	Construction in progress	Total
	HK$	HK$	HK$	HK$	HK$	HK$	HK$
Year ended 31 December 2010							
Opening net book amount	654,134,133	—	1,136,444,235	13,465,444	6,501,870	28,046,170	1,838,591,852
Additions	205,780	—	15,394,736	5,326,106	2,789,951	462,733,708	486,450,281
Disposals	—	—	(1,185,910)	(223,600)	(160,640)	—	(1,570,150)
Reclassification	102,711,999	—	87,018,495	—	—	(189,730,494)	—
Depreciation (Note 24)	(18,439,142)	—	(99,746,547)	(2,415,814)	(2,492,839)	—	(123,094,342)
Exchange differences	24,659,218	—	40,403,602	331,353	244,726	6,623,494	72,262,393
Closing net book amount	763,271,988	—	1,178,328,611	16,483,489	6,883,068	307,672,878	2,272,640,034
At 31 December 2010							
Cost	896,210,286	1,088,223	1,797,451,456	29,409,347	18,381,952	307,672,878	3,050,214,142
Accumulated depreciation	(132,938,298)	(1,088,223)	(619,122,845)	(12,925,858)	(11,498,884)	—	(777,574,108)
Net book amount	763,271,988	—	1,178,328,611	16,483,489	6,883,068	307,672,878	2,272,640,034
Year ended 31 December 2011							
Opening net book amount	**763,271,988**	**—**	**1,178,328,611**	**16,483,489**	**6,883,068**	**307,672,878**	**2,272,640,034**
Additions	**20,807,488**	**—**	**75,513,329**	**1,965,291**	**8,502,468**	**678,474,723**	**785,263,299**
Disposals	**—**	**—**	**(7,779,404)**	**(241,885)**	**(863,504)**	**—**	**(8,884,793)**
Reclassification	**265,462,284**	**—**	**523,886,654**	**—**	**—**	**(789,348,938)**	**—**
Depreciation (Note 24)	**(31,958,271)**	**—**	**(114,814,385)**	**(2,873,012)**	**(2,678,319)**	**—**	**(152,323,987)**
Exchange differences	**42,545,098**	**—**	**68,861,242**	**498,901**	**536,718**	**12,904,173**	**125,346,132**
Closing net book amount	**1,060,128,587**	**—**	**1,723,996,047**	**15,832,784**	**12,380,431**	**209,702,836**	**3,022,040,685**
At 31 December 2011							
Cost	**1,232,435,192**	**1,141,916**	**2,494,114,668**	**32,022,877**	**27,454,277**	**209,702,836**	**3,996,871,766**
Accumulated depreciation	**(172,306,605)**	**(1,141,916)**	**(770,118,621)**	**(16,190,093)**	**(15,073,846)**	**—**	**(974,831,081)**
Net book amount	**1,060,128,587**	**—**	**1,723,996,047**	**15,832,784**	**12,380,431**	**209,702,836**	**3,022,040,685**

During the year, the Group has capitalized borrowing costs amounting to HK$1,418,684 (2010: nil) on qualifying assets. Borrowing costs were capitalized at the weighted average rate of its general borrowings of 3.26%.

7 Property, plant and equipment — Group *(continued)*

During the year ended 31 December 2011 and 2010, depreciation expenses have been charged to the consolidated statement of comprehensive income as follows:

	For the year ended 31 December	
	2011	2010
	HK$	HK$
Cost of sales	**137,646,403**	111,590,881
Administrative expenses	**14,677,584**	11,503,461
	152,323,987	123,094,342

8 Intangible assets — Group

	Goodwill	**Computer software**	**Total**
	HK$	HK$	HK$
At 1 January 2010			
Cost	2,206,207	8,580,144	10,786,351
Accumulated amortisation and impairment	(2,206,207)	(1,698,926)	(3,905,133)
Net book amount	—	6,881,218	6,881,218
Year ended 31 December 2010			
Opening net book amount	—	6,881,218	6,881,218
Additions	—	6,530,307	6,530,307
Amortisation expense (Note 24)	—	(2,553,924)	(2,553,924)
Exchange differences	—	227,719	227,719
Closing net book amount	—	11,085,320	11,085,320
At 31 December 2010			
Cost	2,293,653	15,391,734	17,685 ,387
Accumulated amortisation and impairment	(2,293,653)	(4,306,414)	(6,600,067)
Net book amount	—	11,085,320	11,085,320
Year ended 31 December 2011			
Opening net book amount	**—**	**11,085,320**	**11,085,320**
Additions	**—**	**2,056,201**	**2,056,201**
Amortisation expense (Note 24)	**—**	**(3,201,389)**	**(3,201,389)**
Exchange differences	**—**	**505,715**	**505,715**
Closing net book amount	**—**	**10,445,847**	**10,445,847**
At 31 December 2011			
Cost	**2,381,100**	**18,150,110**	**20,356,317**
Accumulated amortisation and impairment	**(2,381,100)**	**(7,704,263)**	**(9,910,470)**
Net book amount	**—**	**10,445,847**	**10,445,847**

8 Intangible assets — Group *(continued)*

During the year ended 31 December 2011, amortisation of intangible assets charged to the consolidated statement of comprehensive income is as follow:

	For the year ended 31 December	
	2011	2010
	HK$	HK$
Administrative expenses	**3,201,389**	2,553,924

9 Investment in an associate

	2011
	HK$
1 January 2011	**—**
Investment in an unlisted associate (i)	**61,500,000**
Share of post-tax loss of an associate	**(2,358,175)**
Exchange differences	**658,684**
31 December 2011	**59,800,509**

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

As of 31 December 2011, the Company has paid HK$61,500,000 in cash for the subscription of the new shares issued by V-Care, and held 41% of V-Care's share capital then outstanding.

The Group's share of the results of its principal associate, and its aggregated assets and liabilities, are as follows:

Name	**Place of incorporation**	**Percentage of equity interest attributable to the Group**	**Assets**	**Liabilities**	**Revenues**	**Net loss**
			HK$	HK$	HK$	HK$
V-Care	British Virgin Islands	41%	163,537,635	17,682,734	23,545,831	(5,751,647)

10 Investments in and balances with subsidiaries — Company

(a) Investments in and balances with subsidiaries

	As at 31 December	
	2011	2010
	HK$	HK$
Unlisted investments, at cost	**100,204,682**	86,277,310
Due from subsidiaries (Note (i))	**1,194,046,239**	1,141,602,292
	1,294,250,921	1,227,879,602

(i) Amounts due from subsidiaries represent equity fundings provided by the Company to its subsidiaries and are measured in accordance with the Company's accounting policy for investments in subsidiaries. They are unsecured and non-interest bearing. There's no recoverability risk of due from subsidiaries.

(b) Details of subsidiaries

As at 31 December 2011, the Company had direct and indirect interests in the following subsidiaries:

Name	Place of incorporation/ operation and kind of legal entity	Principal activities	Issued and fully paid capital	Interest held (directly)	Interest held (indirectly)
Vinda Household Paper (China) Limited ("Vinda Household Paper (China)")	British Virgin Islands, limited liability company	Investment holding and trading of wood pulp and machinery	US$1	100%	—
Vinda Household Paper (Hong Kong) Limited	British Virgin Islands, limited liability company	Investment holding	US$10,002	100%	—
Vinda Household Paper (U.S.A.) Limited	British Virgin Islands, limited liability company	Investment holding	US$1	100%	—
Vinda Household Paper (Australia) Limited	British Virgin Islands, limited liability company	Investment holding	US$1	100%	—
Vinda Paper (U.S.A.) Inc.	United States of America, limited liability company	Trading of wood pulps	US$1	—	100%
Vinda Paper (Australia) Pty Limited	Australia, limited liability company	Manufacturing and sale of household consumable paper	Australian dollar 100,000	—	100%
Forton Enterprises Limited ("Forton Enterprises")	Hong Kong, limited liability company	Trading of household consumable paper	HK$10,100	—	100%
Vinda Paper Industrial (H.K.) Company Limited ("Vinda Industrial HK")	Hong Kong, limited liability company	Property investments and trading of household consumable paper	HK$10,000	—	100%
Vinda Investment (China) Limited ("Vinda Investment")	Hong Kong, limited liability company	Investment holding	HK$1	—	100%
Vinda Paper (Guangdong) Company Limited ("Vinda Paper (Guangdong)")	The PRC, limited liability company	Manufacturing and sale of household consumable paper	US$34,550,000	—	100%
Vinda Paper (Sichuan) Company Limited ("Vinda Paper (Sichuan)")	The PRC, limited liability company	Manufacturing and sale of household consumable paper	HK$183,900,000	—	100%

10 Investments in and balances with subsidiaries — Company *(continued)*

(b) Details of subsidiaries *(continued)*

Name	Place of incorporation/ operation and kind of legal entity	Principal activities	Issued and fully paid capital	Interest held (directly)	Interest held (indirectly)
Vinda Paper (Hubei) Company Limited ("Vinda Paper (Hubei)")	The PRC, limited liability company	Manufacturing and sale of household consumable paper	HK$53,030,000	—	100%
Vinda Paper (Beijing) Company Limited ("Vinda Paper (Beijing)")	The PRC, limited liability company	Trading of household consumable paper	US$350,000	—	100%
Vinda North Paper (Beijing) Company Limited ("Vinda Northern Paper")	The PRC, limited liability company	Manufacturing and sale of household consumable paper	HK$75,000,000	—	100%
Vinda Paper (Jiangmen) Company Limited ("Vinda Paper (Jiangmen)")	The PRC, limited liability company	Manufacturing and sale of household consumable paper	US$75,000,000	—	100%
Vinda Paper (Xiaogan) Company Limited ("Vinda Paper (Xiaogan)")	The PRC, limited liability company	Manufacturing and sale of household consumable paper	US$38,410,000	—	100%
Vinda Paper (Zhejiang) Company Limited ("Vinda Paper (Zhejiang)")	The PRC, limited liability company	Manufacturing and sale of household consumable paper	HK$350,000,000	—	100%
Vinda Personal Care (Hong Kong) Limited ("Vinda Personal Care")	Hong Kong, limited liability company	Investment holding and trading of household consumable paper	HK$1	100%	—
Vinda Trading Company Limited ("Vinda Trading")	The PRC, limited liability company	Trading of household consumable paper	RMB50,000,000	—	100%
Vinda Paper (Liaoning) Company Limited ("Vinda Paper (Liaoning)")	The PRC, limited liability company	Manufacturing and sale of household consumable paper	HK$110,000,000 Note (i)	—	100%
Vinda Investment Group Limited ("Vinda Investment Group", the former name "Green Lane Investment Limited")	Hong Kong, limited liability company	Investment holding and trading of household consumable paper	HK$1	—	100%
Vinda Paper (Xinhui) Company Limited ("Vinda Xinhui", the former name "Green Lane (China) Limited")	The PRC, limited liability company	Trading of household consumable paper	HK$50,000,000	—	100%
Vinda Paper (Shandong) Company Limited ("Vinda Paper (Shandong)")	The PRC, limited liability company	Manufacturing and sale of household consumable paper	HK$40,000,000 Note (ii)	—	100%
Sparkle Sunshine Limited	British Virgin Islands, limited liability company	Investment holding company	US$1	—	100%

(i) The registered capital of Vinda Paper (Liaoning) was increased from HK$80,000,000 to HK$110,000,000 on 24 November 2011.

(ii) Vinda Paper (Shandong) Company Limited was incorporated on 28 September 2011. As at 31 December 2011, the registered capital of Vinda Paper (Shandong) is HK$40,000,000.

11 Inventories — Group

	As at 31 December	
	2011	2010
	HK$	HK$
Raw materials	**996,219,924**	1,039,719,010
Work in progress	**12,856,040**	12,894,934
Finished goods	**363,145,656**	269,075,525
	1,372,221,620	1,321,689,469

The cost of inventories recognised as expenses and included in cost of sales amounted to HK$2,729,260,066 (2010: HK$2,054,048,057) for the year ended 31 December 2011.

12 Trade receivables, other receivables and prepayments — Group

	As at 31 December	
	2011	2010
	HK$	HK$
Trade receivables	**734,369,313**	495,091,581
Less: Provision for impairment of trade receivables	**(10,834,431)**	(8,646,148)
Trade receivables, net	**723,534,882**	486,445,433
Other receivables		
— deductible input VAT	**143,966,986**	107,164,616
— prepaid income tax recoverable	**8,715,640**	4,854,976
— purchase rebates	**15,631,760**	25,174,909
— others	**13,625,006**	11,637,873
Other receivables	**181,939,392**	148,832,374
Trade and other receivables, net	**905,474,274**	635,277,807
Notes receivable	**902,002**	1,714,439
Prepayments		
— purchase of raw materials	**7,277,991**	5,331,184
— prepayment of utility fee	**18,883,572**	—
— others	**2,599,867**	158,055
	28,761,430	5,489,239
Prepaid expenses	**4,215,553**	4,530,428
	939,353,259	647,011,913

12 Trade receivables, other receivables and prepayments — Group *(continued)*

The carrying amounts of trade receivables, other receivables and prepayments are denominated in the following currencies:

	As at 31 December	
	2011	2010
	HK$	HK$
RMB	**845,793,189**	550,386,384
HK$	**73,305,682**	66,910,275
US$	**15,628,860**	25,823,892
Other currencies	**4,625,528**	3,891,362
	939,353,259	647,011,913

As at 31 December 2011 and 2010, the carrying amounts of the Group's trade and other receivables approximated their fair values due to short duration.

Customers are generally granted with credit terms ranging from 30 to 90 days.

Ageing analyses of trade receivables of the Group based on invoice date as at 31 December 2011 and 2010 are as below:

	As at 31 December	
	2011	2010
	HK$	HK$
Within 3 months	**686,762,019**	453,144,930
4 months to 6 months	**37,079,956**	32,171,746
7 months to 12 months	**6,215,517**	7,605,866
Over 1 year	**4,311,821**	2,169,039
	734,369,313	495,091,581

As of 31 December 2011, trade receivables of HK$36,772,863 (2010: HK$33,300,503) were past due but not impaired. These balances relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables based on invoice date is as follows:

	As at 31 December	
	2011	2010
	HK$	HK$
4 months to 6 months	**33,382,581**	29,045,165
7 months to 12 months	**3,390,282**	4,255,338
	36,772,863	33,300,503

12 Trade receivables, other receivables and prepayments – Group *(continued)*

As at 31 December 2011, trade receivables of HK$10,834,431 (2010: HK$8,646,148) were impaired and fully provided for. The individually impaired receivables mainly relate to customers with different credit ratings. The ageing of these receivables is as follows:

	As at 31 December	
	2011	2010
	HK$	HK$
4 months to 6 months	**3,697,375**	3,126,581
7 months to 12 months	**2,825,235**	3,350,528
Over 1 year	**4,311,821**	2,169,039
	10,834,431	8,646,148

The Group recognised provision for impairment of trade and other receivables in the administrative expenses in the consolidated statement of comprehensive income.

Movements on the provision for impairment of trade receivables are as follows:

	For the year ended 31 December	
	2011	2010
	HK$	HK$
As at 1 January	**(8,646,148)**	(5,192,658)
Provision for impairment of receivables (Note 24)	**(2,787,019)**	(6,025,451)
Receivables written off as uncollectible during the year	**1,085,750**	2,827,390
Exchange differences	**(487,014)**	(255,429)
As at 31 December	**(10,834,431)**	(8,646,148)

The maximum exposure to credit risk at the reporting date is the carrying amounts of each category of receivable mentioned above.

13 Restricted bank deposits — Group

	As at 31 December	
	2011	2010
	HK$	HK$
Restricted bank deposits	**1,292,449**	45,689

As at 31 December 2011, bank deposits of HK$1,292,449 (2010: HK$45,689) were restricted as deposits for the issuance of letters of credit.

The effective annual interest rate on restricted bank deposits was 0.36% (2010: 0.36%) as at 31 December 2011. These deposits mainly have a maturity ranging from 0 to 90 days.

The carrying amounts of all the restricted bank deposits are denominated in RMB.

14 Cash and cash equivalents

	Group	
	As at 31 December	
	2011	2010
	HK$	HK$
Cash in hand	**148,290**	60,904
Cash at bank	**714,463,431**	389,490,878
	714,611,721	389,551,782

The effective weighted average annual interest rate on cash at bank were 0.87% (2010: 0.35%) for the year ended 31 December 2011.

The carrying amounts of cash and cash equivalents are denominated in the following currencies:

	Group	
	As at 31 December	
	2011	2010
	HK$	HK$
RMB	**609,454,636**	352,992,149
US$	**46,519,207**	8,889,603
HK$	**51,330,096**	26,660,079
Other currencies	**7,307,782**	1,009,951
	714,611,721	389,551,782

14 Cash and cash equivalents *(continued)*

	Company As at 31 December 2011 HK$	2010 HK$
Cash at bank — denominated in HK$	**1,630,628**	843,937

The effective weighted average annual interest rates on cash at bank were 0.21% (2010: 0.21%) for the year ended 31 December 2011.

15 Share capital and share premium

	Group & Company				
			Amount		
	Number of authorised shares	Number of issued and fully paid shares	Ordinary shares HK$	Share premium HK$	Total HK$
At 1 January 2010	80,000,000,000	904,641,686	90,464,169	838,018,579	928,482,748
Employee share option scheme (Note 16)					
— Exercise of share options	—	3,590,000	359,000	14,182,340	14,541,340
— Allotment of shares (i)	—	28,500,000	2,850,000	261,064,956	263,914,956
At 31 December 2010	80,000,000,000	936,731,686	93,673,169	1,113,265,875	1,206,939,044
Employee share option scheme (Note 16)					
— Exercise of share options	—	1,452,000	145,200	6,157,552	6,302,752
At 31 December 2011	**80,000,000,000**	**938,183,686**	**93,818,369**	**1,119,423,427**	**1,213,241,796**

(i) On 27 September 2010, the Company, Fu An and Li Chao Wang (a director of the Company) (together, "the Vendors") and the Placing Agent entered into an agreement. Pursuant to which, the Placing Agent agreed to place 32,500,000 existing shares then owned by the Vendors, to independent investors, at the placing price of HK$9.50 per share.

After the placing was completed, the Company issued 28,500,000 new shares on 8 October 2010 (3.0% of the total share capital issued then outstanding) to Fu An. The shares issued have the same rights as the other shares in issue. The fair value of the shares issued amounted to HK$270,750,000 (HK$9.50 per share). The related transaction costs of HK$6,835,044 have been netted off with the actual proceeds.

(ii) As at 31 December 2011 and 2010, the par value of authorised and issued ordinary shares is HK$0.1 per share.

16 Share-based payment

As approved by the Board meeting on 24 February 2009, 27,546,000 share options were granted to the directors and certain employees at an exercise price of HK$2.98 per share. The Group has no legal or constructive obligation to repurchase or settle the options in cash. The options are exercisable during the following periods:

(i) in respect of the options granted to directors, on or after 24 February 2009;

(ii) in respect of the options granted to employees,

  (a) up to 20% on or after 24 February 2010;

  (b) up to 50% on or after 24 February 2011;

  (c) all the remaining options on or after 24 February 2012;

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

In February 2009, all the directors and employees accepted the share options.

On 15 April 2010, 3,000,000 share options were granted to a director at an exercise price of HK$5.42 per share. The Group has no legal or constructive obligation to repurchase or settle the options in cash. The options are exercisable during the following periods:

(a) up to 33% on or after 15 April 2010;

(b) up to 67% on or after 15 April 2011;

(c) all the remaining options on or after 15 April 2012;

and in each case, not later than 14 April 2020.

In April 2010, the director accepted the share options.

On 15 April 2011, 4,837,000 share options were granted to the directors and certain employees at an exercise price of HK$8.648 per share. The Group has no legal or constructive obligation to repurchase or settle the options in cash. The options are exercisable on or after 15 April 2011 and no later than 14 April 2021.

In April 2011, all the directors and employees accepted the share options.

16 Share-based payment *(continued)*

Movements in the number of share options outstanding and their related weighted average exercise prices for the year ended 31 December 2011 and 2010 were as follows:

	For the year ended 31 December			
	2011		2010	
	Average exercise price in HK$	**Number of options**	Average exercise price in HK$	Number of options
At 1 January	**3.26**	**26,042,000**	2.98	26,686,000
Granted	**8.648**	**4,837,000**	5.42	3,000,000
Exercised (Note (a))	**3.21**	**(1,452,000)**	2.98	(3,590,000)
Forfeited (Note (b))	**—**	**—**	2.98	(54,000)
At 31 December	**4.15**	**29,427,000**	3.26	26,042,000

(a) Options exercised during the year ended 31 December 2011 resulted in 1,452,000 shares (2010: 3,590,000 shares) being issued with net proceeds of HK$4,667,040 (2010: HK$10,698,200). The related weighted average share price at the time of exercise was HK$8.94 (2010: HK$7.93) per share.

(b) Options were forfeited during the year ended 31 December 2010 due to employee resignation.

Share options outstanding at 31 December 2011 have the following expiry dates and exercise prices:

Expiry date	**Exercise price HK$ per share**	**Number of options**
23 February 2019	2.98	21,650,000
14 April 2020	5.42	3,000,000
14 April 2021	8.648	4,777,000

The weighted average fair value of options granted in 2009 determined by using the Binomial Model was HK$1.076 per option. The significant inputs into the model were share prices at the grant date, the exercise price shown above, volatility of 40%, dividend yield of 2.0%, and annual risk-free interest rate of 1.56%. The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices of the Company over the last two years and other comparable companies over the last five years.

The weighted average fair value of options granted in 2010 determined by using the Binomial Model was HK$2.147 per option. The significant inputs into the model were share prices at the grant date, the exercise price shown above, volatility of 40%, dividend yield of 2.0%, and annual risk-free interest rate of 2.62%. The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices of the Company over the last two years and other comparable companies over the last five years.

16 Share-based payment *(continued)*

The weighted average fair value of options granted in 2011 determined by using the Binomial Model was HK$3.212 per option. The significant inputs into the model were share prices at the grant date, the exercise price shown above, volatility of 40%, dividend yield of 2.0%, and annual risk-free interest rate of 2.42%. The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices of the Company over the last three years and other comparable companies over the last five years.

17 Other reserves

	Group					
	Statutory reserves (Note (a)) HK$	**Translation reserve** HK$	**Retained earnings** HK$	**Employee option reserve** HK$	**Hedging reserve** HK$	**Total** HK$
At 1 January 2010	137,766,435	198,765,312	778,907,908	25,986,000	—	1,141,425,655
Employee share options scheme:						
— Value of employee services	—	—	—	6,136,000	—	6,136,000
— Exercise of options	—	—	—	(3,843,140)	—	(3,843,140)
Profit for the year	—	—	368,946,107	—	—	368,946,107
Appropriation of reserves	48,119,141	—	(48,119,141)	—	—	—
Dividends	—	—	(112,298,218)	—	—	(112,298,218)
Currency translation differences	—	80,850,222	—	—	—	80,850,222
At 31 December 2010	185,885,576	279,615,534	987,436,656	28,278,860	—	1,481,216,626
At 1 January 2011	**185,885,576**	**279,615,534**	**987,436,656**	**28,278,860**	**—**	**1,481,216,626**
Employee share options scheme:						
— Value of employee services	**—**	**—**	**—**	**18,183,000**	**—**	**18,183,000**
— Exercise of options	**—**	**—**	**—**	**(1,635,712)**	**—**	**(1,635,712)**
Profit for the year	**—**	**—**	**405,714,390**	**—**	**—**	**405,714,390**
Appropriation of reserves	**62,089,178**	**—**	**(62,089,178)**	**—**	**—**	**—**
Dividends	**—**	**—**	**(112,491,212)**	**—**	**—**	**(112,491,212)**
Currency translation differences	**—**	**137,951,695**	**—**	**—**	**—**	**137,951,695**
Hedging reserve	**—**	**—**	**—**	**—**	**(3,586,084)**	**(3,586,084)**
At 31 December 2011	**247,974,754**	**417,567,229**	**1,218,570,656**	**44,826,148**	**(3,586,084)**	**1,925,352,703**

17 Other reserves *(continued)*

	Translation reserve HK$	Retained earnings HK$	Company Employee option reserve HK$	Hedging reserve HK$	Total HK$
At 1 January 2010	91,763,489	118,833,824	25,986,000	—	236,583,313
Employee share options scheme:					
— Value of employee services	—	—	6,136,000	—	6,136,000
— Exercise of options	—	—	(3,843,140)	—	(3,843,140)
Dividends	—	(112,298,218)	—	—	(112,298,218)
Profit for the year	—	90,753,397	—	—	90,753,397
Currency translation differences	49,085,790	—	—	—	49,085,790
At 31 December 2010	140,849,279	97,289,003	28,278,860	—	266,417,142
At 1 January 2011	**140,849,279**	**97,289,003**	**28,278,860**	**—**	**266,417,142**
Employee share options scheme:					
— Value of employee services	**—**	**—**	**18,183,000**	**—**	**18,183,000**
— Exercise of options	**—**	**—**	**(1,635,712)**	**—**	**(1,635,712)**
Dividends	**—**	**(112,491,212)**	**—**	**—**	**(112,491,212)**
Profit for the year	**—**	**152,278,266**	**—**	**—**	**152,278,266**
Currency translation differences	**74,237,767**	**—**	**—**	**—**	**74,237,767**
Hedging reserve	**—**	**—**	**—**	**(3,423,823)**	**(3,423,823)**
At 31 December 2011	**215,087,046**	**137,076,057**	**44,826,148**	**(3,423,823)**	**393,565,428**

(a) Statutory reserves

In accordance with the "Law of the PRC on Enterprises Operated Exclusively with Foreign Capital" and the Articles of Association of those subsidiaries of the Group, which are wholly foreign owned enterprises in the PRC, an appropriation to the Reserve Fund from the statutory net profit after offsetting accumulated losses of previous years in advance should be made prior to profit distribution to the shareholders. The appropriation for the Reserve Fund is no less than 10% of the statutory net profit and it can cease to accrue when the accumulated appropriation exceeds 50% of the registered capital. For the year ended 31 December 2011, the appropriation for the Reserve Fund is 15% (2010:15%) of the statutory net profits for the year of the subsidiaries in the PRC.

18 Trade payables, other payables and accrued expenses

	Group As at 31 December 2011 HK$	2010 HK$
Trade payables	**702,658,382**	580,094,715
Notes payable	**18,048,167**	23,891,598
Other payables		
— salaries payable	**52,156,181**	34,963,157
— taxes payable other than income tax	**24,651,661**	16,444,173
— advances from customers	**46,254,981**	56,330,544
— payables for property, plant and equipment	**99,291,083**	62,868,556
— others	**92,273,679**	81,117,915
Accrued expenses		
— promotion fees	**88,936,554**	59,284,038
— utility charges	**23,236,311**	17,088,829
— transportation fees	**34,254,343**	24,820,773
— advertising fee	**5,169,777**	13,316,029
— accrued interest	**10,417,535**	5,766,426
— others	**12,595,518**	4,276,681
	1,209,944,172	980,263,434

As at 31 December 2011 and 2010, the carrying amounts of the Group's trade payables and other payables approximated their fair values.

The carrying amounts of the trade payables and other payables are denominated in the following currencies:

	Group As at 31 December 2011 HK$	2010 HK$
RMB	**556,162,513**	519,711,025
US$	**465,551,451**	312,935,747
HK$	**10,075,582**	13,759,678
Other currencies	**3,544,588**	9,304,208
	1,035,334,134	855,710,658

18 Trade payables, other payables and accrued expenses *(continued)*

The credit period granted by the creditors generally ranged from 30 to 90 days. Ageing analysis of trade and notes payables as at 31 December 2011 and 2010 are as follows:

	Group As at 31 December	
	2011	2010
	HK$	HK$
Within 3 months	**702,436,164**	586,867,970
4 months to 6 months	**11,652,403**	8,844,268
7 months to 12 months	**3,059,233**	2,462,446
1 year to 2 years	**2,988,304**	4,015,199
2 years to 3 years	**570,445**	1,363,730
Over 3 years	**—**	432,700
	720,706,549	603,986,313

	Company As at 31 December	
	2011	2010
	HK$	HK$
Other payables and accrued expenses — denominated in HK$	**12,569,048**	7,671,153

As at 31 December 2011 and 2010, the carrying amount of the Company's other payables and accrued expenses approximated their fair values.

19 Borrowings

	Group As at 31 December 2011 HK$	2010 HK$
Non-current		
Unsecured bank borrowings	**1,129,729,628**	501,405,338
Unsecured other borrowings (Note (a))	**21,604,644**	28,857,545
Total non-current borrowings	**1,151,334,272**	530,262,883
Current		
Portion of loans from banks due for repayment within one year		
— Unsecured	**645,400,860**	471,444,398
Portion of loans from banks due for repayment after one year which contain a repayment on demand clause		
— Unsecured	**155,250,000**	85,500,000
Unsecured other borrowings (Note (a))	**493,401**	470,090
Total current borrowings	**801,144,261**	557,414,488
Total borrowings	**1,952,478,533**	1,087,677,371

(a) Other borrowings are granted by PRC local governments and are unsecured and interest-free.

(b) In June 2011, the Company obtained a syndicate loan facility of HK$750 million with the interest of HIBOR plus 2.35% per annum to finance the construction of the plant and purchase of production equipment. The loan facility is of a 3-year term with an option to extend for 1 more year. The Company will repay the loan on a quarterly basis in the period from December 2012 to June 2014. As at 31 December 2011, all of the loan has been drawn down under this syndicate loan facility.

(c) The maturity of borrowings is as follows:

	Bank borrowings As at 31 December 2011 HK$	2010 HK$	Other borrowings As at 31 December 2011 HK$	2010 HK$
Portion of loans due for repayment within 1 year:	**645,400,860**	471,444,398	**493,401**	470,090
Loans due for repayment after 1 year (Note 1):				
Between 1 and 2 years	**522,336,704**	357,655,338	**536,431**	511,088
Between 2 and 5 years	**762,642,924**	229,250,000	**21,068,213**	28,346,457
	1,930,380,488	1,058,349,736	**22,098,045**	29,327,635

Note 1: The above amounts due are based on the scheduled repayment dates set out in the loan agreements and ignore the effect of any repayment on demand clause.

19 Borrowings *(continued)*

(d) The effective interest rates at the balance sheet date were as follows:

	Bank borrowings As at 31 December		Other borrowings As at 31 December	
	2011	2010	**2011**	2010
HK$	**1.70–2.78%**	1.70%–2.11%	**—**	—
US$	**1.11–3.49%**	1.29%–2.69%	**—**	—
RMB	**4.86–6.65%**	4.86%–5.76%	**—**	—
AU$	**1.70–2.78%**	—	**—**	—

(e) The carrying values of the borrowings approximate their fair values, as the impact of discounting is not significant.

The fair values are based on cash flows discounted using a rate based on the borrowing rate. The effective interest rates (per annum) at the balance sheet date were as follows:

	Bank borrowings As at 31 December	
	2011	2010
HK$	**2.24%**	2.05%
US$	**2.07%**	1.97%
RMB	**4.95%**	5.10%
AU$	**2.24%**	—

(f) The carrying amounts of the borrowings are denominated in the following currencies:

	As at 31 December	
	2011 **HK$**	2010 HK$
RMB	**271,462,792**	249,094,942
HK$	**1,366,916,926**	629,327,863
US$	**176,208,700**	209,254,566
AU$	**137,890,115**	—
	1,952,478,533	1,087,677,371

19 Borrowings *(continued)*

(g) Most of the banking facilities are subject to the fulfilment of covenants relating to certain of the Group's balance sheet ratios. If the Group were to breach the covenants the drawn down facilities would become repayable on demand. In addition, certain of the Group's term loan agreements contain clauses which give the lender the right at its sole discretion to demand immediate repayment at any time irrespective of whether the Group has complied with the covenants and met the scheduled repayment obligations.

The Group regularly monitors its compliance with these covenants, is up to date with the scheduled repayments of the loans and does not consider it probable that the bank will exercise its discretion to demand repayment for so long as the Group continues to meet these requirements.

	Company As at 31 December	
	2011	2010
	HK$	HK$
Non-current		
Bank borrowings		
— Unsecured	**697,475,756**	—
Current		
Portion of loans from banks due for repayment within one year		
— Unsecured	**44,519,729**	—
Total borrowings	**741,995,485**	—

(h) The maturity of borrowings of the Company is as follows:

	As at 31 December	
	2011	2010
	HK$	HK$
Portion of loans due for repayment within 1 year	**44,519,729**	—
Loans due for repayment after 1 year:		
Between 1 and 2 years	**255,000,000**	—
Between 2 and 5 years	**442,475,756**	—
	741,995,485	—

19 Borrowings *(continued)*

(i) The effective interest rates at the balance sheet date were as follows:

	Bank borrowings As at 31 December	
	2011	2010
HK$	**2.55–2.62%**	—

(j) The bank borrowings of the Company are all denominated in HK$.

20 Deferred income tax — Group

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes related to the same fiscal authority. The offset amounts are as follows:

	As at 31 December	
	2011	2010
	HK$	HK$
Deferred tax assets		
— Deferred income tax assets to be recovered after 12 months	**33,302,224**	55,011,105
— Deferred income tax assets to be recovered within 12 months	**82,398,544**	32,677,489
	115,700,768	87,688,594
Deferred tax liabilities		
— Deferred income tax liability to be settled after 12 months	**(1,662,617)**	(1,647,219)
— Deferred income tax liability to be settled within 12 months	**—**	(66,417)
	(1,662,617)	(1,713,636)
Deferred income tax assets, net	**114,038,151**	85,974,958

The gross movement on the deferred income tax account is as follows:

	For the year ended 31 December	
	2011	2010
	HK$	HK$
Beginning of the year	**85,974,958**	71,115,301
Credited to the consolidated statement of comprehensive income (Note 27)	**23,248,780**	12,150,545
Exchange differences	**4,814,413**	2,709,112
End of the year	**114,038,151**	85,974,958

20 Deferred income tax — Group *(continued)*

The movement of the deferred tax assets is as follows:

	Impairment of assets HK$	Deferred government grants HK$	Unrealised profits — sales of inventories HK$	Unrealised profits — sales of property, plant and equipment HK$	Accrued expenses HK$	Taxable loss carried forward HK$	Others HK$	Total HK$
At 31 December 2009 and 1 January 2010	3,686,742	15,780,386	12,025,350	18,355,566	21,309,161	269,571	1,482,795	72,909,571
Credited/(charged) to the consolidated statement of comprehensive income	886,186	1,139,226	2,324,298	(1,590,254)	6,817,354	924,124	1,462,028	11,962,962
Exchange differences	148,975	575,591	472,681	601,339	900,711	14,039	102,725	2,816,061
At 31 December 2010	4,721,903	17,495,203	14,822,329	17,366,651	29,027,226	1,207,734	3,047,548	87,688,594
At 31 December 2010 and 1 January 2011	**4,721,903**	**17,495,203**	**14,822,329**	**17,366,651**	**29,027,226**	**1,207,734**	**3,047,548**	**87,688,594**
Credited/(charged) to the consolidated statement of comprehensive income	**884,250**	**(277,813)**	**(863,242)**	**(1,365,885)**	**12,962,431**	**14,630,978**	**(2,928,370)**	**23,042,349**
Exchange differences	**252,904**	**861,636**	**716,677**	**832,177**	**1,847,139**	**399,948**	**59,344**	**4,969,825**
At 31 December 2011	**5,859,057**	**18,079,026**	**14,675,764**	**16,832,943**	**43,836,796**	**16,238,660**	**178,522**	**115,700,768**

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through the future taxable profit is probable. The Group did not recognise deferred income tax assets of HK$3,390,348 (2010: HK$2,426,573) as at 31 December 2011 in respect of unrecognised tax losses carried forward as follows:

	As at 31 December	
	2011 HK$	2010 HK$
To be expired in year 2012	**116,263**	107,865
No expiry date	**13,360,043**	12,832,191
Unrecognised tax losses carried forward	**13,476,306**	12,940,056

20 Deferred income tax — Group *(continued)*

The movement of the deferred tax liabilities is as follows:

	Accelerated depreciation HK$	Borrowing costs HK$	Total HK$
1 January 2010	1,665,901	128,369	1,794,270
Credited to the consolidated statement of comprehensive income	(122,683)	(64,900)	(187,583)
Exchange differences	104,001	2,948	106,949
At 31 December 2010	1,647,219	66,417	1,713,636
At 31 December 2010 and 1 January 2011	**1,647,219**	**66,417**	**1,713,636**
Credited to the consolidated statement of comprehensive income	**(138,169)**	**(68,262)**	**(206,431)**
Exchange differences	**153,567**	**1,845**	**155,412**
At 31 December 2011	**1,662,617**	**—**	**1,662,617**

Deferred income tax liabilities of HK$74,985,175 (2010: HK$56,412,578) have not been recognised for the withholding tax that would be payable on the unremitted earnings of certain subsidiaries. Management currently has no intention to remit those earnings. In the foreseeable future, unremitted earnings totalled HK$1,135,871,684 as at 31 December 2011 (2010: HK$782,596,611).

21 Deferred government grants — Group

	HK$
At 1 January 2010	
Cost	72,510,335
Accumulated amortisation	(9,042,709)
Net book amount	63,467,626
Year ended 31 December 2010	
Opening net book amount	63,467,626
Additions	9,279,150
Amortisation (Note 23)	(4,754,761)
Exchange differences	1,988,796
Closing net book amount	69,980,811
At 31 December 2010	
Cost	84,311,880
Accumulated amortisation	(14,331,069)
Net book amount	69,980,811
Year ended 31 December 2011	
Opening net book amount	**69,980,811**
Additions	**5,262,713**
Amortisation (Note 23)	**(4,421,515)**
Exchange differences	**3,467,737**
Closing net book amount	**74,289,746**
At 31 December 2011	
Cost	**93,867,003**
Accumulated amortisation	**(19,577,257)**
Net book amount	**74,289,746**

In 2010, Vinda Paper (Liaoning) and Vinda Paper (Sichuan) received government grants, with total amount of RMB7,895,629 (equivalent to HK$9,279,150). The government grant was recorded as deferred government grants and credited to the consolidated statement of comprehensive income on a straight-line basis over the expected useful lives of the corresponding property, plant and equipment.

In 2011, Vinda Paper (Zhejiang), Vinda Paper (Xiaogan) and Vinda Paper (Sichuan) received government grants with total amount of RMB4,357,000 (equivalent to HK$5,262,713). The government grant was recorded as deferred government grants and credited to the consolidated statement of comprehensive income on a straight-line basis over the expected useful lives of the corresponding property, plant and equipment.

21 Deferred government grants — Group *(continued)*

The balance of deferred government grants as at 31 December 2011 mainly includes the grants from local government related to the land use rights purchased:

	As at 31 December	
	2011	2010
	HK$	HK$
Vinda Paper (Liaoning)	**40,546,820**	39,420,347
Vinda Paper (Hubei)	**6,674,751**	6,980,847
Vinda Paper (Sichuan)	**10,673,412**	10,534,418
Vinda Paper (Xiaogan)	**8,822,589**	8,601,656
	66,717,572	65,537,268
Others	**7,572,174**	4,443,543
	74,289,746	69,980,811

22 Derivative financial instruments

	Group	
	As at 31 December	
	2011	2010
	HK$	HK$
Cross currency swap (Note (a))	**13,762,577**	—
Interest rate swap (Note (b))		
— cash flow hedge	**3,662,168**	—
	17,424,745	—

	Company	
	As at 31 December	
	2011	2010
	HK$	HK$
Interest rate swap (Note (c))		
— cash flow hedge	**3,423,823**	—

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

22 Derivative financial instruments *(continued)*

(a) The cross currency swap is an agreement entered into by the Group and Australia and New Zealand Banking Group Limited ("ANZ Bank") whereby the Group would receive AU$ floating interest and principal amounts while the Group would be obligated to pay HK$ floating interest and principal. The aggregate principal receivable amounts to AU$17,441,455 while the aggregate principal payable by the Group amounts to HK$150,000,000. The swap also entitles the Group to receive AU$ floating interest rate at 3 month Bank Bill Swap Rates of Australia plus a certain spread while the Group is obligated to pay interest at 3 month HIBOR plus a certain spread, respectively by reference to initial notional principal amounts of AU$17,441,455 and HK$150,000,000, both declining over the term of three years. The schedule of principal and interest exchanges are synchronized with the AU$ 3-year term loan include under non-current bank borrowing described under Note19 above.

(b) The interest rate swaps are entered into between the Group and various banks whereby the payment of fixed interest is exchanged for the receipt of floating interest. The notional principal amount of the outstanding interest rate swap contract at 31 December 2011 was HK$1,017,000,000. At 31 December 2011, the fixed interest rate was from 0.58% to 1.28% per annum and the floating rate was with reference to the 1 month/3 month HIBOR.

(c) The notional principal amount of the outstanding interest rate swap contract at 31 December 2011 was HK$750,000,000. At 31 December 2011, the fixed interest rate was from 0.74% to 1.28% per annum and the floating rate was with reference to the 1 month/3 month HIBOR.

23 Other income and gains, net — Group

	For the year ended 31 December	
	2011	2010
	HK$	HK$
Subsidy income received from local government (Note (a))	**15,615,468**	17,848,961
Amortisation of deferred government grants (Note 21)	**4,421,515**	4,754,761
Loss on disposal of property, plant and equipment	**(1,415,845)**	(683,507)
Foreign exchange gains, net (Note 28)	**4,298,605**	5,657,439
Others	**(133,301)**	191,830
	22,786,442	27,769,484

(a) In 2011, certain subsidiaries of the Group in the PRC have received subsidy income and tax refund from government authorities amounting to RMB12,928,124 (equivalent to HK$15,615,468) (2010: RMB15,542,875 (equivalent to HK$17,848,961)).

24 Expenses by nature — Group

	For the year ended 31 December	
	2011	2010
	HK$	HK$
Material costs	**2,729,260,066**	2,054,048,057
Staff costs (Note 25)	**398,843,794**	247,416,104
Utilities	**346,041,168**	229,096,542
Transportation expenses	**198,781,200**	172,341,940
Promotion expenses	**213,927,598**	129,772,745
Depreciation of property, plant and equipment (Note 7)	**152,323,987**	123,094,342
Advertising costs	**29,906,962**	41,522,948
Travel and office expenses	**29,679,166**	26,213,130
Real estate tax, stamp duty and other taxes	**17,291,351**	11,378,515
Operating lease rental	**16,470,468**	11,076,360
Bank charges	**6,946,156**	6,409,086
Provision for impairment of receivables (Note 12)	**2,787,019**	6,025,451
Auditor's remuneration	**6,039,377**	5,627,010
Amortisation of leasehold land and land use rights (Note 6)	**4,595,187**	4,480,906
Amortisation of intangible assets (Note 8)	**3,201,389**	2,553,924
(Reversal of)/provision for write-down of inventories	**(119,746)**	111,104
Other expenses	**126,468,609**	95,300,218
Total cost of sales, selling and marketing costs and administrative expenses	**4,282,443,751**	3,166,468,382

25 Employee benefit expenses — Group

The aggregate amounts of staff costs including directors' emoluments are as follows:

	For the year ended 31 December	
	2011	2010
	HK$	HK$
Pension for Hong Kong employees		
— MPF	**369,133**	504,456
Social security and benefits for the PRC employees	**38,754,598**	36,696,311
	39,123,731	37,200,767
Fair value of employee share options granted	**18,183,000**	6,136,000
Wages, salaries and bonus	**319,134,274**	190,944,870
Staff welfare	**22,402,789**	13,134,467
	398,843,794	247,416,104

25 Employee benefit expenses — Group *(continued)*

(a) Directors' emoluments

	For the year ended 31 December 2011 HK$	2010 HK$
Directors		
— Basic salaries, housing allowances, other allowances and benefits-in-kind	**12,575,786**	9,339,311
— Contributions to pension plans	**78,971**	51,862
— Share options granted	**9,627,005**	4,424,000
	22,281,762	13,815,173

The emoluments received/receivable by individual directors are as follows:

(i) For the year ended 31 December 2011:

	Basic salaries, housing allowances, other allowances, and benefits-in-kind HK$	Contributions to pension plans HK$	Fair value of share options granted HK$	Total HK$
Directors				
— Mr. Li Cao Wang	**3,417,571**	**12,000**	**3,153,398**	**6,582,969**
— Ms. Zhang Dong Fang	**3,417,571**	**36,511**	**4,856,403**	**8,310,485**
— Ms. Yu Yi Fang	**2,441,297**	**12,000**	**—**	**2,453,297**
— Mr. Dong Yi Ping	**2,479,347**	**18,460**	**—**	**2,497,807**
— Mr. Kam Ting To, Robert	**240,000**	**—**	**269,534**	**509,534**
— Dr. Cao Zhen Lei	**180,000**	**—**	**269,534**	**449,534**
— Mr. Hui Chin Tong, Godfrey	**180,000**	**—**	**269,534**	**449,534**
— Mr. Tsui King Fai	**180,000**	**—**	**269,534**	**449,534**
— Mr. Johann Christoph Michalski	**20,000**	**—**	**269,534**	**289,534**
— Mr. Ulf Olof Lennart Soderstrom (a)	**14,994**	**—**	**269,534**	**284,528**
— Mr. Chiu Bun (b)	**5,006**	**—**	**—**	**5,006**
	12,575,786	**78,971**	**9,627,005**	**22,281,762**

(a) Mr. Ulf Olof Lennart Soderstrom ("Mr. Soderstrom") was appointed as non-executive directors of the Group with effect from 31 March 2011.

(b) Mr. Chiu Bun was re-designated as an alternate director to Mr. Johann Christoph Michalski and Mr. Soderstrom with effect from 31 March 2011.

25 Employee benefit expenses — Group *(continued)*

(a) Directors' emoluments *(continued)*

(ii) For the year ended 31 December 2010:

	Basic salaries, housing allowances, other allowances, and benefits-in-kind HK$	Contributions to pension plans HK$	Fair value of employee share options granted HK$	Total HK$
Directors				
— Mr. Li Chao Wang	2,488,631	12,000	—	2,500,631
— Ms. Zhang Dong fang	2,126,350	11,000	4,424,000	6,561,350
— Ms. Yu Yi Fang	1,923,268	12,000	—	1,935,268
— Mr. Dong Yi Ping	1,964,370	16,862	—	1,981,232
— Mr. Kam Ting To, Robert	240,000	—	—	240,000
— Dr. Cao Zhen Lei	180,000	—	—	180,000
— Mr. Hui Chin Tong, Godfrey	180,000	—	—	180,000
— Mr. Tsui King Fai	180,000	—	—	180,000
— Mr. Leung Ping Chung, Hermann (c)	16,676	—	—	16,676
— Mr. Chiu Bun	20,008	—	—	20,008
— Mr. Johann Christoph Michalski	20,008	—	—	20,008
	9,339,311	51,862	4,424,000	13,815,173

(c) Mr. Leung Ping Chung, Hermann resigned in 2011.

For the year ended 31 December 2011 and 2010, no directors of the Company waived any emoluments and no emoluments were paid by the Company to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

25 Employee benefit expenses — Group *(continued)*

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2011 include four directors (2010: four directors) whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining one individual (2010: one individual) for the year ended 31 December 2011 is as follows:

	For the year ended 31 December	
	2011	2010
	HK$	HK$
— Basic salaries, housing allowances, other allowances and benefits-in-kind	**2,291,297**	1,940,744
— Contributions to pension plans	**12,000**	12,000
— Fair value of employee share options granted	**404,280**	128,316
	2,707,577	2,081,060

No emoluments have been paid to these individuals as an inducement to join or upon joining the Group or as compensation for loss of office for the year ended 31 December 2011 and 2010.

26 Finance income/(costs) — Group

	For the year ended 31 December	
	2011	2010
	HK$	HK$
Interest expense		
— bank borrowings (a)	**(43,982,615)**	(27,653,957)
Foreign exchange gain, net (Note 28)	**57,812,949**	21,664,322
Interest income		
— bank deposits	**4,816,589**	2,700,957
Net finance income/(costs)	**18,646,923**	(3,288,678)

(a) During the year, the Group has capitalized borrowing costs amounting to HK$1,418,684 (2010: nil) on qualifying assets. Borrowing costs were capitalized at the weighted average rate of its general borrowings of 3.26%.

27 Taxation — Group

(a) Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profit for the year. Taxation on profits outside Hong Kong has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries or cities in which the Group operates.

	For the year ended 31 December	
	2011	2010
	HK$	HK$
Current income tax		
— Hong Kong profits tax	**9,306,262**	22,743,200
— PRC enterprise income tax	**130,158,980**	80,642,432
Deferred income tax (Note 20)	**(23,248,780)**	(12,150,545)
	116,216,462	91,235,087

The tax on the Group's profit before tax differs from the theoretical amount that would arise using weighted average tax rate applicable to profits of the Group as follows:

	For the year ended 31 December	
	2011	2010
	HK$	HK$
Profit before income tax	**521,930,852**	460,181,194
Applicable tax rates	**23.22%**	22.82%
Tax calculated at weighted average tax rate of 23.22% (2010: 22.82%)	**121,205,147**	105,003,360
Effect of different tax rates due to tax holidays	**—**	(10,906,970)
Effect of different tax rates in recognition of deferred taxation	**—**	(4,461,387)
Income not subject to tax	**(13,784,770)**	(4,315,957)
Expenses not deductible for tax purposes	**7,832,310**	5,592,721
Unrecognised tax losses	**963,775**	323,320
Income tax expense	**116,216,462**	91,235,087

27 Taxation — Group *(continued)*

VAT

Sales of self-manufactured products of the Company's PRC subsidiaries are subject to VAT. The applicable tax rate for domestic sales is 17%. Vinda Paper (Guangdong) and Vinda Paper (Jiangmen) have received approval to use the "exempt, credit, refund" method on goods exported. The tax refund rate is 5%.

Input VAT on purchases of raw materials, fuel, utilities, certain fixed assets and other production materials (merchandise, transportation costs) are deductible from output VAT. VAT payable is the net difference between output VAT and deductible input VAT.

28 Net foreign exchange gains

	For the year ended 31 December	
	2011	2010
	HK$	HK$
Other income and gains — net (Note 23)	**4,298,605**	5,657,439
Finance income — exchange gain (Note 26)	**57,812,949**	21,664,322
	62,111,554	27,321,761

29 Profit attributable to equity holders of the Company

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of HK$152,278,266 (2010: HK$90,753,397).

30 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 year.

	For the year ended 31 December	
	2011	2010
	HK$	HK$
Profit attributable to equity holders of the Company (HK$)	**405,714,390**	368,946,107
Weighted average number of ordinary shares in issue	**937,275,733**	912,749,023
Basic earnings per share (HK$ per share)	**0.433**	0.404

30 Earnings per share *(continued)*

(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 shares. The Company's potentially dilutive ordinary shares comprised share options.

	For the year ended 31 December	
	2011	2010
	HK$	HK$
Profit attributable to equity holders of the Company (HK$)	**405,714,390**	368,946,107
Weighted average number of ordinary shares in issue	**937,275,733**	912,749,023
Adjustments for share options	**15,769,809**	14,283,848
Weighted average number of ordinary shares for diluted earnings per share	**953,045,542**	927,032,871
Diluted earnings per share (HK$ per share)	**0.426**	0.398

31 Dividends

	2011	2010
	HK$	HK$
Interim dividend paid of HK$0.033 (2010: HK$0.033) per ordinary share	**30,937,787**	30,880,466
Proposed final dividend of HK$0.087 (2010: HK$0.087) per ordinary share	**81,621,981**	81,495,657

On 27 March 2012, the Board of Directors proposed a final dividend in respect of the year ended 31 December 2011 of HK$81,621,981, representing HK$0.087 per ordinary share. Such dividend is to be approved by the shareholders at the Annual General Meeting of the Company. These financial statements do not reflect this dividend payable.

The dividends paid in 2011 and 2010 were HK$112,491,212 and HK$112,298,218 respectively.

32 Cash generated from operations

(a) Reconciliation of profit before income tax to cash generated from operations

	For the year ended 31 December	
	2011	2010
	HK$	HK$
Profit before income tax	**521,930,852**	460,181,194
Adjustments for:		
— Depreciation of property, plant and equipment	**152,323,987**	123,094,342
— Amortisation of intangible assets	**3,201,389**	2,553,924
— Amortisation of leasehold land and land use rights	**4,595,187**	4,480,906
— Amortisation of deferred government grants	**(4,421,515)**	(4,754,761)
— Loss on disposals of property, plant and equipment	**1,415,845**	683,507
— Share-based payment	**18,183,000**	6,136,000
— Provision for impairment of receivables	**2,787,019**	6,025,451
— (Write-back of provision)/provision for impairment of inventories	**(119,746)**	111,104
— Net finance (income)/costs (Note 26)	**(18,646,923)**	3,288,678
— Share of post-tax loss of an associate (Note 9)	**2,358,175**	—
	683,607,270	601,800,345
Changes in working capital (excluding the effect of exchange differences on consolidation):		
— Increase in inventories	**(50,127,069)**	(409,832,738)
— Increase in trade receivables, other receivables and prepayments	**(291,094,586)**	(242,315,945)
— (Increase)/decrease in restricted bank deposits	**(1,246,760)**	715,242
— (Increase)/decrease in amount due from related parties	**(42,173,053)**	4,357,513
— Increase in trade payables, other payables and accrued expenses	**189,127,497**	295,234,505
— Increase/(decrease) in amount due to a related party	**1,779,362**	(1,054,572)
Cash generated from operations	**489,872,661**	248,904,350

(b) Reconciliation of proceeds from disposal of property, plant and equipment

In the cash flow statement, proceeds from disposal of property, plant and equipment comprise:

	For the year ended 31 December	
	2011	2010
	HK$	HK$
Net book amount (Note 7)	**8,884,793**	1,570,150
Loss on disposal of property, plant and equipment	**(1,415,845)**	(683,507)
Proceeds from disposal of property, plant and equipment	**7,468,948**	886,643

33 Commitments

(a) Capital commitments

	As at 31 December	
	2011	2010
	HK$	HK$
Property, plant and equipment and intangible assets	**488,722,501**	226,840,451
Investment in an associate (Note 9)	**61,500,000**	123,000,000
	550,222,501	349,840,451

(b) Commitments under operating leases

As at 31 December 2011, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	As at 31 December	
	2011	2010
	HK$	HK$
Not later than one year	**1,669,909**	2,065,712
Later than one year but not later than two years	**364,201**	211,870
Later than two years but not later than five years	**107,314,666**	8,990
Later than five years	**357,715,554**	—
	467,064,330	2,286,572

34 Related party transactions

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

Name of related party	Relationship
SCA Hygiene Holdings AB ("SCA Hygiene")	Shareholder
SCA Hygiene Australasia Pty Limited ("SCA HA")	Subsidiary of Svenska Cellulosa Aktiebolaget AB (the ultimate holding company of SCA Hygiene)
SCA Tissue Hong Kong Limited ("SCA (Hong Kong)")	Subsidiary of Svenska Cellulosa Aktiebolaget AB
SCA Trading (Shanghai) Co., Ltd. ("SCA (Shanghai)")	Subsidiary of Svenska Cellulosa Aktiebolaget AB
Jiangmen Taiyuan Paper Limited ("Taiyuan Paper")	A subsidiary of Fu An
V-Care (China) Limited ("V-Care (China)")	Subsidiary of V-Care

34 Related party transactions *(continued)*

(b) Significant related party transactions — the Group

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 Group during the year ended 31 December 2011 also include:

	For the year ended 31 December	
	2011	2010
	HK$	HK$
(1) Sales of products to related parties:		
— SCA HA	**42,888,828**	19,450,860
— SCA (Shanghai)	**2,936,532**	1,200,790
— V-Care (China)	**1,690,305**	—
	47,515,665	20,651,650
(2) Processing trade to related parties:		
— SCA HK	**3,913,466**	286,478
(3) Purchase of products from related parties :		
— V-Care (China)	**1,973,143**	—
— SCA (Tianjin)	**—**	1,508,119
	1,973,143	1,508,119
(4) Sales commission from related parties:		
— V-Care (China)	**1,259,372**	—
(5) Key management compensation:		
Directors		
— Basic salaries, housing allowances, other allowances, benefits-in-kind, pensions and other benefits	**12,654,757**	9,391,173
— Share-based payments	**9,627,005**	4,424,000
Senior management		
— Basic salaries, housing allowances, other allowances, benefits-in-kind, pensions and other benefits	**5,440,188**	3,402,449
— Share-based payments	**1,886,352**	449,105
	29,608 ,302	17,666,727

34 Related party transactions *(continued)*

(c) Year-end balances with related parties — the Group

	As at 31 December	
	2011	2010
	HK$	HK$
(1) Prepayments to and receivables from related parties		
— Taiyuan Paper (a)	**35,771,555**	—
— SCA HA	**3,465,914**	890,620
— SCA (Hong Kong)	**816,989**	103,264
— SCA (Shanghai)	**360,195**	106,946
— V-Care (China)	**2,859,230**	—
	43,273,883	1,100,830

(a) On 22 November 2011, Vinda Xinhui, entered into the Lease Agreement with Taiyuan Paper, whereby Taiyuan Paper had agreed to lease Vinda Xinhui a piece of land located in Xinhui District, Guangdong, the PRC, together with a factory and the relevant ancillary infrastructures. The facilities are to be constructed for an initial term of 15 years with an initial fixed annual rental of RMB29,000,000. According to the agreement, the Group paid RMB29,000,000 (HK$35,771,555) to Taiyuan Paper as deposit and prepaid rental respectively. The construction is expected to commence in December 2011, Taiyuan Paper would deliver possession of the factory and the ancillary infrastructures and facilities to Vinda Xinhui on or before 30 September 2012.

	As at 31 December	
	2011	2010
	HK$	HK$
(2) Trade payables to related parties		
— V-Care (China)	**1,779,362**	—

Aging analyses of trade receivables, other receivables from related parties of the Group based on invoice date as at 31 December 2011 and 2010 are as below:

	As at 31 December	
	2011	2010
	HK$	HK$
Within 3 months	**42,527,338**	537,051
4 months to 6 months	**501,245**	563,779
7 months to 12 months	**245,300**	—
	43,273,883	1,100,830

34 Related party transactions *(continued)*

(c) Year-end balances with related parties — the Group *(continued)*

Aging analyses of trade payable to related parties of the Group based on invoice date as at 31 December 2011 and 2010 are as below:

	As at 31 December	
	2011	2010
	HK$	HK$
Within 3 months	**1,779,362**	—

Year-end balances with subsidiaries — the Company

	As at 31 December	
	2011	2010
	HK$	HK$
(1) Other receivables and from subsidiaries		
— Vinda Household Paper (China)	**407,437,032**	—
— Forton Enterprises	**225,000,000**	—
— Vinda Investment	**50,000,000**	—
— Vinda Industrial HK	**30,700,000**	—
	713,137,032	—

Other receivables of the Company from subsidiaries are interest-free and unsecured. There is no recoverability risk of due from subsidiaries.

35 Events after the balance sheet date

On 27 March 2012, Vinda Xinhui, entered into another Lease Agreement with Taiyuan Paper, whereby Taiyuan Paper had agreed to lease Vinda Xinhui another piece of land located in Xinhui District, Guangdong, the PRC, together with the building and structure erected thereon for a term commencing on the date of this lease agreement and ending on the date on which the previous agreement (see Note 34(c) for details) expires. The initial fixed annual rental for the period ending on 31 December 2012 and the years ending 31 December 2013 and 2014 is RMB16,800,000. The annual rental will be subject to review by the Board every three years.

Consolidated Statement of Comprehensive Income

	For the year ended 31 December				
	2007 HK$	2008 HK$	2009 HK$	2010 HK$	**2011 HK$**
Revenue	1,777,721,432	2,424,044,090	2,776,116,529	3,602,168,770	**4,765,299,413**
Cost of sales	(1,411,775,105)	(1,910,939,233)	(1,825,317,921)	(2,540,131,315)	**(3,468,791,744)**
Gross profit	365,946,327	513,104,857	950,798,608	1,062,037,455	**1,296,507,669**
Selling and marketing costs	(175,162,720)	(181,765,469)	(281,002,421)	(444,985,005)	**(574,773,574)**
Administrative expenses	(78,647,307)	(115,367,807)	(155,651,477)	(181,352,062)	**(238,878,433)**
Other income and gains — net	10,854,268	4,041,388	8,601,735	27,769,484	**22,786,442**
Operating profit	122,990,568	220,012,969	522,746,445	463,469,872	**505,642,104**
Finance costs, net	(28,091,321)	(25,197,726)	(27,502,263)	(3,288,678)	**18,646,923**
Share of post-tax loss of an associate	—	—	—	—	**(2,358,175)**
Profit before income tax	94,899,247	194,815,243	495,244,182	460,181,194	**521,930,852**
Income tax expense	(16,542,188)	(28,903,675)	(97,444,475)	(91,235,087)	**(116,216,462)**
Profit attributable to equity holders of the Company	78,357,059	165,911,568	397,799,707	368,946,107	**405,714,390**

Consolidated Balance Sheet

	As at 31 December				
	2007 HK$	2008 HK$ (restated)	2009 HK$ (restated)	2010 HK$	**2011 HK$**
ASSETS					
Property, plant and equipment	1,391,200,294	1,866,288,172	1,838,591,852	2,272,640,034	**3,022,040,685**
Leasehold land and land use right	95,396,490	103,381,135	145,408,286	160,496,665	**184,797,092**
Intangible assets	2,966,002	740,895	6,881,218	11,085,320	**10,445,847**
Deferred income tax assets	31,592,589	47,508,724	72,909,571	87,688,594	**115,700,768**
Investment in an associate	—	—	—	—	**59,800,509**
Inventories	501,295,002	491,755,387	912,068,945	1,321,689,469	**1,372,221,620**
Trade receivables, other receivables and prepayments	245,497,749	259,669,018	409,312,796	647,011,913	**939,353,259**
Due from related parties	4,272,969	5,300,643	5,458,343	1,100,830	**43,273,883**
Restricted bank deposits	6,706,535	884,454	760,931	45,689	**1,292,449**
Derivative financial instruments	131,890	—	—	—	**—**
Cash and cash equivalents	252,081,481	172,189,258	346,949,107	389,551,782	**714,611,721**
Total Assets	2,531,141,001	2,947,717,686	3,738,341,049	4,891,310,296	**6,463,537,833**
EQUITY					
Capital and reserves attributable to the Company's equity holders					
Share capital	90,384,169	90,384,169	90,464,169	93,673,169	**93,818,369**
Share premium	834,834,579	834,834,579	838,018,579	1,113,265,875	**1,119,423,427**
Other reserves	541,373,559	783,867,895	1,141,425,655	1,481,158,626	**1,925,352,703**
Total equity	1,466,592,307	1,709,086,643	2,069,908,403	2,688,155,670	**3,138,594,499**
LIABILITIES					
Long-term borrowings	308,639,527	308,019,393	350,394,107	530,262,883	**1,151,334,272**
Deferred government grants	28,223,836	33,127,079	63,467,626	69,980,811	**74,289,746**
Derivative financial instruments	—	—	—	—	**17,424,745**
Deferred income tax liabilities	869,655	1,556,700	1,794,270	1,713,636	**1,662,617**
Current liabilities	726,815,676	895,927,871	1,252,776,643	1,601,197,296	**2,080,231,954**
Total Liabilities	1,064,548,694	1,238,631,043	1,668,432,646	2,203,154,626	**3,324,943,334**
Total equity and liabilities	2,531,141,001	2,947,717,686	3,738,341,049	4,891,310,296	**6,463,537,833**
Net current assets/ (liabilities)	283,169,950	33,870,889	421,773,479	758,202,387	**990,520,978**
Total assets less current liabilities	1,804,325,325	2,051,789,815	2,485,564,406	3,290,113,000	**4,383,305,879**