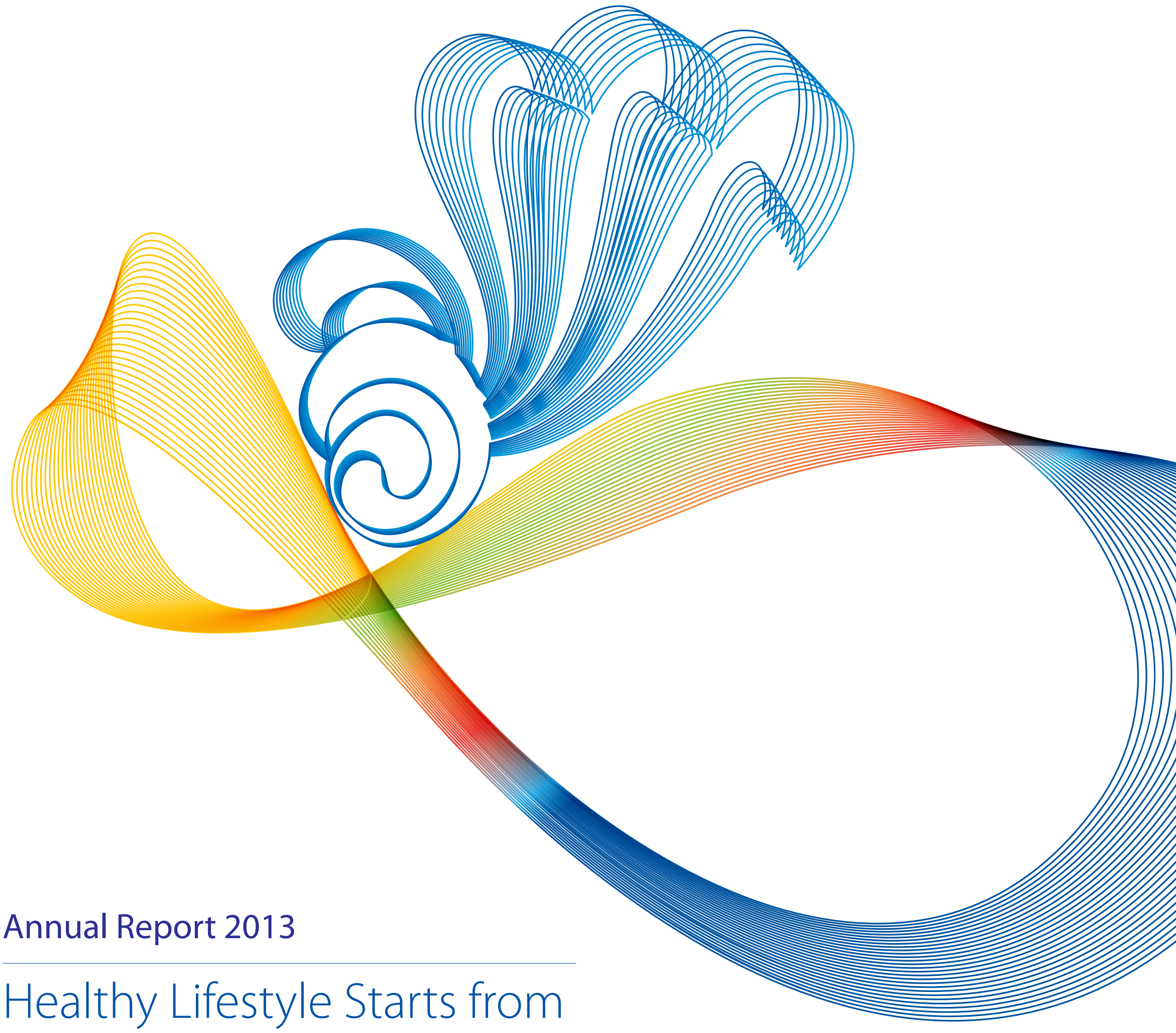
Vinda 維達

Vinda International Holdings Limited

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



Annual Report 2013

Healthy Lifestyle Starts from

VINDA


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. Jan Christer JOHANSSON
(appointed on 1 January 2014)
Mr. Jan Lennart PERSSON
(appointed on 1 January 2014)
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 Directors
Ms. LI Jielin (appointed on 1 January 2014
as alternate to Mr. LI, Ms. YU and Mr. DONG)
Mr. CHIU Bun (alternate to Mr. MICHALSKI
and Mr. SODERSTROM)
Mr. Gert Mikael SCHMIDT
(appointed on 1 January 2014 as alternate to
Mr. JOHANSSON and Mr. PERSSON)

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 (resigned on 1 January 2014)
Ms. ZHANG Dong Fang
(appointed on 1 January 2014)
Ms. TAN Yi Yi

Company Secretary
Ms. TAN Yi Yi, ACCA

Auditors
PricewaterhouseCoopers

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

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

Principal Place of Business in Hong Kong
Room 506, Tower 1, South Seas Centre
75 Mody Road, Tsimshatsui East
Kowloon, Hong Kong
Tel: (852) 2366 9853
Fax: (852) 2366 5805

Place of Listing and Stock Code

The Stock Exchange of Hong Kong Limited
Stock Code: 3331

Principal Share Registrar and Transfer Office

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

Hong Kong Branch Share Registrar and Transfer Office

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

Principal Bankers

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

Website

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

Babifit
贝爱多

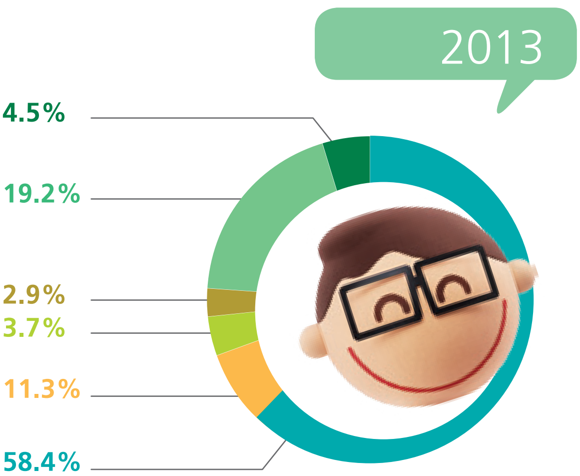
FINANCIAL HIGHLIGHTS

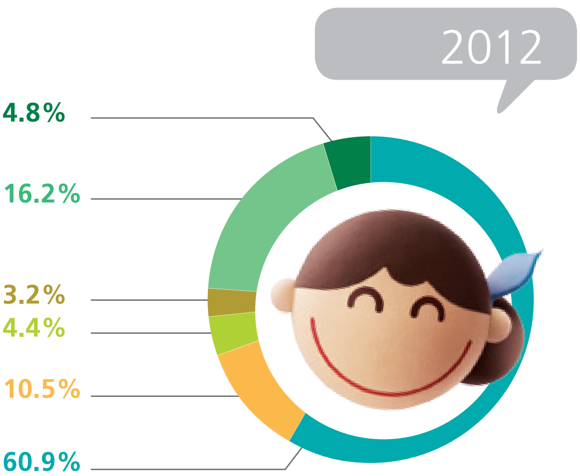
	2013	2012
Gross profit margin (%)	29.0%	30.8%
Net profit margin (%)	8.0%	8.9%
Earnings per share (HK$)	54.3 cents	54.6 cents
Dividend per share (HK$)	15.6 cents	15.6 cents
— interim dividend (paid) (HK$)	4.8 cents	4.3 cents
— final dividend (proposed) (HK$)	10.8 cents	11.3 cents
Finished goods turnover	37 days	34 days
Debtors turnover	48 days	49 days
Creditors turnover	70 days	64 days
Current ratio (times)	1.26	1.23
Gearing ratio (%)[1]	58.9%	50.2%
Net gearing ratio (%)[2]	44.0%	31.8%

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 and restricted bank deposits as a percentage of the total shareholders' equity.

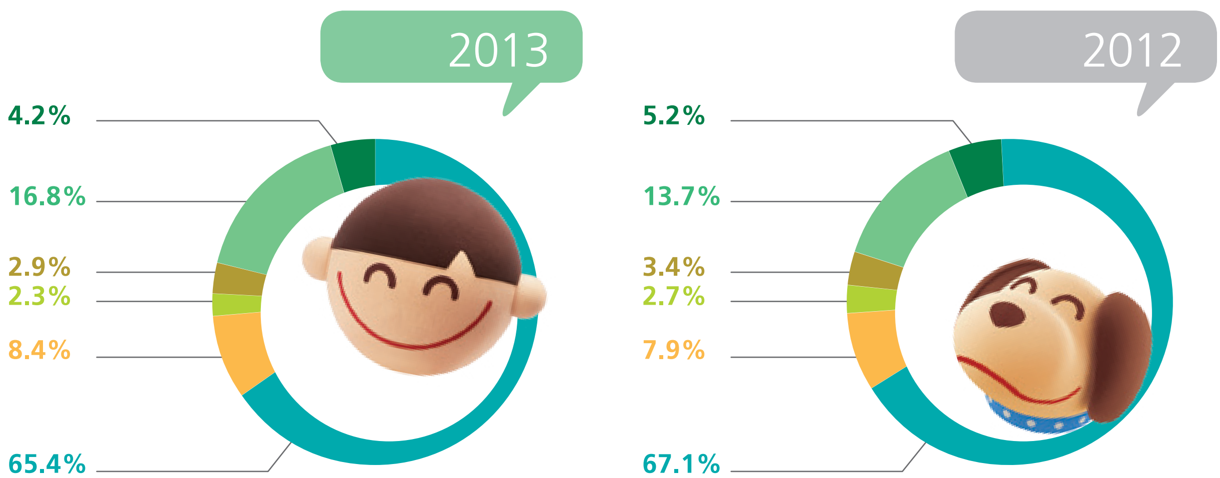
Turnover by Product Categories





Toilet Roll
Handkerchief Tissue
Box Tissue
Paper Napkin
Softpack
Others

Sales Volume by Product Categories



Toilet Roll
Handkerchief Tissue
Box Tissue
Paper Napkin
Softpack
Others

薇尔 VIA™

CHAIRMAN'S STATEMENT

Mr. LI Chao Wang
Chairman

On behalf of the Board of Directors (the "Board") of Vinda International Holdings Limited ("Vinda International" or the "Company", which together with its subsidiaries, is referred to as the "Group"), I am pleased to present the Group's annual report for the year ended 31 December 2013.

The year 2013 was challenging as the Group's overall profitability was affected by several negative factors: the slowdown of both the Chinese economy and consumer market, a growing frugal trend and decelerating growth in demand for household paper; intensifying competition which resulted from additional production capacities as well as the rising costs of pulp. During the year, the Group's revenue increased by 12.8% to HK$6,798.0 million (2012: HK$6,024.0 million) while gross profit increased by 6.3% to HK$1,971.7 million (2012: HK$1,854.9 million). Profit attributable to equity holders increased by 1.2% to HK$542.9 million (2012: HK$536.6 million), and basic earnings per share were 54.3 HK cents (2012: 54.6 HK cents). As a token of gratitude for shareholders' long-term support, the Board proposed a payment of a final dividend of 10.8 HK cents per share for the financial year ended 31 December 2013.

Inevitable but fair competition is an impetus of the household paper industry's development. Vinda International is determined to take up the challenges with a global perspective and visionary strategies. It will climb up the value chain with technological innovation, which is its core competency. These will enable it to consistently produce quality and high-value added products. Furthermore, the Group will assiduously diversify its business with a view to gaining a foothold in the market for personal care products.

Vinda International will assiduously diversify its business with a view to gaining a foothold in the market for personal care products.

VINDA

As the founder of Vinda International, I always believe in raising the standards of household hygiene by providing quality household paper and developing the Group into an enterprise with presence in international markets. We have made remarkable achievements over the past three decades, and will have to raise our sights if we want to maintain the momentum of our successful development in the future. To achieve the goal, we had the foresight to introduce international capital and management expertise into Vinda International by partnering SCA, a leading personal care enterprise in the world which became one of the Group's substantial shareholders in 2007. As a vote of confidence in Vinda International's prospects, SCA further increased its equity stake in the Group in 2013 and became the largest shareholder. SCA has been working with us to expand the market and to develop Vinda International into an influential and strong enterprise. SCA has unquestionable capabilities of brand management and product development, and SCA's self-owned forest resources and global distribution network are part of its distinct advantages. To diversify its business, the Group is set on becoming the most preferred brand of "household care, baby care, feminine care & elderly care" and expanding its presence beyond China. SCA will also play an important role in the process and will continue to work with the Group to create greater shareholder value.

It is expected that China's demand for healthcare products will continue to increase as the Chinese government actively implements its urbanization programme and loosens its one-child policy. The country's aging population is also estimated to stimulate the demand. Meanwhile, customers' increasing emphasis on branding and quality has catalyzed the industry's consolidation, which favours well-prepared companies. We have high hopes of a brighter future for Vinda International, and have mapped out an elaborate plan on increasing market share, expanding production capacity, climbing up the value chain with upgraded technology and innovation, and diversifying into personal care products. We will also stay vigilant to possible difficulties and yet remain confident about surmounting them. With its strong brand, the Group will endeavour to break new ground in our paper tissue business with an aim of expanding market share and bringing better returns to our shareholders.

Li Chao Wang
Chairman

Hong Kong
27 March 2014


倍韧系列 纸面巾
Xtra Strong
Vinda
超纤密
加倍柔韧

CEO REPORT

Donna, D.F.Zhang
Chief Executive Officer

In 2013, the Group's operation was under pressure as China's consumption decelerated, and industry peers were stepping up sales promotion. Rising raw material and labor costs also took their toll. Such negative factors are widely experienced by different industries and are inherent in business cycle. However, they are also periodic and transient and did not divert the Group from its established course of development. The Group's core competitive strengths lie in innovation and a diversified business portfolio. Since the household paper industry's potential for growth is still considerable, an enterprise will be able to tap China's household paper market for huge business growth as long as it has a clear goal and blueprint for future development and consistently attaches importance to quality products and good services.

New opportunities arise in the industry

Urbanization programme, which is the Chinese government's key policy to boost the economy, also stimulates growth in the use of household paper. Presently, China's per capita annual consumption of household paper is only four kilograms. However, even a doubled per-capita annual consumption which can result from the urbanization is still far lower than the average of the developed countries. The country's growing and strong demand for household paper products will be able to absorb increases in supply. According to the Survey of Consumer Confidence and Spending published by a market research firm, health issues are of the highest concern to the residents of the first-tier to the fourth-tier Chinese cities. We believe that high quality and reliable household paper products will be the most preferred choice for consumers. Moreover, the provincial Chinese governments will no longer give support to sustain the backward production capacity of the paper industry. These developments will lead to higher industrial concentration.

Having developed a strong household paper business, Vinda International is now diversifying into other products to improve profitability.

VINDA

Our baby care business is also capitalizing on the country's latest demographic policy and trend as the Chinese government has recently adopted a policy that allows a couple to have two children if either member of that couple is the only offspring. This will not only stimulate demand for baby diapers, but also make the structure of the population more balanced, benefitting the overall household paper industry for the long term. On the other hand, China's population is aging. The Group will step up its efforts to develop elderly care products to satisfy the demand.

New era of scientific marketing

Vinda has become a widely recognized consumer brand. As China's sales channels become more innovative, consumers are more specific about their demand. This development has ushered in an era of precision marketing for the country's fast-moving consumer goods. Corporations have to fine-tune their marketing strategies if they want to differentiate themselves from the competition and earn market shares. Three decades of experience afford Vinda International insights into precision marketing of fast-moving consumer goods, and it appreciates that the key to success is to conduct market segmentation with accurate market data. This will enable right and effective positioning for both the brand and products. The Group will then be able to concentrate resources on a marketing plan, of which effect can be evaluated. Such practice allows the Group to expand its business at lower costs and with higher returns.

The rise of e-commerce and online shopping in China in recent years has transformed the country's sales channel and has freed companies from geographical limits in their business expansion. More importantly, consumers are more conscious of brands when making purchase decisions online. Responding to the change, we have established an e-commerce team which is responsible for forming long-term partnerships with major virtual shopping malls in order to seize the opportunity that arises in new marketing channels.

Vinda brand has already become a household name after thirty years of efforts. In order to build on its established reputation, the Group will expand both its online and brick-and-mortar sales channels to broaden its market coverage in the third- and fourth-tier cities and rural townships, making its quality products more widely available to consumers.

New elements of diversification

Having developed a strong household paper business, Vinda International is now diversifying into other products to enhance profitability. With its well-established distribution network, and capabilities of marketing and promotion, supply chain management, a rich talent pool and financial strength, the Group is well positioned to diversify its business. SCA, which is Europe's largest and the world's second largest personal care enterprise increased its equity stake in the Group in 2013 and became the largest shareholder. With its rich experience in branding management and R&D, SCA will give new impetus to the Group's diversification into four major personal care businesses.

Prospects

China's household paper industry has shifted down from rapid to steady growth, while consumers' emphasis on brands and product quality has triggered off the industry's transformation. In the course of its continuing improvement over the past thirty years, the Group made a number of breakthroughs. Looking ahead to 2014, we believe that market competition will remain fierce and costs will be rising. To take on the challenges, the Group will adhere to the philosophy of "Stabilizing Growth, Controlling Costs and Enhancing Product Mix", while seizing the opportunity in the new stage of development platform to stay at the forefront of the industry.

ZHANG Dong Fang
Chief Executive Officer

Hong Kong
27 March 2014

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

China's economy decelerated in 2013, causing retailers of all sizes to hold back from store expansion. Sales of fast-moving consumer goods also slowed down. Meanwhile, expanded household paper production capacity led to fierce price competition, especially in the second half of 2013. Facing unprecedented challenge, Vinda International redoubled its marketing and promotion efforts during the year to maintain its competitiveness in the short term. To gear up for its long-term development, the Group allocated more resources for enhancing product quality and building its brand.

During the year, the Group's revenue increased by 12.8% to HK$6,798.0 million (2012:HK$6,024.0 million) while gross profit increased by 6.3% to HK$1,971.7 million (2012: HK$1,854.9 million). Profit attributable to equity holders increased by 1.2% to HK$542.9 million (2012: HK$536.6 million), and basic earnings per share were 54.3 HK cents (2012: 54.6 HK cents). As a token of gratitude for shareholders' long-term support, the Board proposed a payment of a final dividend of 10.8 HK cents per share for the financial year ended 31 December 2013.

Building a Leading Brand and Developing Mainstay Products

The Group persevered in building its brand. For instance, the introduction of its "Ultra-Strong" product series into the market in 2012 boosted consumer loyalty and recognition of the Vinda brand, and the Group's share of China's household-paper market has been growing since then. According to Nielsen data, the brand "Vinda" achieved a 11.9% market share in PRC in 2013, up by 0.9 percentage points when compared to that of 2012. Meanwhile, the Group has been awarded "2013 No.1 Market Share in Toilet Roll by Sales Volume" and "Most Reliable Brand — 2013" again by China Industrial Information Issuing Center of the National Bureau of Statistics in recognition of Vinda brand's quality toilet rolls. During the year under review, the Group organized various brand promotion events, notably the "Ultra Strong National Bus Tour 維達超韌全民見證 — 中國行" and "Vinda Tissue-made Wedding Gown 維達紙婚紗" exhibition which were well received by the public. These publicity campaigns facilitated the Group's joint promotions with hypermarkets, thus building up Vinda's customer relationship successfully. In August 2013, the Group was designated as the official tissue supplier of "The 23rd Qingdao International Beer Festival 第二十三屆青島國際啤酒節" and this would give a new impetus to Vinda International's sales network expansion in Shandong Province.

With an aim of expanding its market shares with a number of best-selling products, the Group optimized its product portfolio under its strategy of "consolidating its leading position in the toilet rolls market, jockeying for position in the market for softpack products and forging ahead with its hanky product business". During the year, the Group boosted the sales of facial tissues, wet wipes and kitchen rolls which command high margins. In particular, softpack and wet wipes stood out with increases of 35.0% and 81.0% respectively in sales. A new product series featuring "SpongeBob SquarePants", a world-famous cartoon character, was launched in the second half of 2013, and successfully attracted such customers as families with children and youngsters.

In 2013, the revenue contributed by traditional distributors, modern hypermarket & supermarkets, corporate clients and E-commerce were 46.8%, 37.6%, 13.0% & 2.6% respectively. As of 31 December 2013, the Group had a total of 210 sales offices and 1,387 distributors. The Group maintained its market leadership in Guangdong, Hubei, Beijing and Hong Kong with its well-established sales network. To expand its presence in Shandong province and its surrounding areas, the Group had a new plant built in Laiwu, a city in the province. The factory started operating in the second half of the year. We have also mapped out a plan of developing the markets of provinces and counties that the Group has yet to set foot on to expand Vinda International's market coverage. It is expected that the proportion of e-commerce will gradually expand and the Group will continue to develop E-commerce in the future.

Enhancing Production Capacity Systematically

The Group sold a total of 481,929 tons of paper in 2013, up by 13.6% year-on-year. During the year, an aggregate of the Group's new annual production capacity of 220,000 tons came on stream, including 90,000 tons at the plant in Sanjiang County, Jiangmen City, Guangdong Province, 80,000 tons at the Xiaogan plant in Hubei Province, and 50,000 tons at its new plant in Laiwu City, Shandong Province. The Group's total annual designed production capacity reached 760,000 tons by 2013 year end. In fourth quarter 2014, the Group plans to expand 70,000 tons and 60,000 tons of capacity in Guangdong and Zhejiang Province respectively. The Group's total designed annual production capacity is expected to rise to 890,000 tons by the end of 2014.

With many new entrants to the household paper market, more production capacity is expected to spring up there. To capitalize on this trend, the Group is now evaluating the viability of implementing a two-pronged development strategy, which combines the current investment-driven growth model with a brand-new asset-light model, in 2015. The prerequisite for adopting this new model is that it will bring cost advantage to the Group without sacrificing its product quality. The Group will select some of the new entrants to be its strategic partners and will contract out its mother reel production to them so as to make up the shortfall in its own production capacity to satisfy its clients' demand. We hope such an initiative will effectively reduce the Group's capital expenditure, enhance its free cash flow and return on assets, and will benefit the development of the industry.

Flexible Wood Pulp Procurement Strategy

Wood pulp is the major raw material in the production of household paper products. The rise in wood pulp prices during the year drove up the Group's procurement and production costs. The wood pulp quote is expected to fluctuate continually in 2014. To minimize the impact of the price fluctuation and reduce the production costs, the Group adopts a flexible procurement strategy while maintaining strong ties with its long-term suppliers.

Personal Care Business

The Group's diversified business portfolio was taking shape. In 2013, V-Care Holdings Limited, an associate of the Group, rolled out its self-developed mid-range and high-end sanitary napkin brand, VIA, which is aimed at young and stylish females. Manufactured under an asset-light business model, the VIA products have been launched in southern and central China through Vinda International's extensive marketing network to gauge market reaction. The market's initial responses to VIA has been positive. Moreover, there are prospects for growth and thus more business opportunities in the baby diaper market as the Chinese government has recently adopted a policy that allows a couple to have two children if either member of that couple is the only offspring. Nevertheless, that market will probably become extremely competitive. It will call for substantial resources and enormous efforts to develop Babifit, a new brand of the Group's baby diapers, into a leading brand. The Group will have to develop sales channels and raise the awareness of the brand through integrated marketing in order to stay ahead of the competition. The personal care business will accelerate its development in an attempt to start contributing to the Group's growth.

Creating Synergies with SCA

SCA, which is Europe's largest and the world's second largest personal care enterprise, increased its equity stake in the Group in 2013 as a vote of confidence in the Group's future development. SCA and the Group each has its own competitive advantages and both companies are actively exploring opportunities for cooperation in business development, brand management, supply chain management, raw material procurement management and research and development. The Group believes that the synergies created by both companies will certainly enhance the competitiveness of Vinda International.

Advocating Green Production and Being Socially Responsible

Based on the principle of sustainable development, the Group dedicates itself to environmental protection and ecological sustainability, and advocates green manufacturing through energy saving and emission reduction. During the year, the Group's production base in Jiangmen was rated as one of the model projects in the Cleaner Production Partnership Programme by the Hong Kong Productivity Council. The Group also actively participated in the national and provincial governments' work on energy-saving research and setting environmental standards, including the carbon footprint study by the China National Pulp and Paper Research Institute and the energy efficiency work organized by the Guangdong Paper Association, aiming at reducing manufacturing cost and improving energy efficiency. In terms of the usage of water resources, the Group has improved its sewage treatment system to maintain the recycling rate at 95%, while upgrading the automated production equipment to improve supply chain efficiency. In order to support its green manufacturing, the Group purchased raw materials from pulp suppliers which had International Forest Certification.

As a conscientious enterprise, the Group strives to fulfill its corporate social responsibilities. It has set up "Vinda Charity Foundation" to give care and assistance directly to the needy people in China. The foundation operates such welfare facilities as rest houses and welfare houses, and programmes to take care of those who are living on very low social security benefits and the disabled. The Group also organized volunteer teams regularly to participate in community service. Moreover, the Group has set up the "Vinda Environmental Conservation Scholarship" scheme at the Department of Geography and Resource Management in the Chinese University of Hong Kong to encourage students who are interested in environmental studies to pursue careers in environmental protection in the future. The students are expected to work for the sustainable development of society after they graduated.

Improving Management Performance and Enhancing Human Resources Management

During the year, in order to improve the management performance, strengthen cost control and achieve operating synergies, Vinda Paper (China) Co., Ltd. merged two subsidiaries in Southern China.

The Group recognizes the importance of sound corporate governance to a successful company as well as its business development and shareholder value. Training in corporate governance is organized for the directors and senior management from time to time, and the disclosure system is regularly reviewed so as to improve transparency. To integrate internal control work into daily operations, the Group has established a mechanism to monitor and review the internal control continuously, and has improved the code of practice for each of its departments.

High-caliber staff is the key to the Group's competitiveness and value creation. The Group consistently enhances its human resources management by carrying out performance management reform and organizational restructuring, reorganizing job positions and duties, as well as providing professional training and education subsidies for employees, with an aim of aligning the Group's practices with international standards. As at 31 December 2013, the Group had a total of 7,997 employees. Employee remuneration packages are reviewed regularly and benchmarked to local market conditions as well as the staff's experience and performance to ensure the competitiveness of the Group's remuneration package. Furthermore, the Group operates a share option scheme to attract and retain talents. During the year, the Group granted 1,359,000 share options to its director and employees under the share option scheme.

Foreign Exchange and Fair Value Interest Rate Risk

The majority of the Group's assets and sales business are located in the PRC and Hong Kong. Most of our transactions are denominated and settled in Renminbi while most of the key raw materials are imported from overseas and denominated and paid in US 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 2013, the Group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates.

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.

On 2 May 2012, 16,771,000 share options were granted to the directors and certain employees at an exercise price of HK$14.06 per share. The Group has no legal or constructive obligation to repurchase or settle the options in cash. All the directors and employees accepted the share options.

The options are exercisable during the following periods when the Company meet certain performance conditions as set by the board of directors.

(a) The first tranche of 5,313,000 options are exercisable during the period from 2 May 2012 to 1 May 2022.

(b) The second tranche of 5,729,000 options are exercisable during the period from 2 May 2013 to 1 May 2022.

(c) The third tranche of 5,729,000 options are exercisable during the period from 2 May 2014 to 1 May 2022.

On 2 May 2013, 1,359,000 share options were granted to a director and certain employees at an exercise price of HK$10.34 per share. The Group has no legal or constructive obligation to repurchase or settle the options in cash. All the director and employees accepted the share options.

The options are exercisable during the following periods when the Company meet certain performance conditions as set by the board of directors:

(a) The first tranche of 1,134,000 options are exercisable during the period from 2 May 2013 to 1 May 2023.

(b) The second tranche of 225,000 options are exercisable during the period from 2 May 2014 to 1 May 2023.

On 9 September 2013, SCA Group made a voluntary conditional cash offer to acquire and cancel the outstanding share options. After the close of the cash offer on 11 November 2013, valid acceptances of the option offer have been received in respect of 6,902,000 options. Additionally due to unfulfilled vesting conditions in relation to the financial results for the year ended 31 December 2013, 5,454,000 options were forfeited.

Prospects

China has a huge and fragmented household paper manufacturing industry, which produces products of varying quality. To reduce wastage and standardize the product quality, the Chinese government has determined to eliminate outdated paper production capacity. The market looks set to be consolidated. In view of the fierce market competition, the Group believes that only leading enterprises with strong brands and a sound financial standing can give their brands and economies of scale full play, and hence win out in the market consolidation. Meanwhile, the central government's sweeping urbanization programme, its policy of allowing a couple to have two children if either member of that couple is the only offspring, and the population aging will also stimulate demand for quality household paper and personal care products.

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

1. Brand innovation: to keep revitalizing the Vinda brand;
2. Product innovation: to optimize the product mix and seek breakthroughs in the diversified business;
3. Marketing innovation: to expand e-commerce platforms and sales network;
4. Procurement innovation: to seek synergies in wood pulp procurement;
5. Supply chain innovation: to exploit the asset-light model; and
6. Green innovation: to step up the low-carbon emission programme in its operations and enhance its sustainable development model.

Vinda International, with the concerted effort of both its management team and employees, aspires to be consumers' most preferred household hygiene brand and to deliver the best returns to its shareholders.

Liquidity, Financial Resources and Bank Loans

The Group's financial position remained healthy. In March 2013, the Group concluded a syndicated loan of HK$1 billion with a tenor of 3 years. As at 31 December 2013, the Group's bank and cash balances (including restricted bank deposits of HK$3,567,270 (31 December 2012: HK$6,101,567)) amounted to HK$693,269,919 (31 December 2012: HK$759,688,218), and short-term and long-term loans amounted to HK$2,737,436,782 (31 December 2012: HK$2,069,218,272). 62.3% of the bank borrowings are medium- to long- term (2012: 41.1%). The annual interest rates of bank loans ranged from 1.20% to 6.90%.

As at 31 December 2013, the gearing ratio was 58.9% (31 December 2012: 50.2%), which was calculated on the basis of the amount of total borrowings as a percentage of the total shareholders' equity. The net gearing ratio, which was calculated on the basis of the amount of total borrowings less cash and cash equivalents and restricted bank deposits as a percentage of the total shareholders' equity, was 44.0% (31 December 2012: 31.8%). Total borrowings are defined as the aggregate of short-term and long-term loans and other borrowings.

As at 31 December 2013, unutilized credit facilities amounted to approximately HK$4.82 billion (2012: HK$4.50 billion).

Capital commitments

	As at 31 December	
	2013	2012
	HK$	HK$
Property, plant and equipment and intangible assets	**537,649,164**	549,451,691
Investment in an associate	**20,500,000**	41,000,000
	558,149,164	590,451,691

Final Dividend

The Board has resolved to propose to shareholders the distribution of a final dividend for the year ended 31 December 2013 at HK10.8 cents (2012: HK11.3 cents) totaling HK$107,823,170, subject to approval by shareholders at the annual general meeting (the "AGM") on 20 May 2014. If so approved by shareholders, it is expected that the final dividend will be paid on or about 20 June 2014 to shareholders whose names appear on the register of member of the Company on 3 June 2014.

Closure of Register of Members

The register of members of the Company will be closed from 16 May 2014 to 20 May 2014, 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 15 May 2014.

In addition, the register of members of the Company will be closed from 3 June 2014 to 5 June 2014, 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 transfer 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 30 May 2014.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Biographies of Directors

Executive Directors

Mr. LI Chao Wang (李朝旺), aged 55, is a founder of the Group. He was appointed as an executive Director on 17 August 1999 and has become the Chairman of the Board since 28 April 2000. In his current capacity, he spearheads overall corporate development and strategic planning of the Company. 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. He was honoured with the "Ernst and Young Entrepreneur of the Year 2011 China". Mr. LI is currently a member of Guangdong Political Consultative Committee, vice president of the Household Paper Professional Committee of the China Papers Association, consultant of China Paper Industry Chamber of Commerce, vice president of Guangdong Federation of Industry & Commerce and president of Jiangmen Federation of Industry and Commerce. Mr. LI graduated from Guangdong Radio and Television University's business administration program.

Ms. YU Yi Fang (余毅昉), aged 59, 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 in January 2010 responsible for 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 the manager of financial affairs of the Group. Ms. YU graduated from Guangdong Radio and Television University's accounting program.

Ms. ZHANG Dong Fang (張東方), aged 51, joined Vinda as the Chief Executive Officer (the "CEO") and an executive Director in February 2010. Ms. ZHANG has seasoned management experience gained in multi-national enterprises and the FMCG industry. 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, as well as household products. Ms. ZHANG acted as the managing director of the said group responsible for its business in Greater China from 1998 to 2008. Ms. ZHANG graduated from Guangdong University of Foreign Studies with a bachelor's degree in arts in 1983. She also graduated from International Institute for Management Development (IMD) in Lausanne, Switzerland in 1993 with a diploma in business management.

Mr. DONG Yi Ping (董義平), aged 51, a 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 held several positions in two other paper manufacturing companies. Mr. DONG graduated from the paper manufacturing program of Tianjin University of Science and Technology (previously Tianjin Institute of Light Industry) in 1991 with a master's degree in engineering.

Non-Executive Directors

Mr. Jan Christer JOHANSSON, aged 59, was appointed as a Non-Executive Director on 1 January 2014. Mr. JOHANSSON is the President and CEO of Svenska Cellulosa Aktiebolaget ("SCA"). Prior to joining SCA, from 2001 to 2007, Mr. JOHANSSON was the President and CEO of Boliden AB, a metals company with core competence in the fields of exploration, mining, smelting and metals recycling. In 2001. Mr. JOHANSSON served as the President of Network Operations in Telia AB. From 1994 to 2000, Mr. JOHANSSON was the Executive

Vice President of Vattenfall and, before that from 1990, the Business Area President of Svenska Shell. Mr. JOHANSSON has taken up professional roles like General Counsel in Shell International Petroleum, Svenska Shell and Lycksele and Sunne district courts from 1983 to 1990. Mr. JOHANSSON has a master's degree in laws from Stockholm University, Sweden.

Mr. Jan Lennart PERSSON, aged 66, was appointed as a Non-Executive Director on 1 January 2014. Mr. PERSSON has been the Executive Vice President and Chief Financial Officer of SCA since 2002 and 2004, respectively. Before that, Mr. PERSSON has held different key financial positions within SCA. After leaving the military service from 1966 to 1967, Mr. PERSSON pursued university studies in advanced business administration from 1970 to 1971, and then studied BA courses at Sundsvall University from 1979 to 1984.

Mr. Johann Christoph MICHALSKI, aged 48, was appointed as a Non-Executive Director on 19 April 2008. Since 19 April 2011, Mr. MICHALSKI has been the President of SCA Global Hygiene Category overseeing the global marketing and R&D division of SCA. Previously, Mr. MICHALSKI has been the President of SCA's Asia Pacific business unit based in Shanghai, the PRC since April 2008. Before that, he served as a Senior Vice President of Business Development and Strategic Planning in SCA Headquarters. Prior to joining SCA, he has held a number of senior management positions in the New Zealand dairy group, Fonterra, as well as the global FMCG company, Unilever, since 2001. He has over 20 years of experience in leadership roles in business development and strategy, consumer marketing and product innovation in the consumer goods industry. Mr. MICHALSKI has a master's degree in economics from Kiel University, Germany.

Mr. Ulf Olof Lennart SODERSTROM, aged 50, was appointed as a Non-Executive Director by the Board on 30 March 2011 and is the President of SCA Asia Pacific based in Shanghai. Mr. SODERSTROM joined SCA in 2009 as a Senior Vice President, Business Development and Strategy, responsible for IT, acquisitions, business intelligence and sustainability. He has many years of experience in executive positions. Prior to joining SCA, he served Boliden (a leading European metals company) as the President of Business Area Market responsible for marketing and sales, strategy process, market analysis and corporate communication. His background also includes serving in senior positions at, among other companies, Scania and Forcenergy. Mr. SODERSTROM graduated from the department of economics at the University of Stockholm and received a Master of Business Administration from Stockholm School of Economics.

Independent Non-Executive Directors

Dr. CAO Zhen Lei (曹振雷), aged 55, was appointed as an Independent Non-Executive Director on 19 June 2007. Dr. CAO is the Vice President of 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 the secretary-general of the Standing Committee of China Technical Association of Paper Industry and a senior advisor of 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 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, the PRC, 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 54, was appointed as an Independent Non-Executive Director on 19 June 2007. Mr. Hui has held various positions in several Hong Kong listed companies. Mr. Hui obtained his bachelor's degree in business administration 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. Hui is currently a fellow member of The Hong Kong Institute of Directors.

Mr. TSUI King Fai (徐景輝), aged 64, was appointed as an Independent Non-Executive Director on 19 June 2007. Mr. TSUI is a director and senior consultant of WAG Worldsec Corporate Finance Limited, a registered financial services company in Hong Kong. He has over 30 years of 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 Ltd. He graduated from the University of Houston, Texas, the United States and holds a master of 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 56, 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 is currently a partner of a 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 and Investments Commission. Mr. KAM is also a Justice of the Peace in the State of New South Wales in Australia.

Alternate Directors

Ms. LI Jielin (李潔琳), aged 27, was appointed as the alternate Director to Mr. LI, Ms. YU and Mr. DONG on 1 January 2014. Ms. LI joined Vinda in 2012 as the Managing Director of Vinda Household Paper (Australia) Limited and as the Business Development Manager of Vinda International Holdings Limited, and has been responsible for overseas business development. Prior to joining Vinda, she worked in Orient Capital in Australia as the Client Relations Manager of the South-East Asia Division and subsequently as the Client Relations Manager of the Asia Division. Ms. LI graduated from Macquarie University in 2008 with combined bachelor degrees in accounting and business administration. Ms. LI is the daughter of Mr. LI Chao Wang.

Mr. CHIU Bun (趙賓), aged 38, was appointed as the alternate Director to 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 a general counsel of SCA Asia Pacific based in Shanghai. Mr. CHIU previously worked with international law firms including Clifford Chance, Perkins 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 University College London, a Postgraduate Certificate in Laws (PCLL) from the University of Hong Kong and a master of laws degree from Renmin University of China, Beijing.

Mr. Gert Mikael SCHMIDT, aged 53, was appointed as the alternate Director to Mr. JOHANSSON and Mr. PERSSON on 1 January 2014. Mr. SCHMIDT is the Senior Vice President and general counsel of SCA. Before that, Mr. SCHMIDT was the Vice President and General Counsel of SCA Packaging in Belgium and SCA Forest Products in Sweden respectively from 1994 to 2012. Prior to that, Mr. SCHMIDT was the Assistant General Counsel of SCA from 1992 to 1994. From 1986 to 1992, Mr. SCHMIDT held different positions in the legal profession. He has a master's degree in laws from Uppsala University, Sweden.

Biographies of Senior Management

Ms. TAN Yi Yi (譚奕怡), aged 33, was appointed as the Acting Chief Financial Officer and Company Secretary on 11 September 2013. Ms. TAN began her career in audit in one of the Big Four international accountancy firms. After that, Ms. TAN pursued her career in various public enterprises and gained extensive experience in finance and listing work. She joined the Company in 2012 as the Director of Corporate Finance. Ms. TAN holds a bachelor's degree from the University of Auckland, New Zealand and an MBA from the University of Hong Kong. Ms. TAN is also a member of the Association of Chartered Certified Accountants in the United Kingdom.

Mr. ZHANG Jian (張健), aged 42, is the Chief Operating Officer of the Group. He graduated from Wuyi University in electronic technology, and joined Vinda Paper Group in 1992. He has 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 Guangdong Paper Association.

Mr. Richard SU (蘇洛夫), aged 57, is the Assistant to the CEO of the Group responsible for the centralized material procurement of the Group. Mr. SU obtained his bachelor's degree from Renmin University of China majoring in trade economics in 1983. He joined Vinda Paper Group in 1999 as the Director of Purchase and the Deputy Chief Operating Officer sequentially. He has over 20 years of experience in sourcing and trade management.

Mr. HU Yong Jin (胡永進), aged 40, is the Senior Vice President of Sales & Marketing of the Group taking charge of sales management in China and overseas. 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 a branch manager as well as the deputy general manager and general manager of the Company and the Executive Vice President (sales of southern region) and Vice President of Sales of the Group.

Mr. TANG Hai Tang (湯海棠), aged 43, is the Senior Vice President of Sales & Marketing of the Group responsible for the marketing & media as well as e-commerce 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 the Company's subsidiary, marketing director and Executive Vice President (marketing & media) and Vice President of Sales of the Group etc.

Mr. Michael OUYANG (歐陽和平), age 48, was appointed as our Chief Human Resources Officer in June 2011. 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 an MBA degree from Murdoch University of Australia and a bachelor's degree in arts from Xiangtan University.

Ms. ZHANG Cui Ling (張翠玲), aged 46, is the Director of internal control department of the Group. Ms. ZHANG graduated from Guangdong Mechanical College in industrial management engineering and holds an MBA degree of Wuhan University of Technology. She joined Vinda Paper Group in July 1991 and has served as the manager of finance, purchasing logistics, quality control, and administration department of the Company's subsidiaries.

CORPORATE GOVERNANCE REPORT

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

In order to comply with a new code provision under the Listing Rules which became effective on 1 September 2013, the Board has adopted a policy on board diversity ("Board Diversity Policy"). Pursuant to the Board Diversity Policy, the Board shall consider the benefits of diversity when it reviews the Board composition, in addition to examining whether it has a balance of skills, experience and independence.

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 2013.

Updates on Directors' Information under Rule 13.51B(1) of the Listing Rules

With effect from 1 January 2014, Mr. Jan Christer JOHANSSON and Mr. Jan Lennart PERSSON were appointed as non-executive Directors of the Company. Ms. LI Jielin was appointed as alternate director to Mr. LI Chao Wang, Ms. YU Yi Fang and Mr. DONG Yi Ping. Mr. Gert Mikael SCHMIDT was appointed as alternate director to Mr. Jan Christer JOHANSSON and Mr. Jan Lennart PERSSON.

With effect from 1 January 2014, Mr. LI Chao Wang resigned as an authorised representative of the Company and Ms. ZHANG Dong Fang was appointed as an authorised representative of the Company for the purpose of Rule 3.05 of the Listing Rules on the same day.

Details of the above changes are set out in the announcement of the Company dated 31 December 2013.

Board of Directors

Composition

The board of directors (the "Board") of the Company comprises twelve Directors, four of which are Executive Directors, four 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)*
Ms. YU Yi Fang *(Vice Chairman)*
Ms. ZHANG Dong Fang *(Chief Executive Officer)*
Mr. DONG Yi Ping *(Chief Technology Officer)*

Non-Executive Directors
Mr Jan Christer JOHANSSON *(appointed on 1 January 2014)*
Mr Jan Lennart PERSSON *(appointed on 1 January 2014)*
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 Directors
Ms LI Jielin *(alternate to Mr LI, Ms YU and Mr DONG with effect from 1 January 2014)*
Mr CHIU Bun *(alternate to Mr MICHALSKI and Mr SODERSTROM)*
Mr Gert Mikael SCHMIDT *(alternate to Mr JOHANSSON and Mr PERSSON with effect from 1 January 2014)*

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, except for the fact that Ms. LI Jielin is the daughter of Mr. LI Chao Wang. The Directors' biographical information is set out on pages 26 to 29 under the section headed "Biographies 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 2013, other than resolutions passed in writing by all the Directors, the Board held a total of 17 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)*	12(17)	5(14)
Ms. YU Yi Fang *(Vice Chairman)*	14(17)	10(14)
Ms. ZHANG Dong Fang *(Chief Executive Officer)*	14(17)	2(14)
Mr. DONG Yi Ping *(Chief Technology Officer)*	12(17)	14(14)
Non-Executive Directors		
Mr. Johann Christoph MICHALSKI	13(17)	
Mr. Ulf Olof Lennart SODERSTROM	14(17)	
Mr. CHIU Bun *(alternate to Mr. MICHALSKI and Mr. SODERSTROM)*	13(17)	
Independent Non-Executive Directors		
Dr. CAO Zhen Lei	15(17)	
Mr. KAM Robert	17(17)	
Mr. HUI Chin Tong, Godfrey	16(17)	
Mr. TSUI King Fai	15(17)	

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 CEO 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 judgement 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 2013 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.

Company Secretary

Ms. TAN Yi Yi ("Ms. TAN") was appointed as the company secretary of the Company on 11 September 2013 after the resignation of Mr. TSANG Zee Ho, Paul on the same day. The biographical details of Ms. TAN are set out under the section headed "Biographies of Directors and Senior Management".

In accordance with Rule 3.29 of the Listing Rules, Ms. TAN has taken no less than 15 hours of relevant professional training during the financial year ended 31 December 2013.

Corporate Governance Functions

No corporate governance committee has been established and the Board is responsible for performing the corporate governance functions such as developing and reviewing the Company's policies, practices on corporate governance, training and continuous professional development of directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, etc.

Continuous Professional Development

Each newly appointed director is provided with necessary induction and information to ensure that he has a proper understanding of his responsibilities and duties under the relevant statues, laws, rules and regulations.

During the year, the Company Secretary provided Directors with the latest information on the Listing Rules and other applicable requirements, so as to update and strengthen the Directors' awareness of the development of corporate governance, and maintained records of training participated by the Directors.

The Company has also organised a training session covering Chapter 14A of the Listing Rules for the directors of the Company.

All the directors understand the importance of continuous professional development and are committed to participating any suitable training to develop and refresh their knowledge and skills.

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 New CG Code. 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 2013, the remuneration committee held 5 meetings. 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	5(5)
Mr. HUI Chin Tong, Godfrey	4(5)
Mr. TSUI King Fai	5(5)

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 New CG Code. 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 2013, 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	2(2)
Mr. TSUI King Fai	2(2)
Mr. LI Chao Wang	2(2)

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 New CG Code. The audit committee comprises three 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 2013, 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 2013.

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	1(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 2013 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 2013, 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 53 to 54 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 2013 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 2013 is set out as follows:

	Services rendered Fee paid/payable HK$'000
Audit services	**6,266**
Total:	**6,266**

Shareholders' rights

The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. An annual general meeting of the Company shall be held in each year and at the place as may be determined by the Board. Each general meeting, other than an annual general meeting, shall be called an extraordinary general meeting ("EGM").

Right to convene extraordinary general meeting

Any one or more members holding at the date of the deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company, shall at all times have the right, by written requisition sent to the Board or the company secretary, to require an EGM to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition.

The written requisition must state the purposes of the meeting, signed by the requisitionist(s) and deposit it to the Board or the company secretary of the Company at the Company's principal place of business at Room 506, Tower 1, South Seas Centre, 75 Mody Road, Tsimshatsui East, Kowloon, Hong Kong and such may consist of several documents in like form, each signed by one or more requisitionists.

The request will be verified with the Company's branch share registrars in Hong Kong and upon their confirmation that the request is proper and in order, the company secretary of the Company will ask the Board to convene an EGM by serving sufficient notice in accordance with the statutory requirements to all the registered members. On the contrary, if the request has been verified is not in order, the shareholders will be advised of this outcome and accordingly, an EGM will not be convened as requested. If within twenty-one (21) days from the date of the deposit of the requisition the Board fails to proceed to convene such meeting, the requisitionist(s), may convene a meeting in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed by the Company to the requisitionist(s).

The notice period to be given to all the registered members for consideration of the proposal raised by the requisitionist(s) concerned at the EGM varies according to the nature of the proposal, as follows:

— At least 14 clear days' notice in writing (and not less than 10 business days) if the proposal constitutes an ordinary resolution of the Company;

— At least 21 clear days' notice in writing (and not less than 20 business days) if calling for an annual general meeting or the proposal constitutes a special resolution of the Company in EGM.

Right to put enquiries to the Board

Shareholders have the right to put enquiries to the Board. All enquiries shall be in writing and sent by post to the principal place of business of the Company in Hong Kong for the attention of the company secretary.

Right to put forward proposals at general meetings

There are no provisions allowing shareholders to purpose new resolutions at the general meetings under the Cayman Islands Companies Law (2011 Revision). However, shareholders are requested to follow Article 58 of the Company's Articles of Association for including a resolution at an EGM. The requirements and procedures are set out above. Pursuant to Article 88 of the Company's Articles of Association, no person, other than a director retiring at a meeting, shall, unless recommended by the directors for election, be eligible for appointment as a director at any general meeting unless there shall have been lodged at the head office or at the registration office notice in writing signed by a shareholder (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose that person for election as a director and also notice in writing signed by that person of his willingness to be elected as a director. Unless otherwise determined by the directors and notified by the Company to the shareholders, the period for lodgment of the said notices shall be a seven day period commencing on the day after the dispatch of the notice of the general meeting for such election of director(s) and ending on the date falling seven days after the dispatch of the said notice of the general meeting. The written notice must state that person's biographical details as required by Rule 13.51(2) of the Listing Rules. The procedures for shareholders of the Company to propose a person for election as director is posted on the Company's website.

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.

During the year ended 31 December 2013, there had been no significant change in the Company's constitutional documents.

REPORT OF THE DIRECTORS

The Directors have pleasure in presenting herewith their report together with the audited accounts for the year ended 31 December 2013.

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 11 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 59.

The Directors recommend the payment of a final dividend of HK10.8 cents (2012: HK11.3 cents) per ordinary share, totaling HK$107,823,170 on the 998,362,686 (31 December 2012: 999,382,686) issued shares outstanding as at 31 December 2013.

Reserves

Details of the movements in the reserves of the Group and of the Company during the year ended 31 December 2013 are set out in Note 19 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 17 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 2013, the reserves of the Company available for distribution to shareholders amounted to HK$1,797,883,213 (2012: HK$1,788,120,786), stated in Note 17 and Note 19 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 147 to 148 respectively.

Purchase, Sale or Redemption of Securities

During the year ended 31 December 2013, the Company repurchased a total of 1,500,000 ordinary shares of HK$0.10 each of the Company on the Stock Exchange at an aggregate consideration of HK$11,411,618, together with related expensed. The repurchase of the Company's shares during the year was effected by the Board, pursuant to the repurchase mandate granted by the shareholders, with a view to benefit shareholders as a whole by enhancing the net asset value per share and earning per share of the Company.

Details of the shares repurchased are as follows:

Month of Repurchase	Number of ordinary shares repurchased	Purchase price paid per share		Aggregate consideration paid
		Highest	Lowest	
		HK$	HK$	HK$ million
July 2013	1,500,000	7.77	7.36	11.41

The repurchased shares were subsequently cancelled and the issued share capital of the Company was reduced by nominal value of these shares accordingly.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the year.

Directors

The members of the Board as at the date of this annual report are as follows:

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 Jan Christer JOHANSSON *(appointed on 1 January 2014)*
Mr Jan Lennart PERSSON *(appointed on 1 January 2014)*
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 Directors

Ms LI Jielin *(alternate to Mr LI, Ms YU and Mr DONG with effect from 1 January 2014)*
Mr CHIU Bun *(alternate to Mr MICHALSKI and Mr SODERSTROM)*
Mr Gert Mikael SCHMIDT *(alternate to Mr JOHANSSON and Mr PERSSON with effect from 1 January 2014)*

Biographical Details of Directors and Senior Management

Brief biographical details of Directors and senior management are set out on pages 26 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 45, 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 and a connected person of the Company, 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 ("SCA Hong Kong") 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.

On 3 December 2013, the Company entered into a renewed master supply agreement ("Renewed Master Supply Agreement") with a wholly-owned subsidiary of 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 HA, which are separately covered under a product supply agreement dated 2 January 2013, and (ii) SCA Hong Kong, which is separately covered under a product supply agreement dated 2 January 2013; details of the said agreements are set out in the announcement of the Company dated 2 January 2013) 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 Renewed Master Supply Agreement has a term of 3 years commencing from 1 January 2014 and expiring on 31 December 2016 (both dates inclusive).

The annual caps under the Renewed Master Supply Agreement for the three years ending 31 December 2014, 2015 and 2016 are all HK$7.2 million.

The transactions under the Master Supply Agreement and the Renewed 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 and the Renewed Master Supply Agreement were only subject to the reporting, announcement and annual review requirements and exempt from the independent shareholders' approval requirements 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 Hong Kong) under the Master Supply Agreement are as follows:

Continuing connected transactions	**Proposed cap for the year ended 31 December 2013**	**Actual transaction amount for the year ended 31 December 2013**
	HK$	HK$
Sales of goods by the Group to SCA Trading (Shanghai) Co. Ltd.	7,200,000	1,490,451

B) On 2 January 2013, 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 controls the exercise of over 30% of the voting power at general meetings of SCA HA, SCA HA are therefore considered as connected persons of the Company.

The Renewed Master Supply Agreement has a term of 3 years commencing from 1 January 2013 and expiring on 31 December 2015.

The annual caps under the Renewed Master Supply Agreement for the three years ending 31 December 2013, 2014 and 2015 are HK$30 million, HK$36 million and HK$43.2 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 5%, the continuing connected transactions contemplated under the Renewed Supply Agreement were only subject to the reporting, announcement and annual review requirements and exempt from the independent shareholders' approval requirements 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 2013** HK$	**Actual transaction amount for the year ended 31 December 2013** HK$
Sales of goods by the Group to SCA HA	30,000,000	13,858,556

C) On 2 January 2013, Vinda Paper Industrial (H.K.) Co. Limited ("Vinda Hong Kong") and Vinda Paper (Guangdong) Company Limited ("Vinda Guangdong"), both wholly-owned subsidiaries of the Company entered into a renewed product supply agreement ("Renewed Product Supply Agreement") with SCA Hong Kong, a connected person of the Company. Pursuant to the provisions of the Renewed Product Supply Agreement, Vinda Hong Kong has agreed to manufacture tissue paper handkerchief products under the trademarks owned by SCA and its subsidiaries (the "Products") by way of processing trade. The raw and auxiliary materials, packaging materials and certain specified tools will be provided and imported (to the PRC) by SCA Hong Kong. Vinda Hong Kong will manufacture the Products and export the finished Products to SCA Hong Kong or its affiliates, who will be responsible for the sale of the finished Products. SCA Hong Kong will bear the costs for transportation, customs clearance and insurance in relation to the delivery of the Products.

The Renewed Product Supply Agreement has a term of 3 years commencing from 1 January 2013 and expiring on 31 December 2015.

The annual caps under the Renewed Product Supply Agreement for the three years ending 31 December 2013, 2014 and 2015 are HK$16 million, HK$19.2 million and HK$23.04 million respectively.

The transactions under the Renewed 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 Renewed Product Supply Agreement was less than 5%, the continuing connected transactions under the Renewed Product Supply Agreement were subject to reporting, announcement and annual review requirements exempt from the independent shareholders' approval requirements 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 2013** HK$	**Actual transaction amount for the year ended 31 December 2013** HK$
Processing trade by the Group to SCA Hong Kong	16,000,000	6,343,002

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 of the Company. 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.

On 27 March 2012, a wholly-owned subsidiary of the Company entered into a second lease agreement (the "Second Lease Agreement") with the Landlord. Pursuant to the Second Lease Agreement, the Landlord has agreed to lease to the Group a 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 the Second Lease Agreement and ending on the date on which the Lease Agreement expires with an initial fixed annual rental of RMB16,800,000 until 31 December 2014.

The annual caps in relation to the rental under the Second Lease Agreement for the three years ending 31 December 2012, 2013 and 2014 are RMB8,400,000, RMB16,800,000 and RMB16,800,000 respectively.

The transactions under the Lease Agreement and the Second 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 aggregated annual caps for the Lease Agreement and the Second Lease Agreement was less than 5%, the continuing connected transactions contemplated under the Lease Agreement and the Second Lease Agreement were only subject to the reporting, announcement and annual review requirements and exempt from the independent shareholders' approval requirements under Rule 14A.34 of the Listing Rules.

Continuing connected transactions	Proposed cap for the year ended 31 December 2013	Actual transaction amount for the year ended 31 December 2013
Lease Agreement	RMB29,000,000	RMB25,572,727
Second Lease Agreement	RMB16,800,000	RMB15,400,000

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

As at 31 December 2013, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code contained in Appendix 10 of the Listing Rules were as follows:

Long Positions In Shares, Underlying Shares And Debentures

Name	Company name of associated corporations	Nature of interest	Number of Shares	Number of underlying Shares[4]	Aggregate interest	Approximate percentage of interest
Li Chao Wang [1]	The Company	Interest of controlled company Personal	216,341,581 Shares 936,000 Shares			
			217,277,581 Shares	1,998,000	219,275,581	21.96%
	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%

Name	Company name of associated corporations	Nature of interest	Number of Shares	Number of underlying Shares[4]	Aggregate interest	Approximate percentage of interest
Yu Yi Fang [2]	The Company	Interest of controlled company Personal	216,341,581 Shares 9,088,000 Shares			
			225,429,581 Shares	240,000	225,669,581	22.60%
	Fu An International Company Limited	Interest of controlled company	60 shares of US$1.00 each	—	—	15.79%
	Join Pride International Limited	Interest of controlled company	10 shares of US$1.00 each	—	—	100%
Dong Yi Ping [3]	The Company	Interest of controlled company Personal	216,341,581 Shares 9,038,000 Shares			
			225,379,581 Shares	240,000	225,619,581	22.60%
	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%
Zhang Dong Fang	The Company	Personal	—	1,998,000	1,998,000	0.20%
Johann Christoph Michalski	The Company	Personal	—	220,000	220,000	0.02%
Ulf Olof Lennart Soderstrom	The Company	Personal	—	220,000	220,000	0.02%
Cao Zhen Lei	The Company	Personal	—	140,000	140,000	0.01%
Kam Robert	The Company	Personal	—	220,000	220,000	0.02%
Hui Chin Tong, Godfrey	The Company	Personal	100,000	220,000	320,000	0.03%
Tsui King Fai	The Company	Personal	—	140,000	140,000	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 LI Chao Wang.

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 YU Yi Fang.

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 DONG Yi Ping.

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, 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 2013 are as follows:

				Number of Shares issuable under the options					
	Date of Grant	Exercise price per Share HK$	as at 1/1/2013	granted during the period	exercised during the period	forfeited during the period	cancelled during the period	as at 31/12/2013	Exercise period
Directors									
Li Chao Wang	02/05/2012	14.06	999,000	—	—	—	—	999,000	(Note 3)
	02/05/2013	10.34	—	999,000	—	—	—	999,000	02/05/2013 to 01/05/2023
Yu Yi Fang	02/05/2012	14.06	360,000	—	—	(120,000)	—	240,000	(Note 3)
Zhang Dong Fang	15/04/2010	5.42	3,000,000	—	—	—	(3,000,000)	—	(Note 1)
	15/04/2011	8.648	936,000	—	—	—	(936,000)	—	15/04/2011 to 14/04/2021
	02/05/2012	14.06	2,997,000	—	—	(999,000)	—	1,998,000	(Note 3)
Dong Yi Ping	02/05/2012	14.06	360,000	—	—	(120,000)	—	240,000	(Note 3)
Johann Christoph Michalski	15/04/2011	8.648	80,000	—	—	—	—	80,000	15/04/2011 to 14/04/2021
	02/05/2012	14.06	210,000	—	—	(70,000)	—	140,000	(Note 3)
Ulf Olof Lennart Soderstrom	15/04/2011	8.648	80,000	—	—	—	—	80,000	15/04/2011 to 14/04/2021
	02/05/2012	14.06	210,000	—	—	(70,000)	—	140,000	(Note 3)
Cao Zhen Lei	15/04/2011	8.648	80,000	—	—	—	(80,000)	—	15/04/2011 to 14/04/2021
	02/05/2012	14.06	210,000	—	—	(70,000)	—	140,000	(Note 3)
Kam Robert	15/04/2011	8.648	80,000	—	—	—	—	80,000	15/04/2011 to 14/04/2021
	02/05/2012	14.06	210,000	—	—	(70,000)	—	140,000	(Note 3)
Hui Chin Tong, Godfrey	15/04/2011	8.648	80,000	—	—	—	—	80,000	15/04/2011 to 14/04/2021
	02/05/2012	14.06	210,000	—	—	(70,000)	—	140,000	(Note 3)
Tsui King Fai	15/04/2011	8.648	80,000	—	—	—	(80,000)	—	15/04/2011 to 14/04/2021
	02/05/2012	14.06	210,000	—	—	(70,000)	—	140,000	(Note 3)
Employees of the Group									
In aggregate	24/02/2009	2.98	2,946,000	—	(280,000)	(15,000)	(2,191,000)	460,000	(Note 2)
	15/04/2011	8.648	2,205,000	—	(200,000)	—	(600,000)	1,405,000	15/04/2011 to 14/04/2021
	02/05/2012	14.06	10,300,000	—	—	(3,950,000)	—	6,350,000	(Note 3)
	02/05/2013	10.34	—	360,000	—	(210,000)	(15,000)	135,000	(Note 4)
Sum			25,843,000	1,359,000	(480,000)	(5,834,000) (Note 5)	(6,902,000) (Note 6)	13,986,000	

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.

Note 3: (i) up to 32% on or after 2 May 2012.
(ii) up to 66% on or after 2 May 2013.
(iii) all the remaining options on or after 2 May 2014.
and in each case, not later than 1 May 2022.
Vesting condition for (ii) — on condition that the Board of Directors has confirmed that the Company has met the 2012 (or combined 2012 and 2013) income and profit performance benchmarks as set by the Board and that the performance appraisal of the grantee has satisfied the requirements of the management of the Company.
Vesting condition for (iii) — on condition that the Board of Directors has confirmed that the Company has met the 2013 income and profit performance benchmarks as set by the Board and that the performance appraisal of the grantee has satisfied the requirements of the management of the Company.

Note 4: (i) The first tranche of 135,000 options are exercisable from 2 May 2013 to 1 May 2023.
(ii) The second tranche of 225,000 options are exercisable from 2 May 2014 to 1 May 2023 on the condition that the Board of Directors has confirmed that the Company has met the 2013 income and profit performance benchmarks as set by the Board and that the performance appraisal of the grantee has satisfied the requirements of the management of the Company. As vesting condition was not met, options for this tranche were forfeited.

Note 5: 380,000 options were forfeited due to employee resignation. 5,454,000 options were forfeited due to unfulfilled vesting conditions in relation to the financial results for the year ended 31 December 2013.

Note 6: On 9 September 2013, SCA Group made a voluntary conditional cash offer to acquire and cancel the outstanding share options. After the close of the cash offer on 11 November 2013, valid acceptances of the option offer have been received in respect of 6,902,000 options.

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 2013, the interests and short positions of the substantial shareholders of the Company in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Long positions in shares and underlying shares

Name of shareholder	Nature of interest	Interest in Shares	Interest in underlying shares [4]	Aggregate interest	Percentage of issued share capital
Long position					
SCA Hygiene Holding AB	Beneficial owner	119,431,897	—	119,431,897	11.96%
SCA Group Holding BV [1]	Interest of controlled company	119,431,897	—		
	Beneficial owner	393,768,528	—	513,200,425	51.40%
Svenska Cellulosa Aktiebolaget [1]	Interest of controlled company	513,200,425	—	513,200,425	51.40%
Fu An International Company Limited	Beneficial owner	216,341,581	—	216,341,581	21.67%
Sentential Holdings Limited [2]	Interest of controlled company	216,341,581	—	216,341,581	21.67%
Li Chao Wang [2]	Interest of controlled company	216,341,581			
	Personal	936,000	1,998,000	219,275,581	21.96%
Nordinvest AB	Beneficial owner	97,000,000	—	97,000,000	9.72%
Floras Kulle AB [3]	Interest of controlled company	97,000,000	—	97,000,000	9.72%
AB Industrivarden (publ) [3]	Interest of controlled company	97,000,000	—	97,000,000	9.72%

Notes:

1. These Shares are registered in the name of SCA Group Holding BV (for 393,768,528 shares) and SCA Hygiene Holding AB (for 119,431,897 shares) 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 Group Holding BV and SCA Hygiene Holding AB.

2. These Shares are registered in the name of Fu An International Company Limited which is held as to 74.21% by Sentential Holdings Limited, 15.79% by Join Pride International Limited and 10.00% by Daminos Management Limited. The entire issued share capital of Sentential Holdings Limited is held by LI Chao Wang. Under the SFO, Sentential Holdings Limited and LI Chao Wang are all deemed to be interested in the Shares held by Fu An International Company Limited.

3. These Shares are registered in the name of Nordinvest AB which is indirectly wholly-owned by AB Industrivarden (publ). Under the SFO, Floras Kulle AB and AB Industrivarden (publ) are deemed to be interested in the Shares held by Nordinvest AB.

4. Details of share options held by the directors are shown in the section of "Share Option 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 14.83%.

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

—	the largest supplier	10.6%
—	five largest suppliers combined	43.0%

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 2014

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 55 to 146, which comprise the consolidated and company balance sheets as at 31 December 2013, 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.

PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
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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.

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 2013, 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 2014

CONSOLIDATED BALANCE SHEET

As at 31 December 2013

	Note	As at 31 December 2013 HK$	2012 HK$
ASSETS			
Non-current assets			
Property, plant and equipment	7	**5,101,881,171**	3,987,486,971
Leasehold land and land use rights	6	**290,468,442**	185,167,942
Intangible assets	8	**21,235,148**	12,954,724
Deferred income tax assets	22	**204,808,552**	175,685,073
Investment property	9	**32,427,614**	32,435,570
Investment in an associate	10	**58,757,692**	64,357,657
		5,709,578,619	4,458,087,937
Current assets			
Inventories	12	**1,642,844,200**	1,446,576,241
Trade receivables, other receivables and prepayments	14	**1,286,276,545**	1,115,984,965
Prepayments to and receivables from related parties	36(c)	**40,961,155**	42,303,573
Restricted bank deposits	15	**3,567,270**	6,101,567
Cash and cash equivalents	16	**689,702,649**	753,586,651
		3,663,351,819	3,364,552,997
Total assets		**9,372,930,438**	7,822,640,934
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	17	**99,836,269**	99,938,269
Share premium	17	**1,676,529,981**	1,668,318,024
Other reserves	19		
— Proposed final dividend		**107,823,170**	112,930,244
— Others		**2,762,686,977**	2,237,731,131
Total equity		**4,646,876,397**	4,118,917,668

CONSOLIDATED BALANCE SHEET

As at 31 December 2013

	Note	As at 31 December 2013 HK$	2012 HK$
LIABILITIES			
Non-current liabilities			
Borrowings	21	**1,705,003,809**	850,317,747
Deferred government grants	23	**102,873,484**	100,597,180
Derivative financial instruments	24	**—**	15,070,503
Deferred income tax liabilities	22	**7,222,427**	4,491,714
		1,815,099,720	970,477,144
Current liabilities			
Trade payables, other payables and accrued expenses	20	**1,820,064,171**	1,423,017,885
Borrowings	21	**1,032,432,973**	1,218,900,525
Derivative financial instruments	24	**12,918,422**	—
Due to a related party	36(c)	**5,217,791**	2,144,516
Current income tax liabilities		**40,320,964**	89,183,196
		2,910,954,321	2,733,246,122
Total liabilities		**4,726,054,041**	3,703,723,266
Total equity and liabilities		**9,372,930,438**	7,822,640,934
Net current assets		**752,397,498**	631,306,875
Total assets less current liabilities		**6,461,976,117**	5,089,394,812

The financial statements were approved by the Board of Directors on 27 March 2014 and were signed on its behalf

LI Chao Wang
Director

ZHANG Dong Fang
Director

The notes on pages 62 to 146 are an integral part of these consolidated financial statements.

COMPANY BALANCE SHEET

As at 31 December 2013

	Note	As at 31 December 2013 HK$	2012 HK$
ASSETS			
Non-current assets			
Investments in and balances with subsidiaries	11	**1,367,628,590**	1,327,418,694
Current assets			
Trade receivables, other receivables and prepayments		**1,539,545**	247,333
Dividends receivable		**104,396,377**	139,625,183
Due from subsidiaries	36(c)	**1,320,363,703**	1,403,318,036
Cash and cash equivalents	16	**3,788,219**	2,737,595
		1,430,087,844	1,545,928,147
Total assets		**2,797,716,434**	2,873,346,841
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	17	**99,836,269**	99,938,269
Share premium	17	**1,676,529,981**	1,668,318,024
Other reserves	19		
— Proposed final dividend		**107,823,170**	112,930,244
— Others		**359,627,376**	282,867,093
Total equity		**2,243,816,796**	2,164,053,630

COMPANY BALANCE SHEET

As at 31 December 2013

		As at 31 December	
		2013	2012
	Note	**HK$**	HK$
LIABILITIES			
Non-current liabilities			
Borrowings	21	**149,618,974**	447,029,840
Derivative financial instrument	24	**—**	5,616,124
		149,618,974	452,645,964
Current liabilities			
Other payables and accrued expenses	20	**1,195,416**	3,317,962
Borrowing	21	**299,237,950**	253,329,285
Derivative financial instrument	24	**1,681,819**	—
Due to subsidiaries	36(c)	**97,985,579**	—
Current income tax liabilities		**4,179,900**	—
		404,280,664	256,647,247
Total liabilities		**553,899,638**	709,293,211
Total equity and liabilities		**2,797,716,434**	2,873,346,841
Net current assets		**1,025,807,180**	1,289,280,900
Total assets less current liabilities		**2,393,435,770**	2,616,699,594

The financial statements were approved by the Board of Directors on 27 March 2014 and were signed on its behalf

LI Chao Wang
Director

ZHANG Dong Fang
Director

The notes on pages 62 to 146 are an integral part of this financial statement.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2013

	Note	For the year ended 31 December 2013 HK$	2012 HK$
Revenue	5	**6,797,959,594**	6,024,046,812
Cost of sales	26	**(4,826,278,040)**	(4,169,104,798)
Gross profit		**1,971,681,554**	1,854,942,014
Selling and marketing costs	26	**(945,647,960)**	(770,366,428)
Administrative expenses	26	**(371,666,865)**	(367,866,260)
Other income and gains — net	25	**58,091,368**	58,407,732
Operating profit		**712,458,097**	775,117,058
Interest income	28	**3,792,450**	7,402,715
Foreign exchange gain — net	28	**43,978,603**	208,243
Finance costs	28	**(60,762,712)**	(48,322,993)
Finance costs — net	28	**(12,991,659)**	(40,712,035)
Share of post-tax loss of an associate	10	**(26,976,817)**	(15,934,119)
Profit before income tax		**672,489,621**	718,470,904
Income tax expense	29(a)	**(129,581,932)**	(181,909,149)
Profit attributable to equity holders of the Company		**542,907,689**	536,561,755
Other comprehensive income:			
Items that may be reclassified to profit or loss			
Currency translation differences		**136,338,309**	(357,577)
Hedging reserve	19	**4,588,901**	(2,808,603)
Total comprehensive income attributable to equity holders of the Company		**683,834,899**	533,395,575
Earnings per share for profit attributable to the equity holders of the Company for the year (expressed in HK$ per share)			
— basic	32	**0.543**	0.546
— diluted	32	**0.542**	0.541

The notes on pages 62 to 146 are an integral part of these consolidated financial statements.

	Note	For the year ended 31 December 2013 HK$	2012 HK$
Dividends	33	**155,744,579**	155,903,701

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

		Attributable to equity holders of the Company			
	Note	Share capital HK$	Share premium HK$	Other reserves HK$	Total HK$
Balance at 1 January 2012		93,818,369	1,119,423,427	1,925,352,703	3,138,594,499
Profit for the year		—	—	536,561,755	536,561,755
Other comprehensive income					
— Currency translation differences		—	—	(357,577)	(357,577)
— Hedging reserve		—	—	(2,808,603)	(2,808,603)
Total comprehensive income for 2012		—	—	533,395,575	533,395,575
Transaction with owners					
Employees share option scheme					
— Value of employee services	19	—	—	46,225,333	46,225,333
— Exercise of share options	17, 19	1,986,000	88,099,125	(24,350,117)	65,735,008
Allotment of shares	17	4,200,000	468,712,479	—	472,912,479
Repurchases and cancellation of shares	17	(66,100)	(7,917,007)	—	(7,983,107)
Dividends	33	—	—	(129,962,119)	(129,962,119)
Transaction with owners		6,119,900	548,894,597	(108,086,903)	446,927,594
Balance at 31 December 2012		99,938,269	1,668,318,024	2,350,661,375	4,118,917,668
Balance at 1 January 2013		**99,938,269**	**1,668,318,024**	**2,350,661,375**	**4,118,917,668**
Profit for the year		**—**	**—**	**542,907,689**	**542,907,689**
Other comprehensive income					
— Currency translation differences		**—**	**—**	**136,338,309**	**136,338,309**
— Hedging reserve		**—**	**—**	**4,588,901**	**4,588,901**
Total comprehensive income for 2013		**—**	**—**	**683,834,899**	**683,834,899**
Transaction with owners					
Employees share option scheme					
— Value of employee services	19	**—**	**—**	**13,857,000**	**13,857,000**
— Exercise of share options	17, 19	**48,000**	**3,413,728**	**(897,728)**	**2,564,000**
— Cancellation of options	18	**—**	**16,059,847**	**(16,059,847)**	**—**
Repurchases and cancellation of shares	17	**(150,000)**	**(11,261,618)**	**—**	**(11,411,618)**
Dividends	33	**—**	**—**	**(160,885,552)**	**(160,885,552)**
Transaction with owners		**(102,000)**	**8,211,957**	**(163,986,127)**	**(155,876,170)**
Balance at 31 December 2013		**99,836,269**	**1,676,529,981**	**2,870,510,147**	**4,646,876,397**

The notes on pages 62 to 146 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2013

		For the year ended 31 December	
		2013	2012
	Note	**HK$**	HK$
Cash flows from operating activities			
Cash generated from operations	34(a)	**1,159,819,779**	1,020,976,359
Interest paid		**(99,608,419)**	(63,739,339)
Income tax paid		**(240,600,119)**	(217,100,035)
Net cash generated from operating activities		**819,611,241**	740,136,985
Cash flows used in investing activities			
Additional investment in an unlisted associate	10	**(20,500,000)**	(20,500,000)
Purchase of property, plant and equipment		**(1,269,410,002)**	(1,216,880,570)
Proceeds from disposal of property, plant and equipment	34(b)	**2,205,121**	657,435
Proceeds from sales of land use rights	6	**—**	34,977,264
Payment for leasehold land and land use rights	6	**(103,571,890)**	(20,902,852)
Purchase of intangible assets		**(13,493,666)**	(5,814,312)
Interest received		**3,792,450**	7,402,715
Net cash used in investing activities		**(1,400,977,987)**	(1,221,060,320)
Cash flows generated from financing activities			
Proceeds from shares issued		**2,564,000**	538,647,487
Proceeds from borrowings		**2,615,235,041**	1,604,439,718
Repayments of borrowings		**(1,939,632,724)**	(1,487,240,556)
Repurchase and cancellation of shares	17	**(11,411,618)**	(7,983,107)
Dividends paid	33	**(160,885,552)**	(129,962,119)
Net cash generated from financing activities		**505,869,147**	517,901,423
Net (decrease)/increase in cash and cash equivalents		**(75,497,599)**	36,978,088
Effect of foreign exchange rate changes		**11,613,597**	1,996,842
Cash and cash equivalents, beginning of the year	16	**753,586,651**	714,611,721
Cash and cash equivalents, end of the year	16	**689,702,649**	753,586,651

The notes on pages 62 to 146 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

1 General Information

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

The Company acts as an investment holding company and provides management as well as financial support services to its subsidiaries. The principal activities of the subsidiaries are set out in Note 11. 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.

On 9 September 2013, SCA Group Holding BV ("SCA BV") made a voluntary conditional cash offer to acquire all outstanding shares of the Company. The cash offer was finally closed on 11 November 2013. After the close of the cash offer, SCA BV and SCA Hygiene Holdings AB (together, the "SCA Group") became the substantial shareholder of the Company.

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 2014.

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 the revaluation of 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) New and amended standards adopted by the Group

The following new and amended standards are mandatory for the first time for the financial year beginning 1 January 2013:

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

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

HKFRS 12 "Disclosure of interests in other entities" is effective for annual periods beginning on or after 1 January 2013. HKFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

HKFRS 13 "Fair value measurements" is effective for annual periods beginning on or after 1 January 2013. HKFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs.

2 Summary of significant accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

2.1.1 Changes in accounting policy and disclosures *(continued)*

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

		Effective for annual periods beginning on or after
HKAS 1 (Amendment)	First time adoption, on government loans	1 January 2013
HKAS 16	Property plant and equipment	1 January 2013
HKAS 19 (Amendment)	Employee benefits	1 January 2013
HKAS 27 (Revised 2011)	Separate financial statements	1 January 2013
HKAS 28 (Revised 2011)	Associates and joint ventures	1 January 2013
HKAS 32	Financial instruments: Presentation	1 January 2013
HKFRS 7 (Amendment)	Financial instruments: Disclosures — Offsetting financial assets and financial liabilities	1 January 2013
HKFRS 11 (Amendment)	Transition guidance	1 January 2013
HKFRS 11	Joint arrangements	1 January 2013
HKFRIC 20	Stripping costs in the production phase of a surface mine	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)*

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

		Effective for annual periods beginning on or after
HKAS 32 (Amendment)	Financial instruments: Presentation — Offsetting financial assets and financial liabilities	1 January 2014
Amendments to HKAS 36	Impairment of assets	1 January 2014
Amendments to HKAS 39	Financial instruments: Recognition and measurement, on novation of derivatives	1 January 2014
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (revised 2011)	Investment entities	1 January 2014
HK (IFRIC) Interpretation 21	Levies	1 January 2014
Amendments to HKAS 19	Defined benefit plans	1 July 2014
HKFRS 9	Financial Instruments: Classification and measurement	1 January 2015
Amendments to HKFRS 9	Financial instruments, regarding general hedge accounting	To be determined

The Group is assessing the full impact of the amendments and standards, and according to the preliminary assessment, there is no significant impact on the consolidated financial statements. The Group intends to adopt the amendments no later than the respective effective dates of the amendments.

2 Summary of significant accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

2.1.1 Changes in accounting policy and disclosures *(continued)*

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

Apart from the above, the HKICPA has issued the annual improvements project which addresses several issues in the 2011–2013 reporting cycle, and includes changes to the following standards. The Group has not applied the following revised HKFRSs published in the annual improvements project.

		Effective for annual periods beginning on or after
HKFRS 1	First time adoption	1 July 2014
HKFRS 3	Business Combinations	1 July 2014
HKFRS 13	Fair value measurement	1 July 2014
HKAS 40	Investment property	1 July 2014

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

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 Subsidiaries *(continued)*

2.2.1 Consolidation *(continued)*

Business combinations (continued)

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

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 IAS/HKAS 39 either in profit or loss 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.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement (Note 2.8).

Intra-group transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

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 Summary of significant accounting policies *(continued)*

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.

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 Summary of significant accounting policies *(continued)*

2.4 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 and assessing performance of the operating segments, has been identified as the executive committee that makes strategic decisions.

2.5 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 or valuation where items are re-measured. 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;

2 Summary of significant accounting policies *(continued)*

2.5 Foreign currency translation *(continued)*

(c) Group companies (continued)

(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.

(d) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the group's ownership interest in associates or joint ventures that do not result in the group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

2.6 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. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated statement of comprehensive income during the financial period in which they are incurred.

2 Summary of significant accounting policies *(continued)*

2.6 Property, plant and equipment *(continued)*

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 to 5 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 2.10).

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

2.7 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 Summary of significant accounting policies *(continued)*

2.8 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.

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).

2.9 Investment property

Investment property, principally comprising leasehold factory buildings, is held for long-term rental yields. Investment property is measured at cost, including related transaction costs and where applicable borrowing costs.

2 Summary of significant accounting policies *(continued)*

2.10 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.

2.11 Financial assets

2.11.1 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', 'receivables due from related parties' and 'cash and cash equivalents' in the balance sheet (notes 2.14 and 2.15).

2 Summary of significant accounting policies *(continued)*

2.11 Financial assets *(continued)*

2.11.2 Recognition and measurement

Regular 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.

2.11.3 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.

2 Summary of significant accounting policies *(continued)*

2.11 Financial assets *(continued)*

2.11.3 Impairment of financial assets *(continued)*

For loans and receivables category, 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.

2.12 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).

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 24.

2 Summary of significant accounting policies *(continued)*

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

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'.

2.13 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.

2.14 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.

2.15 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 Summary of significant accounting policies *(continued)*

2.16 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.

2.17 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.

2.18 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 consolidated statement of comprehensive income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

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.

General and specific borrowing costs and related exchange gain/(losses) 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 Summary of significant accounting policies *(continued)*

2.19 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. In this case the tax is also 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 associates, except for deferred income tax liability 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)*

2.19 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.

2.20 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, each of 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$1,250 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.

2 Summary of significant accounting policies *(continued)*

2.20 Employee benefits *(continued)*

(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.

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.

2.21 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 fair value is estimated for the purpose of recognising the expense during the period between service commencement period and grant date.

2 Summary of significant accounting policies *(continued)*

2.21 Share-based payments *(continued)*

At the end of each reporting period, the Group 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 expense for such services rendered by the relevant employee, unless if such expenses are not recharged to the relevant subsidiary, in which case they would be treated as an increase to investment in subsidiary undertakings, with a corresponding credit to equity on the Company's financial statements.

2.22 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 Summary of significant accounting policies *(continued)*

2.23 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.

2.24 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts returns and value added taxes ("VAT"). 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 of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sales of goods

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

2 Summary of significant accounting policies *(continued)*

2.24 Revenue recognition *(continued)*

(b) Interest income

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

(c) Dividend income

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

2.25 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.

2.26 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.

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 Summary of significant accounting policies *(continued)*

2.27 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

2.28 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 minimise potential adverse effects on the Group's financial performance.

3 Financial risk management *(continued)*

3.1 Financial risk factors *(continued)*

(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 16), restricted bank deposits (Note 15), trade and other receivables (Note 14), trade and other payables (Note 20), borrowings (Note 21) and due from/to related parties (Note 36(c)), certain of which are denominated in United States dollar (the "US$"), HK$ (pegged with US$) and Australian dollar (the "AU$").

As at 31 December 2013 and 2012, 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:

	2013 HK$	2012 HK$
For the year ended:		
Post-tax profit increase/(decrease)		
— Strengthened by 10%	**55,876,523**	54,411,603
— Weakened by 10%	**(55,876,523)**	(54,411,603)
As at:		
Owners' equity increase/(decrease)		
— Strengthened by 10%	**55,876,523**	54,411,603
— Weakened by 10%	**(55,876,523)**	(54,411,603)

3 Financial risk management *(continued)*

3.1 Financial risk factors *(continued)*

(a) Market risk *(continued)*

(i) Foreign exchange risk (continued)

As at 31 December 2013 and 2012, 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, trade and other receivables, trade and other payables, borrowings and due from/to related parties. Details of the changes are as follows:

	2013 **HK$**	2012 HK$
For the year ended: Post-tax profit increase/(decrease) — Strengthened by 10%	**170,240,544**	92,050,953
— Weakened by 10%	**(170,240,544)**	(92,050,953)
As at: Owners' equity increase/(decrease) — Strengthened by 10%	**170,240,544**	92,050,953
— Weakened by 10%	**(170,240,544)**	(92,050,953)

3 Financial risk management *(continued)*

3.1 Financial risk factors *(continued)*

(a) Market risk *(continued)*

(i) Foreign exchange risk (continued)

As at 31 December 2013 and 2012, the Group hedged the foreign exchange risk on bank borrowings denominated in AU$ to HK$ with cross currency swap (Note 24(a)). In terms of this hedge instrument, 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:

	2013 HK$	2012 HK$
For the year ended: Post-tax profit increase/(decrease) — Strengthened by 10%	**4,696,875**	10,959,375
— Weakened by 10%	**(4,696,875)**	(10,959,375)
As at: Owners' equity increase/(decrease) — Strengthened by 10%	**4,696,875**	10,959,375
— Weakened by 10%	**(4,696,875)**	(10,959,375)

(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 21.

3 Financial risk management *(continued)*

3.1 Financial risk factors *(continued)*

(a) Market risk *(continued)*

(ii) Cash flow and fair value interest rate risk (continued)

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 2013 and 2012, 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:

	2013 **HK$**	2012 HK$
For the year ended: Post-tax profit (decrease)/increase — 10 basis points higher	**(1,258,806)**	(419,355)
— 10 basis points lower	**1,258,806**	419,355
As at: Owners' equity (decrease)/increase — 10 basis points higher	**(1,258,806)**	(419,355)
— 10 basis points lower	**1,258,806**	419,355

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 2013 and 2012, 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.

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.

3 Financial risk management *(continued)*

3.1 Financial risk factors *(continued)*

(c) Liquidity risk *(continued)*

	On demand HK$	Less than 1 year HK$	Between 1 and 2 years HK$	Between 2 and 5 years HK$
As at 31 December 2013				
Term loans subject to a repayment on demand clause	**178,869,794**	**—**	**—**	**—**
Other bank loans	**—**	**853,563,179**	**1,007,025,292**	**690,687,751**
Other borrowings	**—**	**—**	**7,290,766**	**—**
Interests payable on borrowings (i)	**6,010,544**	**66,824,577**	**29,396,965**	**6,315,957**
Trade payables	**—**	**1,113,007,617**	**—**	**—**
Other payables	**—**	**294,694,434**	**—**	**—**
As at 31 December 2012				
Term loans subject to a repayment on demand clause	77,250,000	—	—	—
Other bank loans	—	1,141,650,525	707,704,776	135,529,918
Other borrowings	—	—	—	7,083,053
Interests payable on borrowings (i)	3,063,585	48,736,569	28,764,416	3,920,859
Trade payables	—	731,309,628	—	—
Other payables	—	308,415,053	—	—

(i) The interest on borrowings is calculated based on borrowings held as at 31 December 2013 and 2012 without taking account of future issues. The Group has entered into certain interest rate swap ("IRS") contracts to fix the floating-rate into a fixed rate (Note 24), and the interest on such borrowings is calculated using the fixed rate in the IRS contract. Floating-rate interest is estimated using interest rate prevailing as at 31 December 2013 and 2012 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 net gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated balance sheet) less cash and cash equivalents and restricted bank deposits.

The net gearing ratios at 31 December 2012 and 2013 were as follows:

	As at 31 December	
	2013	2012
	HK$	HK$
Total borrowings (Note 21)	**2,737,436,782**	2,069,218,272
Less: Cash and cash equivalents (Note 16)	**(689,702,649)**	(753,586,651)
Restricted bank deposits (Note 15)	**(3,567,270)**	(6,101,567)
Net debt	**2,044,166,863**	1,309,530,054
Total equity	**4,646,876,397**	4,118,917,668
Net gearing ratio	**43.99%**	31.79%

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 liabilities that are measured at fair value at 31 December 2013.

	Level 1	**Level 2**	**Level 3**	**Total**
Liabilities				
Derivatives financial instruments	**—**	**—**	**12,918,422**	**12,918,422**

The following table presents the Group's liabilities that are measured at fair value at 31 December 2012.

	Level 1	Level 2	Level 3	Total
Liabilities				
Derivatives financial instruments	—	—	15,070,503	15,070,503

3 Financial risk management *(continued)*

3.3 Fair value estimation *(continued)*

The following table presents the changes of derivative financial instruments for the year ended 31 December 2013.

	Trading derivative at fair value through profit or loss
Opening balance	15,070,503
Settlements	(13,934,696)
Gains and losses recognised in profit or loss	11,103,843
Gains and losses recognised in equity	678,772
Closing balance	12,918,422
Total gains or losses for the year included in profit or loss for liabilities held at the end of the year	(2,830,853)
Changes in the unrealised gains or losses for the year included in profit or loss at the end of the year	11,103,843

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 reports provided by the relevant counterparty banks.

4 Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience 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 equipments

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 reassesses 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 (for example, over-the-counter-derivatives) 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 each balance sheet date.

(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 judgment 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.

(g) Share-based payment with specific performance conditions

The Group's share-based payment is exercisable subject to the Group archiving certain non-market performance vesting conditions. The Group recognises an amount for the services received during the vesting period based on the best available estimate of the number of equity instruments expected to vest and revises that estimate, if necessary, if subsequent information indicates that the number of equity instruments expected to vest differs from previous estimates. Where the expectation is different from the original estimate, such difference will impact the recognition of share-based payment expense charge in the period in which such estimate has been changed.

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	
	2013	2012
	HK$	HK$
Sales of goods	**6,707,355,925**	5,913,271,100
Sales of semi-finished goods and other materials	**84,260,667**	104,375,973
Processing trade	**6,343,002**	5,721,610
Sales commission	**—**	678,129
Total revenue	**6,797,959,594**	6,024,046,812

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 98% 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 92% of the Group's sales are derived within Mainland China and over 94% of the operating assets of the Group are located in 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$6,248,262,580 (2012: HK$5,502,930,034), HK$531,361,704 (2012: HK$499,181,176) and HK$18,335,310 (2012: HK$21,935,602) respectively.

5 Segment information *(continued)*

The total non-current assets are analysed as follows:

	As at 31 December	
	2013	2012
	HK$	HK$
Total non-current assets other than deferred tax assets and investment in an associate		
— Mainland China	**5,416,066,216**	4,189,012,110
— Hong Kong and overseas	**29,946,159**	29,033,097
Deferred tax assets	**204,808,552**	175,685,073
Investment in an associate	**58,757,692**	64,357,657
Total non-current assets	**5,709,578,619**	4,458,087,937

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	
	2013	2012
	HK$	HK$
Outside Hong Kong, held on:		
Lease of between 10 and 50 years	**290,468,442**	185,167,942

	For the year ended 31 December	
	2013	2012
	HK$	HK$
At 1 January	**185,167,942**	184,797,092
Additions	**103,571,890**	20,902,852
Amortisation (Note 26)	**(5,548,596)**	(4,526,495)
Disposal (a)	**—**	(15,740,099)
Exchange differences	**7,277,206**	(265,408)
	290,468,442	185,167,942

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

(a) On 29 August 2011, Vinda Paper (Guangdong) Company Limited, a subsidiary of the Group, entered into an agreement with Jiangmen Bureau of Land Resources and Finance Bureau of Xinhui District. According to the agreement, Jiangmen Bureau of Land Resources purchased back the land use rights of Vinda Paper (Guangdong) Company Limited with a consideration of RMB28,500,000 (HK$34,977,264), which has been received in 2012.

7 Property, plant and equipment — Group

	Land and buildings HK$	Leasehold improvements HK$	Machinery HK$	Furniture, fittings and equipment HK$	Vehicles HK$	Construction in progress HK$	Total HK$
Year ended 31 December 2012							
Opening net book amount	1,063,828,821	—	1,715,965,385	25,268,067	7,275,576	209,702,836	3,022,040,685
Additions	5,231,614	8,977,891	5,190,287	3,926,721	13,913,265	1,155,481,621	1,192,721,399
Disposals	—	—	(2,294,355)	(224,523)	(150,934)	—	(2,669,812)
Reclassification	69,711,947	—	308,231,496	20,895	84,724	(378,049,062)	—
Transfer to investment property (Note 9)	—	—	—	—	—	(33,015,552)	(33,015,552)
Depreciation (Note 26)	(35,941,208)	—	(147,425,882)	(3,538,071)	(5,385,511)	—	(192,290,672)
Exchange differences	217,611	—	361,314	2,539	4,013	115,446	700,923
Closing net book amount	1,103,048,785	8,977,891	1,880,028,245	25,455,628	15,741,133	954,235,289	3,987,486,971
At 31 December 2012							
Cost	1,311,078,987	10,119,807	2,797,211,434	45,181,253	36,196,477	954,235,289	5,154,023,247
Accumulated depreciation	(208,030,202)	(1,141,916)	(917,183,189)	(19,725,625)	(20,455,344)	—	(1,166,536,276)
Net book amount	1,103,048,785	8,977,891	1,880,028,245	25,455,628	15,741,133	954,235,289	3,987,486,971

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

	Land and buildings HK$	Leasehold improvements HK$	Machinery HK$	Furniture, fittings and equipment HK$	Vehicles HK$	Construction in progress HK$	Total HK$
Year ended 31 December 2013							
Opening net book amount	1,103,048,785	8,977,891	1,880,028,245	25,455,628	15,741,133	954,235,289	3,987,486,971
Additions	11,591,042	22,042,218	21,726,853	17,500,565	7,040,396	1,160,698,885	1,240,599,959
Disposals	(1,342,906)	—	(1,262,981)	(269,530)	(503,148)	—	(3,378,565)
Reclassification	205,851,128	—	1,421,326,815	3,872,924	—	(1,631,050,867)	—
Depreciation (Note 26)	(41,064,889)	(7,085,983)	(202,019,040)	(8,415,345)	(4,020,534)	—	(262,605,791)
Exchange differences	37,259,233	504,633	77,514,660	988,566	531,991	22,979,514	139,778,597
Closing net book amount	1,315,342,393	24,438,759	3,197,314,552	39,132,808	18,789,838	506,862,821	5,101,881,171
At 31 December 2013							
Cost	1,527,178,251	32,162,025	4,239,002,121	66,285,212	42,733,725	506,862,821	6,414,224,155
Accumulated depreciation	(211,835,858)	(7,723,266)	(1,041,687,569)	(27,152,404)	(23,943,887)	—	(1,312,342,984)
Net book amount	1,315,342,393	24,438,759	3,197,314,552	39,132,808	18,789,838	506,862,821	5,101,881,171

During the year, the Group has capitalised borrowing costs amounting to HK$11,430,280 (2012: HK$13,952,054) on qualifying assets. Borrowing costs were capitalised at the weighted average rate of its general borrowings of 1.05% (2012:1.04%).

Depreciation expenses have been charged to the consolidated statement of comprehensive income as follows:

	For the year ended 31 December 2013 HK$	2012 HK$
Cost of sales	236,534,695	174,021,303
Administrative expenses	26,071,096	18,269,369
	262,605,791	192,290,672

8 Intangible assets — Group

	Goodwill HK$	Computer software HK$	Total HK$
At 1 January 2012			
Cost	2,293,653	17,447,935	19,741,588
Accumulated amortisation and impairment	(2,293,653)	(7,002,088)	(9,295,741)
Net book amount	—	10,445,847	10,445,847
Year ended 31 December 2012			
Opening net book amount	—	10,445,847	10,445,847
Additions	—	5,814,312	5,814,312
Amortisation expense (Note 26)	—	(3,443,122)	(3,443,122)
Exchange differences	—	137,687	137,687
Closing net book amount	—	12,954,724	12,954,724
At 31 December 2012			
Cost	2,293,653	23,262,247	25,555,900
Accumulated amortisation and impairment	(2,293,653)	(10,307,523)	(12,601,176)
Net book amount	—	12,954,724	12,954,724
Year ended 31 December 2013			
Opening net book amount	**—**	**12,954,724**	**12,954,724**
Additions	**—**	**13,493,666**	**13,493,666**
Amortisation expense (Note 26)	**—**	**(5,610,447)**	**(5,610,447)**
Exchange differences	**—**	**397,205**	**397,205**
Closing net book amount	**—**	**21,235,148**	**21,235,148**
At 31 December 2013			
Cost	**2,293,653**	**36,755,913**	**39,049,566**
Accumulated amortisation and impairment	**(2,293,653)**	**(15,520,765)**	**(17,814,418)**
Net book amount	**—**	**21,235,148**	**21,235,148**

8 Intangible assets — Group *(continued)*

During the year ended 31 December 2013, amortisation of intangible assets charged to the consolidated statement of comprehensive income is as follow:

	For the year ended 31 December	
	2013	2012
	HK$	HK$
Administrative expenses	**5,610,447**	3,443,122

9 Investment Property

	For the year ended 31 December	
	2013	2012
	HK$	HK$
Opening net book amount	**32,435,570**	—
Additions (Note 7)	**—**	33,015,552
Amortisation expense (Note 25)	**(1,015,849)**	(689,911)
Exchange differences	**1,007,893**	109,929
Investment Property	**32,427,614**	32,435,570

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

10 Investment in an associate

	2013	2012
	HK$	HK$
1 January	**64,357,657**	59,800,509
Share of post-tax loss of an associate	**(26,976,817)**	(15,934,119)
Additional investment in an unlisted associate (i)	**20,500,000**	20,500,000
Exchange differences	**876,852**	(8,733)
31 December	**58,757,692**	64,357,657

10 Investment in an associate *(continued)*

(i) On 16 December 2010, the Company entered into the Investment and Shareholders' Agreement with Fu An International Company Limited (a shareholder has significant influence over 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 at 31 December 2012, the Company paid HK$82,000,000 in cash for the subscription of the new shares issued by V-Care.

On 6 June 2013, the Company paid HK$20,500,000 in cash for the subscription of the new shares issued by V-Care.

Up to 31 December 2013, the Company has paid capital of HK$102,500,000, representing 41% of V-Care's share capital then outstanding.

Set out below is the associate of the Group as at 31 December 2013, which, in the opinion of the directors, is material to the Group. The associate as listed below has share capital consisting solely of ordinary shares, which is held directly by the Group; the country of incorporation is British Virgin Islands; its principal place of business is in PRC.

Nature of investment in an associate as at 31 December 2013 and 2012.

Name of entity	**Place of incorporation**	**% of ownership interest**	**Nature of the relationship**	**Measurement method**
V-Care	British Virgin Islands	41%	Note (a)	Equity

(a) V-Care is an investment holding company and its subsidiaries (together, the "V-Care Group") are engaged in the manufacturing of paper diapers and sanitary napkins. V-Care Group is a strategic partner for the Group, providing access to the paper diapers and sanitary napkins markets. The major production center of V-Care Group, V-care (China) Limited, is incorporated and operates in Mainland China.

V-Care is a private company and there is no quoted market price available for its shares.

There are no contingent liabilities relating to the Group's interest in the associate.

10 Investment in an associate *(continued)*

Set out below are the summarised consolidated financial information for V-Care Group which is accounted for using the equity method.

Summarised consolidated balance sheet

	V-Care Group For the year ended 31 December	
	2013	2012
	HK$	HK$
Current		
Cash and cash equivalents	**28,564,137**	68,139,107
Other current assets (excluding cash)	**42,863,237**	61,547,660
Total current assets	**71,427,374**	129,686,767
Current liabilities	**(21,262,868)**	(39,878,699)
Non-current assets	**93,146,937**	67,361,350
Non-current liabilities	**—**	—
Net assets	**143,311,443**	157,169,418

Summarised consolidated statement of comprehensive income

	V-Care Group	
	2013	2012
	HK$	HK$
Revenue	**91,201,640**	69,614,154
Cost and expenses	**(179,128,757)**	(121,200,642)
Loss from operations	**(87,927,117)**	(51,586,488)
Income tax expense	**22,130,002**	12,722,783
Post-tax loss from operations	**(65,797,115)**	(38,863,705)
Other comprehensive income	**1,939,140**	178,222
Total comprehensive income	**(63,857,975)**	(38,685,483)

The information above reflects the amounts presented in the consolidated financial statements of the associate (and not the Company's share of those amounts) adjusted for differences in accounting policies between the Group and the associate.

10 Investment in an associate *(continued)*

Reconciliation of the summarised financial information presented to the carrying amount of its interest in the associate.

Summarised consolidated financial information

	V-Care Group	
	2013	2012
	HK$	HK$
Opening net assets 1 January	**157,169,418**	145,854,901
Capital injection	**50,000,000**	50,000,000
Loss for the year	**(65,797,115)**	(38,863,705)
Currency translation differences	**1,939,140**	178,222
Closing net assets	**143,311,443**	157,169,418
Interest in an associate (41%)	**58,757,692**	64,357,657

11 Investments in and balances with subsidiaries — Company

(a) Investments in and balances with subsidiaries

	As at 31 December	
	2013	2012
	HK$	HK$
Unlisted investments, at cost	**136,355,349**	133,650,015
Due from subsidiaries (Note (i))	**1,231,273,241**	1,193,768,679
	1,367,628,590	1,327,418,694

(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 on balances due from subsidiaries.

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

(b) Details of subsidiaries

As at 31 December 2013, 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 ("Vinda Household Paper (Hong Kong)")	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	Investment holding and 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 (Sichuan) Company Limited ("Vinda Paper (Sichuan)")	The PRC, limited liability company	Manufacturing and sale of household consumable paper	HK$183,900,000	—	100%
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 (Xiaogan) Company Limited ("Vinda Paper (Xiaogan)")	The PRC, limited liability company	Manufacturing and sale of household consumable paper	US$55,000,000 (Note (i))	—	100%

11 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 (Zhejiang) Company Limited ("Vinda Paper (Zhejiang)")	The PRC, limited liability company	Manufacturing and sale of household consumable paper	HK$450,000,000 (Note (ii))	—	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$200,000,000	—	100%
Vinda Investment Group Limited ("Vinda Investment Group")	Hong Kong,limited liability company	Investment holding and trading of household consumable paper	HK$1	—	100%
Vinda Paper (Shandong) Company Limited ("Vinda Paper (Shandong)")	The PRC, limited liability company	Manufacturing and sale of household consumable paper	HK$200,000,000 (Note (iii))	—	100%
Vinda Paper (China) Company Limited ("Vinda Paper (China)")	The PRC, limited liability company	Manufacturing and sale of household consumable paper	US$122,555,968 (Note (iv))	—	100%
Sparkle Sunshine Limited	British Virgin Islands, limited liability company	Investment holding company	US$1	—	100%

(i) The paid in capital of Vinda Paper (Xiaogan) was increased from US$48,211,657 to US$55,000,000 during the year ended 2013.

(ii) The paid in capital of Vinda Paper (Zhejiang) was increased from HK$350,000,000 to HK$450,000,000 during the year ended 2013.

(iii) The paid in capital of Vinda Paper (Shandong) was increased from HK$130,000,000 to HK$200,000,000 during the year ended 2013.

(iv) According to the Board resolution on 20 May 2013, Vinda Paper (Guangdong) Company Limited ("Vinda Paper (Guangdong)") and Vinda Paper (Jiangmen) Company Limited ("Vinda Paper (Jiangmen)") were merged into Vinda Paper (China).

The merge absorption was approved by Department of Commerce of Guangdong Province and completed on 31 October 2013. The registered capital of Vinda Paper (China) was changed from HK$300,000,000 to USD$122,555,968.

12 Inventories — Group

	As at 31 December	
	2013	2012
	HK$	HK$
Raw materials	**1,078,304,488**	1,032,319,447
Finished goods	**564,539,712**	414,256,794
	1,642,844,200	1,446,576,241

The cost of inventories recognised as expenses and included in cost of sales amounted to HK$3,952,239,087 (2012: HK$3,430,418,983) for the year ended 31 December 2013.

13a Financial instruments by category — Group and Company

(i) Group

	Loans and receivables As at 31 December	
	2013	2012
	HK$	HK$
Assets as per balance sheet		
Trade and other receivables excluding prepayments and prepaid expenses	**1,259,084,819**	1,099,766,311
Due from related parties excluding prepayments	**8,011,918**	3,609,015
Restricted bank deposits	**3,567,270**	6,101,567
Cash and cash equivalents	**689,702,649**	753,586,651
Total	**1,960,366,656**	1,863,063,544

13a Financial instruments by category — Group and Company *(continued)*

(i) Group *(continued)*

31 December 2013

	Derivatives used for hedging	Other financial liabilities at amortised cost	Total
Liabilities as per balance sheet			
Borrowings	—	2,737,436,782	2,737,436,782
Derivative financial instruments	12,918,422	—	12,918,422
Trade and other payables excluding non-financial liabilities	—	1,407,702,051	1,407,702,051
Due to a related party	—	5,217,791	5,217,791
Total	12,918,422	4,150,356,624	4,163,275,046

31 December 2012

	Derivatives used for hedging	Other financial liabilities at amortised cost	Total
Liabilities as per balance sheet			
Borrowings	—	2,069,218,272	2,069,218,272
Derivative financial instruments	15,070,503	—	15,070,503
Trade and other payables excluding non-financial liabilities	—	1,039,724,681	1,039,724,681
Due to a related party	—	2,144,516	2,144,516
Total	15,070,503	3,111,087,469	3,126,157,972

13a Financial instruments by category — Group and Company *(continued)*

(ii) Company

	Loans and receivables As at 31 December	
	2013	2012
Assets as per balance sheet		
Trade and other receivables excluding prepayments	**849,321**	—
Due from subsidiaries	**1,320,083,936**	1,403,318,036
Cash and cash equivalents	**3,788,219**	2,737,595
Total	**1,324,721,476**	1,406,055,631

31 December 2013

	Derivatives used for hedging	**Other financial liabilities at amortised cost**	**Total**
Liabilities as per balance sheet			
Borrowings	**—**	**448,856,924**	**448,856,924**
Derivative financial instruments	**1,681,819**	**—**	**1,681,819**
Due to subsidiaries	**—**	**97,985,579**	**97,985,579**
Total	**1,681,819**	**546,842,503**	**548,524,322**

31 December 2012

	Derivatives used for hedging	Other financial liabilities at amortised cost	Total
Liabilities as per balance sheet			
Borrowings	—	700,359,125	700,359,125
Derivative financial instruments	5,616,124	—	5,616,124
Total	5,616,124	700,359,125	705,975,249

13b Credit quality of financial assets — Group and Company

Trade receivables and notes receivables

The Group has policies in place to ensure credit sales are made to customers with an appropriate credit history. The credit quality of trade receivables that are neither past due nor further impaired being assessed by reference to historical information about counterparty default rates.

Cash and bank balances

The management considers the credit risks in respect of cash and bank deposits are relatively minimal as each counter party either has a high credit rating or is a state-owned PRC bank. The management believes the PRC government is able to support the state-owned PRC banks in the event of a liquidity difficulty.

The Group categorises its cash in banks into the following:

Group 1 — Major international banks (Hang Seng Bank, The Hong Kong and Shanghai Banking Corporation Limited, Citi Bank, Deutsche Bank and Australia and New Zealand Banking Group Limited)

Group 2 — Top 4 banks in the Mainland China (China Construction Bank, Bank of China, Agricultural Bank of China and Industrial and Commercial Bank of China)

Group 3 — Other state-owned banks in the Mainland China

	Group As at 31 December	
	2013	2012
	HK$	HK$
Group 1	**81,074,038**	169,892,959
Group 2	**606,740,523**	438,190,097
Group 3	**1,826,168**	145,427,958
Total	**689,640,729**	753,511,014

	Company As at 31 December	
	2013	2012
	HK$	HK$
Group 1	**3,788,219**	2,737,595

14 Trade receivables, other receivables and prepayments — Group

	As at 31 December	
	2013	2012
	HK$	HK$
Trade receivables	**915,812,348**	872,928,805
Less: Provision for impairment of trade receivables	**(9,617,461)**	(11,321,967)
Trade receivables, net	**906,194,887**	861,606,838
Other receivables		
— creditable input VAT	**264,427,416**	197,972,301
— prepaid income tax recoverable	**41,190,955**	2,484,832
— purchase rebates	**21,129,484**	11,701,929
— others	**19,759,089**	21,515,214
Other receivables	**346,506,944**	233,674,276
Trade and other receivables, net	**1,252,701,831**	1,095,281,114
Notes receivable	**6,382,988**	4,485,197
Prepayments		
— purchase of raw materials	**6,274,931**	5,686,579
— prepayment of utility fee	**7,156,360**	2,655,644
— others	**7,070,051**	1,641,828
	20,501,342	9,984,051
Prepaid expenses	**6,690,384**	6,234,603
	1,286,276,545	1,115,984,965

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

	As at 31 December	
	2013	2012
	HK$	HK$
RMB	**1,183,081,594**	1,006,953,848
HK$	**78,365,857**	85,176,449
US$	**24,688,708**	21,393,059
Other currencies	**140,386**	2,461,609
	1,286,276,545	1,115,984,965

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

As at 31 December 2013 and 2012, 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 60 to 90 days.

Ageing analyses of trade receivables of the Group based on invoice date as at 31 December 2013 and 2012 are as below:

	As at 31 December	
	2013	2012
	HK$	HK$
Within 3 months	**854,781,509**	823,478,886
4 months to 6 months	**46,992,878**	37,906,658
7 months to 12 months	**8,841,000**	6,972,542
Over 1 year	**5,196,961**	4,570,719
	915,812,348	872,928,805

As at 31 December 2013, trade receivables of HK$51,413,378 (2012: HK$38,127,952) 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	
	2013	2012
	HK$	HK$
4 months to 6 months	**46,992,878**	34,293,054
7 months to 12 months	**4,420,500**	3,834,898
	51,413,378	38,127,952

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

As at 31 December 2013, trade receivables of HK$9,617,461 (2012: HK$11,321,967) 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	
	2013	2012
	HK$	HK$
4 months to 6 months	**—**	3,613,604
7 months to 12 months	**4,420,500**	3,137,644
Over 1 year	**5,196,961**	4,570,719
	9,617,461	11,321,967

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	
	2013	2012
	HK$	HK$
As at 1 January	**(11,321,967)**	(10,834,431)
Reversal of/(provision for) impairment of receivables (Note 26)	**1,882,453**	(490,496)
Exchange differences	**(177,947)**	2,960
As at 31 December	**(9,617,461)**	(11,321,967)

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

15 Restricted bank deposits — Group

	As at 31 December	
	2013	2012
	HK$	HK$
Restricted bank deposits	**3,567,270**	6,101,567

As at 31 December 2013, bank deposits of HK$3,567,270 (2012: HK$6,101,567) were restricted as deposits for the issuance of letters of credit.

15 Restricted bank deposits — Group *(continued)*

The effective annual interest rate on restricted bank deposits was 0.35% (2012: 0.35%) as at 31 December 2013. These deposits mainly have a maturity ranging from 0 to 90 days.

All the restricted bank deposits are denominated in RMB.

16 Cash and cash equivalents

	Group As at 31 December	
	2013	2012
	HK$	HK$
Cash in hand	**61,920**	75,637
Cash at bank	**689,640,729**	753,511,014
	689,702,649	753,586,651

The effective weighted average annual interest rate on cash at bank was 0.53% (2012: 0.85%) for the year ended 31 December 2013.

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

	Group As at 31 December	
	2013	2012
	HK$	HK$
RMB	**624,474,622**	490,373,656
US$	**24,483,985**	156,884,224
HK$	**37,131,561**	101,769,108
Other currencies	**3,612,481**	4,559,663
	689,702,649	753,586,651

	Company As at 31 December	
	2013	2012
	HK$	HK$
Cash at bank — denominated in HK$	**3,788,219**	2,737,595

The effective weighted average annual interest rates on cash at bank were 0.20% (2012: 0.19%) for the year ended 31 December 2013.

17 Share capital and share premium

	Group & Company				
		Number of issued and	Amount		
	Number of authorised shares	fully paid shares	Ordinary shares HK$	Share premium HK$	Total HK$
At 1 January 2012	80,000,000,000	938,183,686	93,818,369	1,119,423,427	1,213,241,796
Employee share option scheme (Note 18)					
— Exercise of share options	—	19,860,000	1,986,000	88,099,125	90,085,125
Allotment of shares (i)	—	42,000,000	4,200,000	468,712,479	472,912,479
Repurchased and cancelled	—	(661,000)	(66,100)	(7,917,007)	(7,983,107)
At 31 December 2012	80,000,000,000	999,382,686	99,938,269	1,668,318,024	1,768,256,293
Employee share option scheme (Note 18)					
— Exercise of share options	**—**	**480,000**	**48,000**	**3,413,728**	**3,461,728**
— Options cancelled	**—**	**—**	**—**	**16,059,847**	**16,059,847**
Repurchased and cancelled (ii)	**—**	**(1,500,000)**	**(150,000)**	**(11,261,618)**	**(11,411,618)**
At 31 December 2013	**80,000,000,000**	**998,362,686**	**99,836,269**	**1,676,529,981**	**1,776,366,250**

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

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

The proceeds were used for expanding production capacity in Mainland China.

(ii) During the year ended 31 December 2013, the Company repurchased its own shares of 1,500,000 shares in aggregate with the price range from HK$7.36 to HK$7.77 per share, together with related expenses, the total consideration is HK$11,411,618. Those repurchased shares were subsequently cancelled and the issued share capital of the Company was reduced by nominal value of these shares accordingly.

(iii) As at 31 December 2013 and 2012, the par value of authorised and issued ordinary shares is HK$0.1 per share.

18 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.

18 Share-based payment *(continued)*

On 2 May 2012, 16,771,000 share options were granted to the directors and certain employees at an exercise price of HK$14.06 per share. The Group has no legal or constructive obligation to repurchase or settle the options in cash. All the directors and employees accepted the share options.

The options are exercisable during the following periods when the Company meet certain performance conditions as set by the board of directors:

(a) The first tranche of 5,313,000 options are exercisable during the period from 2 May 2012 to 1 May 2022.

(b) The second tranche of 5,729,000 options are exercisable during the period from 2 May 2013 to 1 May 2022.

(c) The third tranche of 5,729,000 options are exercisable during the period from 2 May 2014 to 1 May 2022.

On 2 May 2013, 1,359,000 share options were granted to a director and certain employees at an exercise price of HK$10.34 per share. The Group has no legal or constructive obligation to repurchase or settle the options in cash. All the director and employees accepted the share options.

The options are exercisable during the following periods when the Company meet certain performance conditions as set by the board of directors:

(a) The first tranche of 1,134,000 options are exercisable during the period from 2 May 2013 to 1 May 2023.

(b) The second tranche of 225,000 options are exercisable during the period from 2 May 2014 to 1 May 2023.

18 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 2013 and 2012 were as follows:

	For the year ended 31 December			
	2013		2012	
	Weighted average exercise price in HK$	**Number of options**	Weighted average exercise price in HK$	Number of options
At 1 January	**11.04**	**25,843,000**	4.15	29,427,000
Granted	**10.34**	**1,359,000**	14.06	16,771,000
Exercised (Note (a))	**5.34**	**(480,000)**	3.31	(19,860,000)
Forfeited (Note (b))	**13.90**	**(5,834,000)**	14.06	(495,000)
Cancelled (Note (c))	**5.45**	**(6,902,000)**	—	—
At 31 December	**12.73**	**13,986,000**	11.04	25,843,000

(a) Options exercised during the year ended 31 December 2013 resulted in 480,000 shares (2012: 19,860,000 shares) being issued with net proceeds of HK$2,564,000 (2012: HK$65,735,008). The related weighted average share price at the time of exercise was HK$10.27 (2012: HK$11.53) per share.

(b) 380,000 options were forfeited during the year ended 31 December 2013 due to employee resignation. 5,454,000 options were forfeited due to unfulfilled vesting conditions in relation to the financial results for the year ended 31 December 2013.

(c) On 9 September 2013, SCA Group made a voluntary conditional cash offer to acquire and cancel the outstanding share options. After the close of the cash offer on 11 November 2013, valid acceptances of the option offer have been received in respect of 6,902,000 options.

Share options outstanding as at 31 December 2013 have the following expiry dates and exercise prices:

Expiry date	**Exercise price** HK$ per share	**Number of options**
23 February 2019	2.98	460,000
14 April 2021	8.648	1,725,000
01 May 2022	14.06	10,667,000
01 May 2023	10.34	1,134,000

18 Share-based payment *(continued)*

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 at that time.

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 at that time.

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 at that time.

The weighted average fair value of options granted in 2012 determined by using the Binomial Model was HK$5.148 per option. The significant inputs into the model were share prices at the grant date, the exercise price shown above, volatility of 40%, dividend yield of 2.0%, and annual risk-free interest rate of 0.84% to 0.95%. 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 four years and other comparable companies over the last five years at that time.

The weighted average fair value of options granted in 2013 determined by using the Binomial Model was HK$3.752 per option. The significant inputs into the model were share prices at the grant date, the exercise price shown above, volatility of 40%, dividend yield of 1.5%, and annual risk-free interest rate of 0.47% to 0.68%. 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 five years and other comparable companies over the last five years.

19 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 2012	247,974,754	417,567,229	1,218,570,656	44,826,148	(3,586,084)	1,925,352,703
Employee share options scheme:						
— Value of employee services	—	—	—	46,225,333	—	46,225,333
— Exercise of options	—	—	—	(24,350,117)	—	(24,350,117)
Profit for the year	—	—	536,561,755	—	—	536,561,755
Appropriation of reserves	94,283,131	—	(94,283,131)	—	—	—
Dividends	—	—	(129,962,119)	—	—	(129,962,119)
Currency translation differences	—	(357,577)	—	—	—	(357,577)
Hedging reserve	—	—	—	—	(2,808,603)	(2,808,603)
At 31 December 2012	342,257,885	417,209,652	1,530,887,161	66,701,364	(6,394,687)	2,350,661,375
At 1 January 2013	**342,257,885**	**417,209,652**	**1,530,887,161**	**66,701,364**	**(6,394,687)**	**2,350,661,375**
Employee share options scheme:						
— Value of employee services	**—**	**—**	**—**	**13,857,000**	**—**	**13,857,000**
— Exercise of options	**—**	**—**	**—**	**(897,728)**	**—**	**(897,728)**
— Options cancelled	**—**	**—**	**—**	**(16,059,847)**	**—**	**(16,059,847)**
Profit for the year	**—**	**—**	**542,907,689**	**—**	**—**	**542,907,689**
Appropriation of reserves	**36,810,276**	**—**	**(36,810,276)**	**—**	**—**	**—**
Dividends	**—**	**—**	**(160,885,552)**	**—**	**—**	**(160,885,552)**
Currency translation differences	**—**	**136,338,309**	**—**	**—**	**—**	**136,338,309**
Hedging reserve	**—**	**—**	**—**	**—**	**4,588,901**	**4,588,901**
At 31 December 2013	**379,068,161**	**553,547,961**	**1,876,099,022**	**63,600,789**	**(1,805,786)**	**2,870,510,147**

19 Other reserves *(continued)*

	Company				
	Translation reserve HK$	Retained earnings HK$	Employee option reserve HK$	Hedging reserve HK$	Total HK$
At 1 January 2012	215,087,046	137,076,057	44,826,148	(3,423,823)	393,565,428
Employee share options scheme:					
— Value of employee services	—	—	46,225,333	—	46,225,333
— Exercise of options	—	—	(24,350,117)	—	(24,350,117)
Dividends	—	(129,962,119)	—	—	(129,962,119)
Profit for the year	—	112,688,824	—	—	112,688,824
Currency translation differences	(177,711)	—	—	—	(177,711)
Hedging reserve	—	—	—	(2,192,301)	(2,192,301)
At 31 December 2012	214,909,335	119,802,762	66,701,364	(5,616,124)	395,797,337
At 1 January 2013	**214,909,335**	**119,802,762**	**66,701,364**	**(5,616,124)**	**395,797,337**
Employee share options scheme:					
— Value of employee services	**—**	**—**	**13,857,000**	**—**	**13,857,000**
— Exercise of options	**—**	**—**	**(897,728)**	**—**	**(897,728)**
— Options cancelled	**—**	**—**	**(16,059,847)**	**—**	**(16,059,847)**
Dividends	**—**	**(160,885,552)**	**—**	**—**	**(160,885,552)**
Profit for the year	**—**	**162,436,022**	**—**	**—**	**162,436,022**
Currency translation differences	**69,269,009**	**—**	**—**	**—**	**69,269,009**
Hedging reserve	**—**	**—**	**—**	**3,934,305**	**3,934,305**
At 31 December 2013	**284,178,344**	**121,353,232**	**63,600,789**	**(1,681,819)**	**467,450,546**

(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 2013, the appropriation for the Reserve Fund is 15% (2012: 15%) of the statutory net profits of the year for the subsidiaries in the PRC.

20 Trade payables, other payables and accrued expenses

	Group As at 31 December 2013 HK$	Group As at 31 December 2012 HK$
Trade payables	**1,113,007,617**	731,309,628
Notes payable	**3,412,027**	25,289,873
Other payables		
— salaries payable	**67,386,956**	64,599,665
— taxes payable other than income tax	**35,755,149**	39,761,089
— advances from customers	**45,350,343**	37,164,241
— payables for property, plant and equipment	**123,684,552**	154,135,195
— others	**167,597,855**	128,989,985
Accrued expenses		
— promotion fees	**151,992,207**	130,468,811
— utility charges	**35,257,652**	31,409,261
— transportation fees	**47,387,787**	46,435,257
— advertising fee	**4,778,931**	6,971,406
— accrued interest	**4,249,666**	11,004,129
— others	**20,203,429**	15,479,345
	1,820,064,171	1,423,017,885

As at 31 December 2013 and 2012, the carrying amounts of the Group's trade payables, notes payable and other payables approximated their fair values.

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

	Group As at 31 December 2013 HK$	Group As at 31 December 2012 HK$
RMB	**983,368,591**	808,028,996
US$	**571,243,174**	369,952,270
HK$	**61,170**	1,429,089
Other currencies	**1,521,564**	1,839,321
	1,556,194,499	1,181,249,676

20 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 2013 and 2012 are as follows:

	Group As at 31 December	
	2013	2012
	HK$	HK$
Within 3 months	**1,066,381,206**	688,507,764
4 months to 6 months	**21,918,953**	57,299,553
7 months to 12 months	**26,850,535**	9,748,523
Over 1 year	**1,268,950**	1,043,661
	1,116,419,644	756,599,501

	Company As at 31 December	
	2013	2012
	HK$	HK$
Other payables and accrued expenses — denominated in HK$	**1,195,416**	3,317,962

As at 31 December 2013 and 2012, the carrying amounts of the Company's other payables and accrued expenses approximated their fair values.

21 Borrowings

	Group As at 31 December 2013 HK$	2012 HK$
Non-current		
Unsecured bank borrowings	**1,697,713,043**	843,234,694
Unsecured other borrowings (Note (a))	**7,290,766**	7,083,053
Total non-current borrowings	**1,705,003,809**	850,317,747
Current		
Portion of loans from banks due for repayment within one year		
— Unsecured	**853,563,179**	1,141,650,525
Portion of loans from banks due for repayment after one year which contain a repayment on demand clause		
— Unsecured	**178,869,794**	77,250,000
Total current borrowings	**1,032,432,973**	1,218,900,525
Total borrowings	**2,737,436,782**	2,069,218,272

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

(b) The maturity of borrowings is as follows:

	Bank borrowings As at 31 December 2013 HK$	2012 HK$	Other borrowings As at 31 December 2013 HK$	2012 HK$
Portion of loans due for repayment within 1 year:	**853,563,179**	1,141,650,525	**—**	—
Loans due for repayment after 1 year (Note 1):				
Between 1 and 2 years	**1,113,903,226**	761,954,776	**7,290,766**	—
Between 2 and 5 years	**762,679,611**	158,529,918	**—**	7,083,053
	2,730,146,016	2,062,135,219	**7,290,766**	7,083,053

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.

21 Borrowings *(continued)*

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

	Bank borrowings As at 31 December		Other borrowings As at 31 December	
	2013	2012	**2013**	2012
HK$	**1.40%~3.35%**	0.48~2.90%	**—**	—
US$	**1.20%~3.57%**	1.31~3.57%	**—**	—
RMB	**4.50%~6.90%**	3.50~6.90%	**—**	—
AU$	**2.88%~3.35%**	1.71~3.08%	**—**	—
EU€	**—**	1.51~1.65%	**—**	—

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

The fair values are based on discounted cash flows 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	
	2013	2012
HK$	**2.64%**	2.32%
US$	**2.91%**	2.81%
RMB	**5.86%**	5.41%
AU$	**2.89%**	2.23%
EU€	**—**	1.56%

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

	As at 31 December	
	2013	2012
	HK$	HK$
HK$	**2,154,245,161**	1,251,301,737
US$	**153,022,262**	459,960,978
RMB	**385,028,972**	225,248,206
AU$	**45,140,387**	123,014,254
EU€	**—**	9,693,097
	2,737,436,782	2,069,218,272

21 Borrowings *(continued)*

(f) 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 and the scheduled repayments of the loans. The Group 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 2013 HK$	 2012 HK$
Non-current		
Bank borrowings		
— Unsecured	**149,618,974**	447,029,840
Current		
Portion of loans from banks due for repayment within one year		
— Unsecured	**299,237,950**	253,329,285
Total borrowings	**448,856,924**	700,359,125

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

	As at 31 December 2013 HK$	 2012 HK$
Portion of loans due for repayment within 1 year:	**299,237,950**	253,329,285
Loans due for repayment after 1 year:		
Between 1 and 2 years	**149,618,974**	447,029,840
	448,856,924	700,359,125

21 Borrowings *(continued)*

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

	Bank borrowings As at 31 December	
	2013	2012
HK$	**2.55%~2.75%**	2.65%~2.88%

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

22 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	
	2013	2012
	HK$	HK$
Deferred tax assets		
— Deferred income tax assets to be recovered after 12 months	**43,478,937**	33,963,364
— Deferred income tax assets to be recovered within 12 months	**161,329,615**	141,721,709
	204,808,552	175,685,073
Deferred tax liabilities		
— Deferred income tax liability to be settled after 12 months	**(7,222,427)**	(4,491,714)
	(7,222,427)	(4,491,714)
Deferred income tax assets, net	**197,586,125**	171,193,359

22 Deferred income tax — Group *(continued)*

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

	For the year ended 31 December	
	2013	2012
	HK$	HK$
Beginning of the year	**171,193,359**	114,038,151
Credited to the consolidated statement of comprehensive income (Note 29)	**20,965,000**	57,009,923
Exchange differences	**5,427,766**	145,285
End of the year	**197,586,125**	171,193,359

The movement of the deferred tax assets is as follows:

	Impairment of assets	Deferred government grants	Unrealised profits — sales of inventories	Unrealised profits — sales of property, plant and equipment	Accrued expenses	Taxable loss carried forward	Share option expenses	Others	Total
	HK$	HK$	HK$	HK$	HK$	HK$	HK$	HK$	HK$
At 31 December 2011 and 1 January 2012	5,859,057	18,079,026	14,675,764	16,832,943	43,836,796	16,238,660	—	178,522	115,700,768
Credited/(charged) to the consolidated statement of comprehensive income	325,003	6,511,455	13,626,609	781,008	19,900,532	15,433,352	1,678,937	1,556,789	59,813,685
Exchange differences	540	17,224	41,751	455	55,450	47,382	5,590	2,228	170,620
At 31 December 2012	6,184,600	24,607,705	28,344,124	17,614,406	63,792,778	31,719,394	1,684,527	1,737,539	175,685,073
At 31 December 2012 and 1 January 2013	**6,184,600**	**24,607,705**	**28,344,124**	**17,614,406**	**63,792,778**	**31,719,394**	**1,684,527**	**1,737,539**	**175,685,073**
Credited/(charged) to the consolidated statement of comprehensive income	**(863,210)**	**193,157**	**112,850**	**3,310,961**	**7,866,488**	**10,437,034**	**1,732,950**	**726,395**	**23,516,625**
Exchange differences	**226,584**	**319,697**	**465,115**	**554,797**	**3,067,842**	**812,975**	**78,712**	**81,132**	**5,606,854**
At 31 December 2013	**5,547,974**	**25,120,559**	**28,922,089**	**21,480,164**	**74,727,108**	**42,969,403**	**3,496,189**	**2,545,066**	**204,808,552**

Deferred income tax assets are recognised for tax losses carry forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of HK$26,045 (2012: HK$19,575) in respect of losses amounting to HK$157,846 (2012: HK$118,638) that can be carried forward against future taxable income.

22 Deferred income tax — Group *(continued)*

The movement of the deferred tax liabilities is as follows:

	Accelerated depreciation HK$	Interest capitalised HK$	Total HK$
1 January 2012	1,662,617	—	1,662,617
Charged to the consolidated statement of comprehensive income	1,787	2,801,975	2,803,762
Exchange differences	16,006	9,329	25,335
At 31 December 2012	1,680,410	2,811,304	4,491,714
At 31 December 2012 and 1 January 2013	**1,680,410**	**2,811,304**	**4,491,714**
(Credited)/charged to the consolidated statement of comprehensive income	**(108,021)**	**2,659,646**	**2,551,625**
Exchange differences	**51,185**	**127,903**	**179,088**
At 31 December 2013	**1,623,574**	**5,598,853**	**7,222,427**

Deferred income tax liabilities of HK$104,421,841 (2012: HK$76,752,923) have not been recognised for the withholding tax that would otherwise be payable on the unremitted earnings of certain subsidiaries. Management currently has no intention to remit those earnings,in the foreseeable future. Such unremitted earnings totalled HK$2,157,102,196 as at 31 December 2013 (2012: HK$1,535,058,451).

23 Deferred government grants — Group

	HK$
At 1 January 2012	
Cost	93,867,003
Accumulated amortisation	(19,577,257)
Net book amount	74,289,746
Year ended 31 December 2012	
Opening net book amount	74,289,746
Additions	29,075,917
Amortisation (Note 25)	(2,888,808)
Exchange differences	120,325
Closing net book amount	100,597,180
At 31 December 2012	
Cost	122,449,641
Accumulated amortisation	(21,852,461)
Net book amount	100,597,180
Year ended 31 December 2013	
Opening net book amount	**100,597,180**
Additions	**2,356,185**
Amortisation (Note 25)	**(3,281,699)**
Exchange differences	**3,201,818**
Closing net book amount	**102,873,484**
At 31 December 2013	
Cost	**125,412,557**
Accumulated amortisation	**(22,539,073)**
Net book amount	**102,873,484**

In 2012, Vinda Paper (Sichuan), Vinda Paper (Xiaogan) and Vinda Paper (Shandong) received government grants with total amount of RMB23,660,000 (equivalent to HK$29,075,917).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.

23 Deferred government grants — Group *(continued)*

In 2013, Vinda Paper (China) received government grants with total amount of RMB1,880,000 (equivalent to HK$2,356,185).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.

The balance of deferred government grants as at 31 December 2013 mainly includes the grants from local government related to the land use rights purchased:

	As at 31 December	
	2013	2012
	HK$	HK$
Vinda Paper (Liaoning)	**40,047,869**	40,046,062
Vinda Paper (Shandong)	**19,835,649**	19,540,119
Vinda Paper (Sichuan)	**17,252,017**	18,143,032
Vinda Paper (Xiaogan)	**16,198,391**	16,108,317
Vinda Paper (Hubei)	**5,494,785**	5,517,365
	98,828,711	99,354,895
Others	**4,044,773**	1,242,285
	102,873,484	100,597,180

24 Derivative financial instruments

	Group As at 31 December	
	2013	2012
	HK$	HK$
Cross currency swap (Note (a))	**11,112,636**	8,675,816
Interest rate swap (Note (b))		
— cash flow hedge	**1,805,786**	6,394,687
	12,918,422	15,070,503

24 Derivative financial instruments *(continued)*

	Company As at 31 December	
	2013	2012
	HK$	HK$
Interest rate swap (Note (c)) — cash flow hedge	**1,681,819**	5,616,124

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.

(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$6,540,546 (2012: AU$15,261,273) while the aggregate principal payable by the Group amounts to HK$56,250,000 (2012: HK$131,250,000). The swap also entitles the Group to receive AU$ 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$6,540,546 (2012: AU$15,261,273) and HK$56,250,000 (2012: HK$131,250,000), both declining over the term of three years. The schedule of principal and interest expenses are synchronized with the AU$ 3-year term loan included under current bank borrowing described under Note 21 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 2013 was HK$535,500,000 (2012: HK$924,000,000). At 31 December 2013, the fixed interest rate was from 0.58% to 1.28% (2012: 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 2013 was HK$450,000,000 (2012: HK$705,000,000). At 31 December 2013, the fixed interest rate was from 0.74% to 1.28% (2012: 0.74% to 1.28%) per annum and the floating rate was with reference to the 1 month/3 month HIBOR.

25 Other income and gains — net

	For the year ended 31 December 2013 HK$	2012 HK$
Subsidy income received from local government (Note (a))	**35,010,491**	32,303,815
Amortisation of deferred government grants (Note 23)	**3,281,699**	2,888,808
Loss on disposal of property, plant and equipment	**(1,173,444)**	(2,012,377)
Foreign exchange gains — net (Note 30)	**18,389,504**	3,434,145
Gain from disposal of land use right (Note 6)	**—**	19,237,164
Rental income	**2,083,497**	1,696,165
Depreciation of investment property(Note 9)	**(1,015,849)**	(689,911)
Others	**1,515,470**	1,549,923
	58,091,368	58,407,732

(a) In 2013, certain subsidiaries of the Group in the PRC have received subsidy income from government authorities amounting to RMB27,609,274 (equivalent to HKD35,010,491) (2012: RMB26,282,382 (equivalent to HKD32,303,815)).

26 Expenses by nature — Group

	For the year ended 31 December 2013 HK$	2012 HK$
Material costs	**3,530,486,506**	3,160,364,438
Staff costs (Note 27)	**685,144,390**	560,611,450
Utilities	**544,255,207**	469,775,992
Transportation expenses	**271,224,897**	248,635,433
Promotion expenses	**375,612,850**	277,334,981
Depreciation of property, plant and equipment (Note 7)	**262,605,791**	192,290,672
Advertising costs	**39,035,271**	58,894,380
Travel and office expenses	**40,391,608**	33,527,811
Real estate tax, stamp duty and other taxes	**25,887,012**	22,504,357
Operating lease rent	**89,244,727**	46,975,882
Bank charges	**12,882,381**	10,106,637
(Reversal of)/provision for impairment of receivables (Note 14)	**(1,882,453)**	490,496
Auditor's remuneration	**6,266,384**	6,145,526
Amortisation of leasehold land and land use rights (Note 6)	**5,548,596**	4,526,495
Amortisation of intangible assets (Note 8)	**5,610,447**	3,443,122
(Reversal of)/provision for write-down of inventories	**(153,726)**	1,141,009
Other expenses	**251,432,977**	210,568,805
Total cost of sales, selling and marketing costs and administrative expenses	**6,143,592,865**	5,307,337,486

27 Employee benefit expenses — Group

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

	For the year ended 31 December	
	2013	2012
	HK$	HK$
Defined contribution for Hong Kong employees		
— MPF	**521,254**	221,706
Social security and benefits for the PRC employees	**86,818,555**	67,526,395
	87,339,809	67,748,101
Amortisation of fair value costs of employee share options granted	**13,857,000**	46,225,333
Wages, salaries and bonus	**551,428,051**	411,689,491
Staff welfare	**32,519,530**	34,948,525
	685,144,390	560,611,450

(a) Directors' emoluments

	For the year ended 31 December	
	2013	2012
	HK$	HK$
Directors		
— Basic salaries, housing allowances, other allowances and benefits-in-kind	**16,227,221**	14,862,694
— Contributions to retirement plans	**85,626**	80,496
— Fair value of share options granted	**6,464,065**	19,970,667
	22,776,912	34,913,857

27 Employee benefit expenses — Group *(continued)*

(a) Directors' emoluments *(continued)*

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

(i) For the year ended 31 December 2013:

	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	**4,500,583**	**15,000**	**3,869,000**	**8,384,583**
— Ms. Zhang Dong Fang	**4,859,410**	**40,626**	**1,437,753**	**6,337,789**
— Ms. Yu Yi Fang	**2,902,974**	**15,000**	**210,421**	**3,128,395**
— Mr. Dong Yi Ping	**2,902,974**	**15,000**	**210,421**	**3,128,395**
— Mr. Kam Ting To, Robert	**311,040**	**—**	**122,745**	**433,785**
— Dr. Cao Zhen Lei	**233,280**	**—**	**122,745**	**356,025**
— Mr. Hui Chin Tong, Godfrey	**233,280**	**—**	**122,745**	**356,025**
— Mr. Tsui King Fai	**233,280**	**—**	**122,745**	**356,025**
— Mr. Johann Christoph Michalski	**25,200**	**—**	**122,745**	**147,945**
— Mr. Ulf Olof Lennart Soderstrom	**25,200**	**—**	**122,745**	**147,945**
	16,227,221	**85,626**	**6,464,065**	**22,776,912**

(ii) For the year ended 31 December 2012:

	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 Chao Wang	4,176,299	13,750	5,230,764	9,420,813
— Ms. Zhang Dong Fang	4,446,299	39,246	9,000,845	13,486,390
— Ms. Yu Yi Fang	2,648,542	13,750	1,043,465	3,705,757
— Mr. Dong Yi Ping	2,648,542	13,750	1,043,465	3,705,757
— Mr. Kam Ting To, Robert	276,000	—	608,688	884,688
— Dr. Cao Zhen Lei	207,000	—	608,688	815,688
— Mr. Hui Chin Tong, Godfrey	207,000	—	608,688	815,688
— Mr. Tsui King Fai	207,000	—	608,688	815,688
— Mr. Johann Christoph Michalski	23,006	—	608,688	631,694
— Mr. Ulf Olof Lennart Soderstrom	23,006	—	608,688	631,694
	14,862,694	80,496	19,970,667	34,913,857

27 Employee benefit expenses — Group *(continued)*

(a) Directors' emoluments *(continued)*

For the year ended 31 December 2013 and 2012, 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.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2013 include four directors (2012: four directors) whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining one individual (2012: one individual) for the year ended 31 December 2013 is as follows:

	For the year ended 31 December	
	2013	2012
	HK$	HK$
— Basic salaries, housing allowances, other allowances and benefits-in-kind	**1,896,371**	2,438,542
— Contributions to retirement plans	**7,018**	13,750
— Fair value of employee share options granted	**326,093**	1,485,727
	2,229,482	3,938,019

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 years ended 31 December 2013 and 2012.

28 Finance costs — Group

	For the year ended 31 December	
	2013	2012
	HK$	HK$
Interest expense		
— bank borrowings (a)	**(60,762,712)**	(48,322,993)
Foreign exchange gain — net (Note 30)	**43,978,603**	208,243
Interest income		
— bank deposits	**3,792,450**	7,402,715
Net finance costs	**(12,991,659)**	(40,712,035)

(a) During the year, the Group has capitalised borrowing costs amounting to HK$11,430,280 (2012: HK$13,952,054) on qualifying assets. Borrowing costs were capitalised at the weighted average rate of its general borrowings of 1.05% (2012: 1.04%).

29 Taxation — Group

(a) Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 16.5%) on the estimated assessable profit for the year. The applicable corporate income tax rate for Mainland China subsidiaries are 25% except for subsidiaries which are qualified as High and New Technology Enterprises ("HNTE") and would be entitled to enjoy a beneficial tax rate of 15%. The subsidiaries which are qualified as HNTE can additionally deduct 50% of qualified research and development expenses when calculating the taxable income. Taxation on profits outside Mainland China and 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	
	2013	2012
	HK$	HK$
Current income tax		
— Hong Kong and overseas profits tax	**37,416,323**	20,983,416
— PRC enterprise income tax	**113,477,625**	217,053,108
— (Over)/under provision of income tax for prior year	**(347,016)**	882,548
Deferred income tax (Note 22)	**(20,965,000)**	(57,009,923)
	129,581,932	181,909,149

29 Taxation — Group *(continued)*

(a) Income tax expense *(continued)*

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	
	2013	2012
	HK$	HK$
Profit before income tax	**672,489,621**	718,470,904
Applicable tax rates	**22.06%**	22.98%
Tax calculated at weighted average tax rate	**148,351,210**	165,104,614
Income not subject to tax	**(13,030,476)**	(1,653,142)
Expenses not deductible for tax purposes	**10,271,842**	17,563,994
Unrecognised tax losses	**8,624**	11,135
(Over)/under provision of income tax for prior year	**(347,016)**	882,548
Tax exemption on the profit of a subsidiary	**(12,760,909)**	—
Additional deduction of research and development expenses	**(2,911,343)**	—
Income tax expense	**129,581,932**	181,909,149

(b) 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 (China) has received approval to use the "exempt, credit, refund" method on goods exported. The tax refund rates are 5% and 13%.

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

30 Net foreign exchange gains

	For the year ended 31 December	
	2013	2012
	HK$	HK$
Other income and gains — net (Note 25)	**18,389,504**	3,434,145
Finance income — exchange gain (Note 28)	**43,978,603**	208,243
	62,368,107	3,642,388

31 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$162,436,022 (2012: HK$112,688,824).

32 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	
	2013	2012
Profit attributable to equity holders of the Company (HK$)	**542,907,689**	536,561,755
Weighted average number of ordinary shares in issue	**999,024,220**	983,101,828
Basic earnings per share (HK$ per share)	**0.543**	0.546

(b) Diluted

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

	For the year ended 31 December	
	2013	2012
Profit attributable to equity holders of the Company (HK$)	**542,907,689**	536,561,755
Weighted average number of ordinary shares in issue	**999,024,220**	983,101,828
Adjustments for share options	**3,386,050**	8,459,554
Weighted average number of ordinary shares for diluted earnings per share	**1,002,410,270**	991,561,382
Diluted earnings per share (HK$ per share)	**0.542**	0.541

33 Dividends

	2013 HK$	2012 HK$
Interim dividend paid of HK$0.048 (2012: HK$0.043) per ordinary share	**47,921,409**	42,973,457
Proposed final dividend of HK$0.108 (2012: HK$0.113) per ordinary share	**107,823,170**	112,930,244

On 27 March 2014, the Board of Directors proposed a final dividend in respect of the year ended 31 December 2013 of HK$107,823,170, representing HK$0.108 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 actual final dividends paid for the year ended 31 December 2012 was HK$112,964,143 based on the 999,682,686 issued shares outstanding at that time.

The dividends actually paid in 2013 and 2012 were HK$160,885,552 and HK$129,962,119 respectively based on the number of issued shares outstanding at relevant time.

34 Cash generated from operations

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

	For the year ended 31 December	
	2013	2012
	HK$	HK$
Profit before income tax	**672,489,621**	718,470,904
Adjustments for:		
— Depreciation of property, plant and equipment (Note 7)	**262,605,791**	192,290,672
— Depreciation of investment property (Note 9)	**1,015,849**	689,911
— Amortisation of intangible assets (Note 8)	**5,610,447**	3,443,122
— Gain on disposal of land use rights (Note 6)	**—**	(19,237,164)
— Amortisation of leasehold land and land use rights (Note 6)	**5,548,596**	4,526,495
— Amortisation of deferred government grants (Note 23)	**(3,281,699)**	(2,888,808)
— Loss on disposals of property, plant and equipment	**1,173,444**	2,012,377
— Share-based payment for value of employee service	**13,857,000**	46,225,333
— (Reversal of)/provision for impairment of receivables (Note 14)	**(1,882,453)**	490,496
— (Reversal of)/provision for of inventories	**(153,726)**	1,141,009
— Net finance costs (Note 28)	**12,991,659**	40,712,035
— Share of post-tax loss of an associate (Note 10)	**26,976,817**	15,934,119
	996,951,346	1,003,810,501
Changes in working capital (excluding the effect of exchange differences on consolidation):		
— Increase in inventories	**(196,114,233)**	(75,495,630)
— Increase in trade receivables, other receivables and prepayments	**(127,396,123)**	(176,141,211)
— Decrease/(increase) in restricted bank deposits	**2,534,297**	(4,809,118)
— Decrease in amount due from related parties	**1,342,418**	970,310
— Increase in trade payables, other payables and accrued expenses	**479,428,799**	272,276,353
— Increase in amount due to a related party	**3,073,275**	365,154
Cash generated from operations	**1,159,819,779**	1,020,976,359

34 Cash generated from operations *(continued)*

(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	
	2013	2012
	HK$	HK$
Net book amount (Note 7)	**3,378,565**	2,669,812
Loss on disposal of property, plant and equipment	**(1,173,444)**	(2,012,377)
Proceeds from disposal of property, plant and equipment	**2,205,121**	657,435

35 Commitments

(a) Capital commitments

	As at 31 December	
	2013	2012
	HK$	HK$
Property, plant and equipment and intangible assets	**537,649,164**	549,451,691
Investment in an associate (Note 10)	**20,500,000**	41,000,000
	558,149,164	590,451,691

(b) Commitments under operating leases

As at 31 December 2013, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	As at 31 December	
	2013	2012
	HK$	HK$
Not later than one year	**62,341,069**	51,561,971
Later than one year but not later than two years	**60,834,545**	57,335,035
Later than two years but not later than five years	**177,600,722**	169,608,866
Later than five years	**416,522,513**	458,947,886
	717,298,849	737,453,758

36 Related party transactions

On 9 September 2013, SCA BV made a voluntary conditional cash offer to acquire all outstanding shares of the Company. The cash offer was finally closed on 11 November 2013 (the "Acquisition close date"). After the close of the cash offer, SCA BV (incorporated in Netherlands) became the immediate holding company of the Group. The ultimate holding company of the Group is Svenska Cellulosa Aktiebolaget AB (incorporated in Sweden).

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

Name of related party	Relationship
SCA Hygiene Australasia Pty Limited ("SCA HA")	Subsidiary of Svenska Cellulosa Aktiebolaget AB (the ultimate holding company of SCA Hygiene)
Jiangmen Taiyuan Paper Limited ("Taiyuan Paper")	A subsidiary of Fu An
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
V-Care (China) Limited ("V-Care (China)")	Subsidiary of V-Care

(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 2013 also include:

	For the year ended 31 December	
	2013	2012
	HK$	HK$
(1) Sales of products to related parties:		
— SCA HA	13,858,556	9,382,418
— SCA (Shanghai)	1,490,451	2,270,072
— V-Care (China)	2,420,596	5,198,036
	17,769,603	16,850,526
(2) Processing trade to a related party:		
— SCA Hong Kong	6,343,002	5,721,610
(3) Purchase of products from a related party:		
— V-Care (China)	24,208,606	3,196,759

36 Related party transactions *(continued)*

(b) Significant related party transactions — the Group *(continued)*

	For the year ended 31 December	
	2013	2012
	HK$	HK$
(4) Sales commission from a related party:		
— V-Care (China)	**—**	678,129
(5) Rental income from a related party:		
— V-Care (China)	**2,083,497**	1,696,165
(6) Rental expense paid to a related party:		
— Taiyuan Paper (Note)	**51,289,098**	17,726,835

Note: On 22 November 2011, Vinda Paper (China), entered into the Lease Agreement with Taiyuan Paper, whereby Taiyuan Paper had agreed to lease Vinda Paper (China) a piece of land located in Xinhui District, Guangdong, the PRC, together with a factory and the relevant ancillary infrastructures. The facilities were to be constructed for an initial term of 15 years with an initial fixed annual rent of RMB29,000,000 (approximately HK$36,345,407).

On 27 March 2012, Vinda Paper (China), entered into another Lease Agreement with Taiyuan Paper, whereby Taiyuan Paper had agreed to lease Vinda Paper (China) 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 expires. The annual rent charge is RMB16,800,000 (approximately HK$21,055,270).

	For the year ended 31 December	
	2013	2012
	HK$	HK$
(7) Key management compensation:		
Directors		
— Basic salaries, housing allowances, other allowances, benefits-in-kind, pensions and other benefits	**16,312,847**	14,943,190
— Share-based payments	**6,464,065**	19,970,667
Senior management		
— Basic salaries, housing allowances, other allowances, benefits-in-kind, pensions and other benefits	**7,321,945**	10,088,230
— Share-based payments	**1,182,088**	7,054,740
	31,280,945	52,056,827

36 Related party transactions *(continued)*

(b) Significant related party transactions — the Group *(continued)*

The emoluments of senior management (excluding directors) fell within the following bands:

	Number of individuals	
	2013	2012
— HK$1,000,000 to HK$1,500,000	**1**	2
— HK$1,500,000 to HK$2,000,000	**1**	2
— Above HK$2,000,000	**1**	1

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 2012 and 2013.

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

	As at 31 December	
	2013	2012
	HK$	HK$
(1) Receivables from related parties		
— SCA HA	**5,134,384**	1,869,910
— V-Care (China)	**1,883,842**	638,798
— SCA (Hong Kong)	**778,438**	990,084
— SCA (Shanghai)	**215,254**	110,223
	8,011,918	3,609,015

All the above receivables are aged within 3 months based on invoice date as at 31 December 2013 and 2012.

	As at 31 December	
	2013	2012
	HK$	HK$
(2) Prepayments to a related party		
— Taiyuan Paper	**32,949,237**	38,694,558

	As at 31 December	
	2013	2012
	HK$	HK$
(3) Trade payables to a related party		
— V-Care (China)	**5,217,791**	2,144,516

36 Related party transactions *(continued)*

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

All the above payables are aged within 3 months based on invoice date as at 31 December 2013 and 2012.

(d) Year-end balances with subsidiaries — the Company

	As at 31 December	
	2013	2012
	HK$	HK$
(1) Other receivables due from subsidiaries		
— Forton Enterprises	**1,094,676,499**	1,013,901,553
— Vinda Household Paper (China)	**—**	170,604,781
— Vinda Household Paper (Hong Kong)	**74,729,668**	72,453,404
— Vinda Investment	**72,590,944**	70,379,825
— Vinda Investment Group	**42,472,653**	41,178,937
— Vinda Industrial HK	**35,893,939**	34,799,536
	1,320,363,703	1,403,318,036

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

	As at 31 December	
	2013	2012
	HK$	HK$
(2) Other payables due to subsidiary		
— Vinda Household Paper (China)	**97,985,579**	—

Consolidated Statement of Comprehensive Income

	For the year ended 31 December				
	2009 HK$	2010 HK$	2011 HK$	2012 HK$	**2013 HK$**
Revenue	2,776,116,529	3,602,168,770	4,765,299,413	6,024,046,812	**6,797,959,594**
Cost of sales	(1,825,317,921)	(2,540,131,315)	(3,468,791,744)	(4,169,104,798)	**(4,826,278,040)**
Gross profit	950,798,608	1,062,037,455	1,296,507,669	1,854,942,014	**1,971,681,554**
Selling and marketing costs	(281,002,421)	(444,985,005)	(574,773,574)	(770,366,428)	**(945,647,960)**
Administrative expenses	(155,651,477)	(181,352,062)	(238,878,433)	(367,866,260)	**(371,666,865)**
Other income and gains — net	8,601,735	27,769,484	22,786,442	58,407,732	**58,091,368**
Operating profit	522,746,445	463,469,872	505,642,104	775,117,058	**712,458,097**
Finance costs — net	(27,502,263)	(3,288,678)	18,646,923	(40,712,035)	**(12,991,659)**
Share of post-tax loss of an associate	—	—	(2,358,175)	(15,934,119)	**(26,976,817)**
Profit before income tax	495,244,182	460,181,194	521,930,852	718,470,904	**672,489,621**
Income tax expense	(97,444,475)	(91,235,087)	(116,216,462)	(181,909,149)	**(129,581,932)**
Profit attributable to equity holders of the Company	397,799,707	368,946,107	405,714,390	536,561,755	**542,907,689**
Other comprehensive income:					
Items that may be reclassified to profit or loss					
Currency translation differences	2,494,422	80,850,222	137,951,695	(357,577)	**136,338,309**
Hedging reserve	—	—	(3,586,084)	(2,808,603)	**4,588,901**
Total comprehensive income attributable to equity holders of the Company	400,294,129	449,796,329	540,080,001	533,395,575	**683,834,899**

Consolidated Balance Sheet

	As at 31 December				
	2009 HK$ (restated)	2010 HK$	2011 HK$	2012 HK$	**2013 HK$**
ASSETS					
Property, plant and equipment	1,838,591,852	2,272,640,034	3,022,040,685	3,987,486,971	**5,101,881,171**
Leasehold land and land use right	145,408,286	160,496,665	184,797,092	185,167,942	**290,468,442**
Intangible assets	6,881,218	11,085,320	10,445,847	12,954,724	**21,235,148**
Deferred income tax assets	72,909,571	87,688,594	115,700,768	175,685,073	**204,808,552**
Investment property	—	—	—	32,435,570	**32,427,614**
Investment in an associate	—	—	59,800,509	64,357,657	**58,757,692**
Inventories	912,068,945	1,321,689,469	1,372,221,620	1,446,576,241	**1,642,844,200**
Trade receivables, other receivables and prepayments	409,312,796	647,011,913	939,353,259	1,115,984,965	**1,286,276,545**
Prepayments to and receivables from related parties	5,458,343	1,100,830	43,273,883	42,303,573	**40,961,155**
Restricted bank deposits	760,931	45,689	1,292,449	6,101,567	**3,567,270**
Cash and cash equivalents	346,949,107	389,551,782	714,611,721	736,586,651	**689,702,649**
Total Assets	3,738,341,049	4,891,310,296	6,463,537,833	7,822,640,934	**9,372,930,438**
EQUITY					
Capital and reserves attributable to the Company's equity holders					
Share capital	90,464,169	93,673,169	93,818,369	99,938,269	**99,836,269**
Share premium	838,018,579	1,113,265,875	1,119,423,427	1,668,318,024	**1,676,529,981**
Other reserves	1,141,425,655	1,481,216,626	1,925,352,703	2,350,661,375	**2,870,510,147**
Total equity	2,069,908,403	2,688,155,670	3,138,594,499	4,118,917,668	**4,646,876,397**
LIABILITIES					
Long-term borrowings	350,394,107	530,262,883	1,151,334,272	850,317,747	**1,705,003,809**
Deferred government grants	63,467,626	69,980,811	74,289,746	100,597,180	**102,873,484**
Derivative financial instruments	—	—	17,424,745	15,070,503	**12,918,422**
Deferred income tax liabilities	1,794,270	1,713,636	1,662,617	4,491,714	**7,222,427**
Other current liabilities	1,252,776,643	1,601,197,296	2,080,231,954	2,733,246,122	**2,898,035,899**
Total Liabilities	1,668,432,646	2,203,154,626	3,324,943,334	3,703,723,266	**4,726,054,041**
Total equity and liabilities	3,738,341,049	4,891,310,296	6,463,537,833	7,822,640,934	**9,372,930,438**
Net current assets	421,773,479	758,202,387	990,520,978	631,306,875	**752,397,498**
Total assets less current liabilities	2,485,564,406	3,290,113,000	4,383,305,879	5,089,394,812	**6,461,976,117**