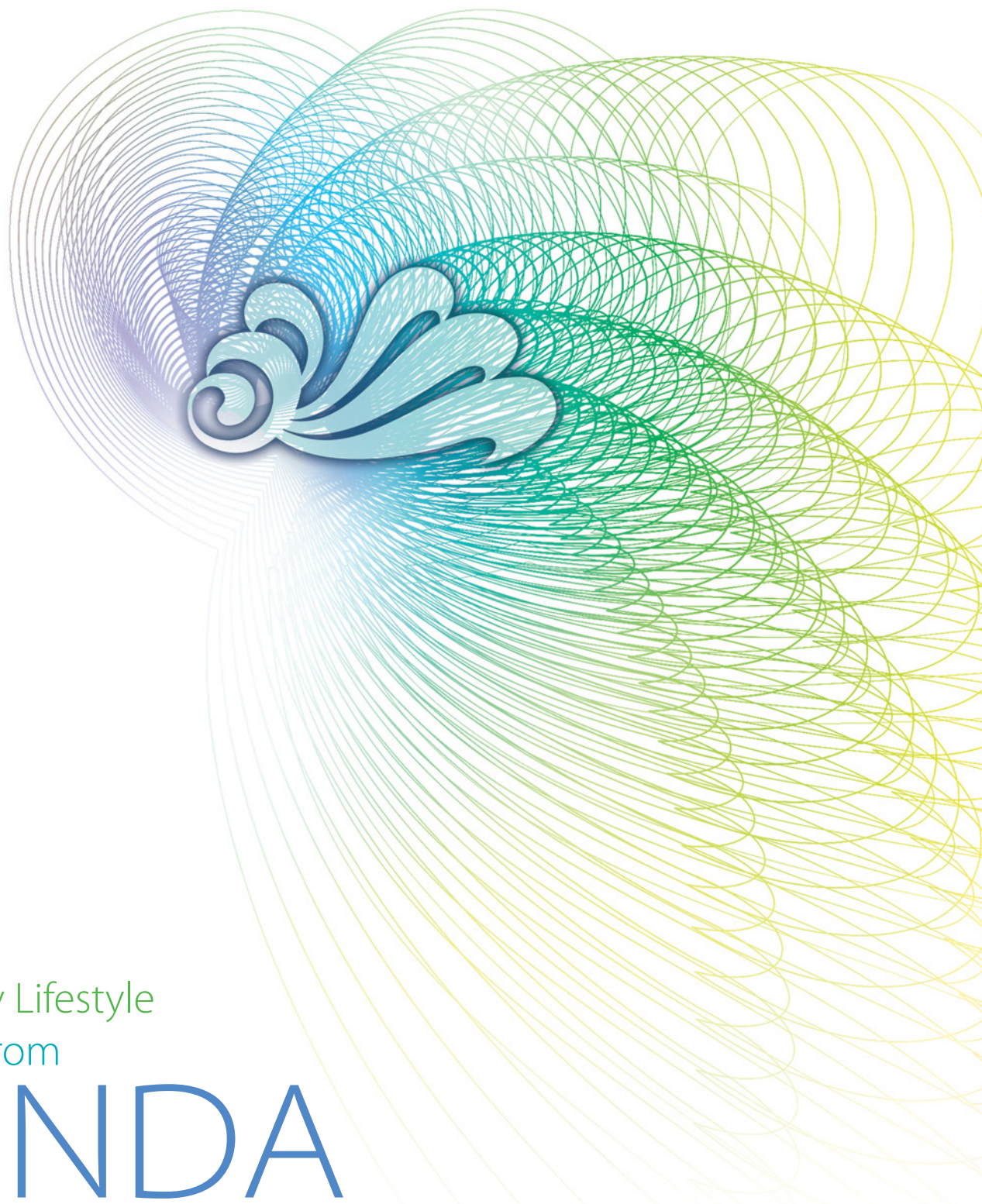




Vinda International Holdings Limited

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



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VINDA

Interim Report 2014

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香港社會服務聯會頒發



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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
Mr. Jan Lennart PERSSON
Mr. Johann Christoph MICHALSKI
Mr. Ulf Olof Lennart SODERSTROM

Independent Non-Executive Directors

Dr. CAO Zhen Lei (resigned on 20 June 2014)
Mr. KAM Robert
Mr. HUI Chin Tong, Godfrey
Mr. TSUI King Fai

Alternate Directors

Ms. LI Jieli (alternate to Mr. LI, Ms. YU and Mr. DONG)
Mr. CHIU Bun (alternate to Mr. MICHALSKI and Mr. SODERSTROM)
Mr. Gert Mikael SCHMIDT (alternate to Mr. JOHANSSON and Mr. PERSSON)

Audit Committee

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

Remuneration Committee

Mr. TSUI King Fai (Chairman)
Mr. HUI Chin Tong, Godfrey
Dr. CAO Zhen Lei (resigned on 20 June 2014)
Mr. Ulf Olof Lennart SODERSTROM

Nomination Committee

Mr. HUI Chin Tong, Godfrey (Chairman)
Mr. LI Chao Wang
Mr. TSUI King Fai
Mr. KAM Robert
Mr. Jan Christer JOHANSSON

Risk Management Committee

Mr. TSUI King Fai (Chairman)
Ms. YU Yi Fang
Ms. ZHANG Dong Fang
Mr. Ulf Olof Lennart SODERSTROM

Authorised Representatives

Ms. ZHANG Dong Fang
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

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

Principal Place of Business in Hong Kong

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

Place of Listing and Stock Code

The Stock Exchange of Hong Kong Limited
Stock Code: 3331

Principal Share Registrar and Transfer Office

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.hkxnews.hk>



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有 就.....



INTERIM RESULTS AND FINANCIAL HIGHLIGHTS

Interim Results

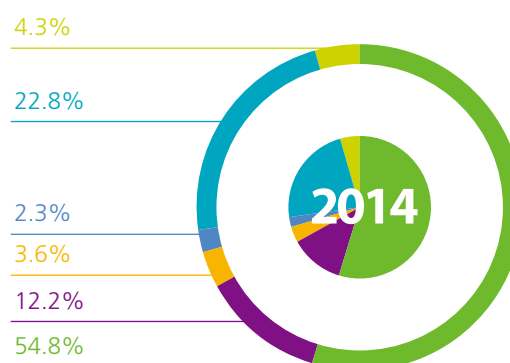
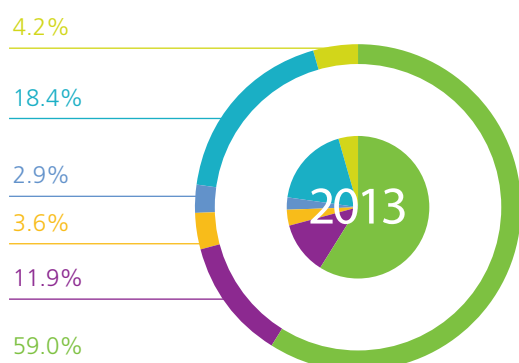
The Board of Directors (the "Board") of Vinda International Holdings Limited ("Vinda International" or the "Company") is pleased to present the unaudited interim condensed consolidated balance sheet as at 30 June 2014 and the unaudited interim condensed consolidated statement of comprehensive income, unaudited interim condensed consolidated statement of cash flows and unaudited interim condensed consolidated statement of changes in equity of the Company and its subsidiaries (the "Group") for the period ended 30 June 2014 (the "Period"), together with the comparative figures and selected explanatory notes. The unaudited interim financial statements have been reviewed by the Company's independent auditors and audit committee.

Financial Highlights

Interim Results for the Six Months Ended 30 June 2014

	2014	2013	Changes
Revenue (HK\$)	3,679,961,616	3,313,654,946	+11.1%
Gross profit (HK\$)	1,085,525,744	957,815,172	+13.3%
Operating profit (HK\$)	345,697,900	383,831,048	-9.9%
Profit attributable to equity holders of the Company (HK\$)	222,175,903	283,984,356	-21.8%
Gross profit margin	29.5%	28.9%	
Net profit margin	6.0%	8.6%	
Basic earnings per share (HK\$)	22.3 cents	28.4 cents	-21.5%
Stock turnover	109 days	119 days	
Finished goods turnover	37 days	34 days	
Debtors turnover	47 days	49 days	
Interim dividend declared (HK\$)	4.0 cents	4.8 cents	

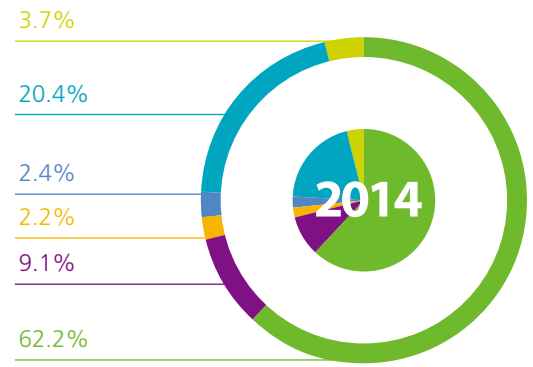
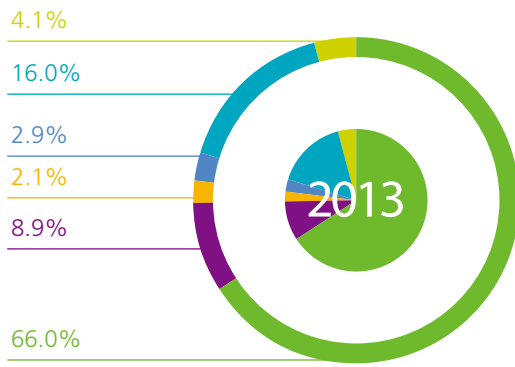
Turnover by Product Categories



- Toilet Roll
- Paper Napkin
- Handkerchief Tissue
- Softpack
- Box Tissue
- Others



Sales Volume by Product Categories



- Toilet Roll
- Paper Napkin
- Handkerchief Tissue
- Softpack
- Box Tissue
- Others



Business Review

In the first half of 2014, China's retail sales decelerated amid the central government's measures to promote frugality. The market for fast-moving consumer goods remained weak. In particular, the growth in household paper market slackened. Nevertheless, the Group, as a leading industry player, saw its sales growth rate still exceed the industry's average, and recorded a 11.1% growth year on year to HK\$3,680.0 million in revenue during the Period, and continued to maintain healthy development in its core business. Moreover, the Group's move to optimize its product mix began to bear fruit. Roll and non-roll products respectively accounted for 54.8% and 45.2% of the total sales. Notably, higher-margin products such as softpack, box tissue and wet wipe posted significant sales growths of 37.2%, 11.8% and 63.2% respectively.

During the Period, the Group's gross profit rose by 13.3% year on year to HK\$1,085.5 million. Overall gross profit margin was maintained at a healthy level of 29.5% because of the optimization of the product mix. However, added production capacity in the industry exceeded the increment in consumption, temporarily disturbing the balance between production and demand in the industry cycle and thus bringing down the capacity utilization rate. This also compelled the industry players to engage in price competition. It was inevitable that the Group had to face such a market situation, and a way to cope with it is to reinforce the Group's market share by stepping up sales and marketing efforts. In addition to the difficulties mentioned above, the substantial decrease in other income (including government subsidies) for the first half of 2014 also took its toll on the profitability. As a result, operating profit declined by 9.9% to HK\$345.7 million.

For the first half of 2014, the Group's borrowings (including loan from a related party) increased by HK\$311 million year on year, thus ratcheting up the financing cost. Profit attributable to the shareholders declined by 21.8% year on

year to HK\$222.2 million. One of the main reasons behind the decrease in profit was that the Group recorded a foreign exchange loss of HK\$33.4 million (first half of 2013: a foreign exchange gain of HK\$31.4 million) as Renminbi weakened against the Hong Kong dollars and US dollars during the Period. Most of the transactions of the Group's business were denominated in and settled in Renminbi while most of its borrowings were denominated in Hong Kong dollars and the US dollars. Nevertheless, the foreign exchange loss would not have any significant impact on the Group's core business profitability and cash flow. According to the Group's financial policies, there are restrictions on the Group's involvement in any speculative foreign exchange transactions which are not related to its business operations or not for the purpose of hedging. Therefore, the foreign exchange loss was not due to speculation in currencies. The Group is confident about maintaining healthy development in its core business.

Basic earnings per share were HK\$0.223 (first half of 2013: HK\$0.284). In appreciation of the shareholders' continued support, the board of directors proposed payment of an interim dividend of HK\$0.04 per share for the six months ended 30 June 2014 (first half of 2013: HK\$0.048 per share).

Wide Recognition for Brand Innovation

Founded for almost three decades, Vinda has always adopted a market-oriented approach to its branding. The Group sought to use innovative branding strategy but not "price competition" to make breakthroughs amid the slowing economy, weak consumer sentiment and overcapacity in production. The move will help distinguish its brand image and reputation from those of its peers. In international consumer panel Kantar Worldpanel's "Brand Footprint 2014" that rates fast-moving consumer goods (FMCG) brands in China, Vinda improved its ranking by six positions to 19th in 2013 from 2012. In addition, the Group's marketing campaign "Ultra Strong National Bus Tour" for its tissue brand "Ultra Strong" is selected to be one of the successful global case studies featured in Kantar Worldpanel's "2014 Brand Footprint Report".





Vinda followed up the successful “Ultra Strong National Bus Tour” for 2013 with “Ultra Strong National Bus Tour — The Second Season” for the Period, which was conducted in 14 major cities on mainland China to promote the products of the “Ultra Strong” series. The campaign enabled the Group to exchange views with hypermarkets and consumers and cement ties with them, thus enhancing Vinda’s brand, reputation and customer loyalty. To raise its market penetration among families with young children, the Group sponsored one of the most viewed variety shows “Fashion Kids” (《潮童天下》) produced by Dragon Television and hired a famous mainland actress Madam Ye Yiqian, who already had a child, as a guest in the programme. Its creative “Vinda Tissue-made Wedding Gown Show for Families” attracted media coverage by a number of newspapers and television stations, thus enhancing the image and raising the awareness of the Vinda brand.

Innovation in Marketing and Sales Channels

In the first half of 2014, revenue from the traditional distributors, modern hypermarkets and supermarkets, corporate clients and E-commerce accounted for 49.0%, 33.3%, 12.6% and 5.1% respectively. As at 30 June 2014, the Group had 216 sales offices and 1,231 distributors.

In the era when Online-to-Offline (“O2O”) business model is flourishing, E-commerce not only eliminates geographical constraints for business expansion but also spurs the reform of China’s marketing and sales channels. The Group’s E-commerce team has made significant progress by building long-term partnerships with a number of major online shopping website operators and by stepping up its marketing and sales efforts with mobile telecommunications. The E-commerce has been a source of steady revenue of the Group, and is expected to account for a higher proportion of the revenue in the future.

Raising Production Efficiency and Improving Production Equipment

For the first half of 2014, the Group sold 256,377 tons of household paper, or 8.6% more than that in the same period of 2013. As at 30 June 2014, the Group's aggregate annual production capacity was 760,000 tons. It did not add any production capacity during the Period, but will increase its annual production capacity in Guangdong by 70,000 tons and that in Zhejiang by 60,000 tons in the fourth quarter of the year as planned. The Group's total annual designed production capacity is expected to rise to 890,000 tons by the end of 2014.

Moreover, the Group aimed to raise the operational efficiency with excellent logistic management service. Its factory in Sanjiang Town, Jiangmen City in Guangdong Province has adopted automated stereoscopic warehousing since 2012, and has since significantly raised the efficiency of distribution. During the Period, the Group planned to introduce automated stereoscopic warehousing into its production plant in Zhejiang Province. The work, which will eliminate the bottlenecks in sales and distribution, is expected to be completed by the end of this year.

Flexible Wood Pulp Procurement Strategy

Wood pulp is the major raw material in the production of household paper products. During the Period, the price of the short-fibre (bleached hardwood kraft pulp) decreased slightly, and the Group capitalized on the trend by increasing the ratio of inventory to production output. The move is expected to assuage the pressure of the possible rise in production cost in the second half of the year when wood pulp prices are predicted to be volatile. To mitigate the possible impact of the fluctuating wood pulp prices and to reduce the production costs, the Group will continue its flexible procurement strategy while maintaining strong ties with its long-term suppliers.

Developing Hygiene Products Businesses

During the Period, the baby diaper market was very competitive as major brands tried to capitalize on the government's policy of allowing a couple to have two children if either member of that couple is the only offspring. They did so by competing for larger market shares with upgraded products and concessionary offers. As a new comer to the baby diaper market, our team gradually built up insights on the market. The Group needs to step up efforts on product research and development, invest immense resources in building up its brand, promotion and establishing sales channels in order to boost sales, gain trust from the market and help spread word of mouth for the brand. The Group's sanitary napkin business actively built sales channels with supermarkets and online shopping website operators during the Period after its successful trial sales of the VIA brand sanitary napkin in Southern and Central China in 2013. It also enhanced its brand and reputation with TV commercials and advertisements on the Internet. Nevertheless, VIA had not yet contributed any significant revenue to the Group because the regional sales network for the brand was not yet fully developed and that the synergy from sharing Vinda's distribution network was not yet fully achieved.

During the Period, the Group appointed HSBC as its adviser to assist it in conducting a review of its business development strategy. In view of China's rising household income and its improving hygiene standards, we judge that the personal care industry has bright prospects. After a careful and elaborate study, the Group put forward a proposal to its associate company V-Care Holdings Limited ("V-Care") for acquiring a 59% equity stake in the latter and then executed the proposal in July of 2014. V-Care would become an indirect wholly-owned subsidiary of the Group upon the completion of the proposed transaction, and will thus be able to take full advantage of the Group's resources, including a strong sales team,

distribution network and other facilities. The move will facilitate the development of the Group's personal care product business and help speed up the business's turnaround. Please refer to the Company's announcement dated 7 July 2014 for the details of this transaction.

Meanwhile, the Group entered into agreements with subsidiaries of SCA, a leading global hygiene & forest products company, on 17 July 2014. Upon the completion of the transaction, the Group will integrate SCA's business operation located in Mainland China, Hong Kong and Macau and obtain the exclusive rights of using various SCA's global brands in these regions. The Group will spearhead the business initiatives including brand management, sale and supply chain management, while SCA will continue to provide innovation and technical support for the business. The Group believes that this strengthened cooperation will effectively combine the competitive advantages of the two parties and provide an impetus to the development of the Group's hygiene product business of household care, baby care, feminine care and elderly care. It will also help the Group to gain larger market shares and maximise the shareholder value. Please refer to the Company's announcement dated 18 July 2014 for the details of this transaction.

To fulfill its mission to improve the standards of household hygiene and provide quality household paper to every family, the Group will implement a multi-brand strategy and build up an international hygiene product business platform with the complementary strengths of itself and SCA.

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 industrial emission reduction. During the Period, the Group and SCA jointly participated in a tree-planting campaign in Ningxia, China. The Group also actively participated in the national and provincial governments' work on research on saving energy and reducing industrial emissions 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. All of the works were aimed 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%. It also upgraded 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. During the Period, the Group was awarded the status of "Caring Company" by The Hong Kong Council of Social Service in recognition of its contribution to society, environmental protection and the well-being of its employees.

Improving Management Performance and Enhancing Human Resources Management

The Group recognizes the importance of sound corporate governance to a company's success, 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. The Group has also established a mechanism to monitor and review the internal control of its departments and operational procedure. During the Period, the Group set up a risk management committee with an aim of raising the standard of its risk management.

High-caliber staff is the key to the Group's competitiveness and value creation. The Group consistently enhances its personnel 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, thus raising the Group's practices to international standards. As at 30 June 2014, the Group had a total of 7,442 employees. Employee remuneration packages are reviewed regularly and benchmarked to local market conditions as well as based on 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.

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 30 June 2014, the Group still had a floating-to-fixed interest rate swap to manage its cash flow interest rate risk and the contract will expire soon. As the costs of capital the Group financed from the market still keep stable, the management will not further convert borrowings from floating rates to fixed rates in the short run and also keep monitoring the fluctuation of the market and modify the strategy on the interest rate risk control in time accordingly.

Prospects

Over the years, China's household paper market has been expanding rapidly. However, the growth in the inelastic demand for the commodity has been slowing down recently. This, coupled with the added production capacity going on stream, will probably make the competition remain intense this and next years. Furthermore, the government is enforcing stricter environmental regulations, posing an additional challenge to the industry. To cope with the situation, an industry player will have to upgrade and transform its business as well as to improve the product quality. Only then will it be able to make steady progress and win out in the market consolidation. In the long run, the country's urbanization, the government's policy to allow a couple to have two children if either member of that couple is the only offspring, and the population aging will stimulate demand for hygiene products.

Vinda International, as a leading industry player, will do its best to take on challenges and grasp any business opportunities with an aim of maintaining its market leadership. Looking ahead, the Group will adhere to the philosophy of “Maintaining Consistent Growth, Controlling Costs and Enhancing Product Mix” while carrying out the following missions:

1. Brand innovation: to keep revitalizing the Vinda brand and hygiene products;
2. Product innovation: to optimize the product mix and to meet the demand of different groups of consumers by providing them with various products of different brand positioning;
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 improve logistics management; 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.

Other Financial Information

Liquidity, Financial Resources and Bank Loans

The Group’s financial position remained healthy. As at 30 June 2014, the Group’s bank and cash balances (including restricted bank deposits of HK\$1,313,587 (31 December 2013: HK\$3,567,270)) amounted to HK\$579,257,221 (31 December 2013: HK\$693,269,919), and short-term, long-term loans and also loan from a related party amounted to HK\$3,100,292,374 (31 December 2013: HK\$2,737,436,782). 44.0% of the bank borrowings are medium- to long- term (2013: 62.3%). The annual interest rates of bank loans ranged from 1.14% to 6.90%.

As at 30 June 2014, the gearing ratio was 65.7% (31 December 2013: 58.9%), 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 53.4% (31 December 2013: 44.0%).

As at 30 June 2014, unutilized credit facilities amounted to approximately HK\$6.08 billion (2013: HK\$5.61 billion).

Contingent Liabilities

As at 30 June 2014 and 31 December 2013, the Group had no material contingent liabilities.

Capital Commitments

	As at	
	30 June	31 December
	2014	2013
	Unaudited	Audited
	HK\$	HK\$
Property, plant and equipment and intangible assets	450,166,850	537,649,164
Investment in an associate	20,500,000	20,500,000
	470,666,850	558,149,164

Interim Dividend

The Board has resolved to declare an interim dividend of HK\$0.04 per share for the period ended 30 June 2014 (2013: HK\$0.048 per share) totaling approximately HK\$39,934,507. The interim dividend will be paid on or about 10 October 2014 to shareholders whose names appear on the register of members of the Company on 17 September 2014.

Closure of Register of Members

The register of members of the Company will be closed from 15 September 2014 to 17 September 2014 (both days inclusive), during which period no transfer of shares will be registered. In order to establish entitlement to the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 pm on 12 September 2014 for registration of transfer.

OTHER INFORMATION

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

As at 30 June 2014, 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	1,998,000	219,275,581	21.96%
			<u>936,000 Shares</u>			
			217,277,581 Shares			
	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%
Yu Yi Fang ⁽²⁾	The Company	Interest of controlled company Personal	216,341,581 Shares	240,000	225,669,581	22.60%
			<u>9,088,000 Shares</u>			
			225,429,581 Shares			
	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	240,000	225,619,581	22.60%
			<u>9,038,000 Shares</u>			
			225,379,581 Shares			
	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%

Name	Company/name of associated corporations	Nature of interest	Number of Shares	Number of underlying Shares ⁽⁴⁾	Aggregate interest	Approximate percentage of interest
Zhang Dong Fang	The Company	Personal	—	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 ⁽⁵⁾	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".
5. Resigned as an independent non-executive director on 20 June 2014.

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

Share Option Scheme

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

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

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

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

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

Details of movements of the options granted under the Share Option Scheme for the year ended 30 June 2014 are as follows:

	Date of Grant	Exercise price per Share HK\$	as at 01/01/2014	Number of Shares issuable under the options				as at 30/06/2014	Exercise period
				granted during the period	exercised during the period	forfeited during the period	cancelled during the period		
Directors									
Li Chao Wang	02/05/2012	14.06	999,000	—	—	—	—	999,000	(Note 2)
	02/05/2013	10.34	999,000	—	—	—	—	999,000	02/05/2013 to 01/05/2023
Yu Yi Fang	02/05/2012	14.06	240,000	—	—	—	—	240,000	(Note 2)
Zhang Dong Fang	02/05/2012	14.06	1,998,000	—	—	—	—	1,998,000	(Note 2)
Dong Yi Ping	02/05/2012	14.06	240,000	—	—	—	—	240,000	(Note 2)
Johann Christoph Michalski	15/04/2011	8.648	80,000	—	—	—	—	80,000	15/04/2011 to 14/04/2021
	02/05/2012	14.06	140,000	—	—	—	—	140,000	(Note 2)
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	140,000	—	—	—	—	140,000	(Note 2)
Cao Zhen Lei (Note 4)	02/05/2012	14.06	140,000	—	—	—	—	140,000	(Note 2)
Kam Robert	15/04/2011	8.648	80,000	—	—	—	—	80,000	15/04/2011 to 14/04/2021
	02/05/2012	14.06	140,000	—	—	—	—	140,000	(Note 2)
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	140,000	—	—	—	—	140,000	(Note 2)
Tsui King Fai	02/05/2012	14.06	140,000	—	—	—	—	140,000	(Note 2)
Employees of the Group									
In aggregate	24/02/2009	2.98	460,000	—	—	—	—	460,000	(Note 1)
	15/04/2011	8.648	1,405,000	—	—	—	—	1,405,000	15/04/2011 to 14/04/2021
	02/05/2012	14.06	6,350,000	—	—	(400,000)	—	5,950,000	(Note 2)
	02/05/2013	10.34	135,000	—	—	—	—	135,000	(Note 3)
			13,986,000	—	—	(400,000)	—	13,586,000	

Note 1. (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, not later than 23 February 2019.

Note 2. (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 3. The tranche of 135,000 options are exercisable from 2 May 2013 to 1 May 2023.

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.

Note 4. Resigned as an independent non-executive director on 20 June 2014.

Note 5. On 20 May 2014, the date of 2014 annual general meeting of the Company, 5,454,000 options were forfeited due to unfulfilled vesting conditions in relation to the financial results for the year ended 31 December 2013. Those 5,454,000 options were deemed to be forfeited on 1 January 2014.

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 30 June 2014, 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 Group Holding BV	Beneficial owner	513,200,425	—	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	1,998,000	219,275,581	21.96%
	Personal	936,000			
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:

- These Shares are registered in the name of SCA Group Holding BV 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.
- 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.
- 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.
- 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.

Corporate Governance

The Company is committed to maintain a high standard of corporate governance practices by emphasizing a quality board of directors, sound internal control, transparency and accountability to all the shareholders of the Company. For the six months ended 30 June 2014, the Company has complied with all the code provisions set out in the Corporate Governance Code, as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), except for the following deviation:

Dr. Cao Zhen Lei resigned as an independent non-executive director and a member of the remuneration committee of the Company on 20 June 2014. Following the resignation, the number of independent non-executive directors of the Company falls to three, which does not meet the requirement under Rule 3.10A of the Listing Rules. The Board will appoint an appropriate person to fill the vacancy as soon as possible within three months from 20 June 2014 pursuant to Rule 3.11 of the Listing Rules.

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

With effect from 20 June 2014, Dr. Cao Zhen Lei resigned as an independent non-executive director and a member of the remuneration committee of the Company. Details of the above resignation is set out in the announcement of the Company dated 20 June 2014.

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 Transaction 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 six months ended 30 June 2014.

Audit Committee

The Company's audit committee has four members comprising three independent non-executive directors, namely, Mr. KAM Robert, Mr. HUI Chin Tong, Godfrey and Mr. TSUI King Fai and a non-executive director, Mr. Jan Lennart PERSSON. The chairman of the audit committee is Mr. KAM Robert. The audit committee is accountable to the Board and the principal duties of the audit committee include the reviews and supervision of the financial reporting process. It also reviews the effectiveness of internal audit, internal controls and risk evaluation, including the interim results and interim report for the six months ended 30 June 2014.

Remuneration Committee

The Company's remuneration committee has four members comprising three independent non-executive directors, namely, Dr. CAO Zhen Lei (resigned on 20 June 2014), Mr. TSUI King Fai and Mr. HUI Chin Tong, Godfrey and a non-executive director, Mr. Ulf Olof Lennart SODERSTROM. The chairman of the remuneration committee is Mr. TSUI King Fai. The principal duty of the remuneration committee is to regularly monitor the remuneration and other benefits of all the directors and senior management to ensure that levels of their remuneration and compensation are appropriate.

Nomination Committee

The Company's nomination committee has five members comprising three independent non-executive directors, namely, Mr. KAM Robert, Mr. HUI Chin Tong, Godfrey and Mr. TSUI King Fai, an executive director, Mr. LI Chao Wang and a non-executive director, Mr. Jan Christer JOHANSSON. The chairman of the nomination committee is Mr. HUI Chin Tong, Godfrey. The principal duty of the nomination committee is to consider and recommend to the Board suitably qualified persons to be appointed directors and is responsible for reviewing the structure, size and composition of the Board on a regular basis.

Risk Management Committee

The Company's risk management committee has four members comprising two executive directors, Ms. YU Yi Fang and Ms. ZHANG Dong Fang, a non-executive director, Mr. Ulf Olof Lennart SODERSTROM and an independent non-executive director, Mr. TSUI King Fai. The chairman of the risk management committee is Mr. TSUI King Fai. The principal duty of the risk management committee is to assist the Board in deciding the Group's risk level and risk appetite, and considering the Company's risk management strategies and gives directions where appropriate.

Purchase, Sale or Redemption of the Securities

During the six months ended 30 June 2014, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.



羅兵咸永道

**REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION
TO THE BOARD OF DIRECTORS OF
VINDA INTERNATIONAL HOLDINGS LIMITED**
(incorporated in Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 22 to 26, which comprises the interim condensed consolidated balance sheet of Vinda International Holdings Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2014 and the related interim condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 18 July 2014

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INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2014

	Note	30 June 2014 Unaudited HK\$	31 December 2013 Audited HK\$
ASSETS			
Non-current assets			
Property, plant and equipment	7	5,450,469,822	5,101,881,171
Investment property	7	31,616,709	32,427,614
Leasehold land and land use rights	7	284,370,645	290,468,442
Intangible assets	7	25,452,576	21,235,148
Deferred income tax assets		199,183,592	204,808,552
Investment in an associate	8	54,269,551	58,757,692
Total non-current assets		6,045,362,895	5,709,578,619
Current assets			
Inventories		1,497,345,858	1,642,844,200
Trade receivables, other receivables and prepayments	9	1,367,085,118	1,286,276,545
Prepayments to and receivables from related parties	21	85,650,483	40,961,155
Restricted bank deposits		1,313,587	3,567,270
Cash and cash equivalents		577,943,634	689,702,649
Total current assets		3,529,338,680	3,663,351,819
Total assets		9,574,701,575	9,372,930,438
EQUITY			
Share capital	10	99,836,269	99,836,269
Share premium	10	1,676,529,981	1,676,529,981
Other reserves			
— Proposed dividend		39,934,507	107,823,170
— Others		2,901,979,294	2,762,686,977
Total equity		4,718,280,051	4,646,876,397

Interim Condensed Consolidated Balance Sheet

As at 30 June 2014

	Note	30 June 2014 Unaudited HK\$	31 December 2013 Audited HK\$
LIABILITIES			
Non-current liabilities			
Borrowings	12	1,362,624,919	1,705,003,809
Deferred government grants		99,845,295	102,873,484
Deferred income tax liabilities		9,990,808	7,222,427
Total non-current liabilities		1,472,461,022	1,815,099,720
Current liabilities			
Trade payables, other payables and accrued expenses	14	1,584,493,785	1,820,064,171
Due to a related party	21	5,580,927	5,217,791
Loan from a related party	21	289,592,044	—
Borrowings	12	1,448,702,981	1,032,432,973
Current income tax liabilities		52,752,669	40,320,964
Derivative financial instruments	13	2,838,096	12,918,422
Total current liabilities		3,383,960,502	2,910,954,321
Total liabilities		4,856,421,524	4,726,054,041
Total equity and liabilities		9,574,701,575	9,372,930,438
Net current assets		145,378,178	752,397,498
Total assets less current liabilities		6,190,741,073	6,461,976,117

The notes on pages 27 to 48 form an integral part of this condensed consolidated interim financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2014

	Note	Unaudited Six months ended 30 June	
		2014 HK\$	2013 HK\$
Revenue	6	3,679,961,616	3,313,654,946
Cost of sales		(2,594,435,872)	(2,355,839,774)
Gross profit		1,085,525,744	957,815,172
Selling and marketing costs		(527,190,462)	(438,366,882)
Administrative expenses		(207,999,030)	(165,362,575)
Other income and (losses)/gains — net		(4,638,352)	29,745,333
Operating profit	15	345,697,900	383,831,048
Interest expense		(38,655,446)	(25,365,169)
Net foreign exchange transaction (loss)/gain		(21,923,351)	22,122,622
Interest income		1,287,826	2,130,709
Finance costs, net		(59,290,971)	(1,111,838)
Share of post-tax loss of an associate	8	(4,358,121)	(15,800,143)
Profit before income tax		282,048,808	366,919,067
Income tax expense	16	(59,872,905)	(82,934,711)
Profit attributable to equity holders of the Company		222,175,903	283,984,356
Other comprehensive income:			
Items that may be reclassified to profit or loss			
— Currency translation differences		(44,732,549)	77,108,126
— Hedging reserve		1,783,470	2,705,248
Total comprehensive income attributable to equity holders of the Company		179,226,824	363,797,730
Earnings per share for profit attributable to the equity holders of the Company			
— basic	17	0.223	0.284
— diluted	17	0.222	0.283

The notes on pages 27 to 48 form an integral part of this condensed consolidated interim financial information.

		Unaudited Six months ended 30 June	
		2014 HK\$	2013 HK\$
Dividends	18	39,934,507	47,984,769

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

	Note	Unaudited			Total HK\$
		Share capital HK\$	Share premium HK\$	Other reserves HK\$	
Balance as at 1 January 2013		99,938,269	1,668,318,024	2,350,661,375	4,118,917,668
Profit for the period		—	—	283,984,356	283,984,356
Other comprehensive income					
Items that may be reclassified to profit or loss					
— Currency translation differences		—	—	77,108,126	77,108,126
— Hedging reserve		—	—	2,705,248	2,705,248
Total comprehensive income for the six months ended 30 June 2013		—	—	363,797,730	363,797,730
Transaction with owners					
Employees share option scheme					
— Value of employee services		—	—	13,857,000	13,857,000
— Exercise of options	11	30,000	2,095,008	(550,848)	1,574,160
Dividends	18	—	—	(112,964,143)	(112,964,143)
Transaction with owners		30,000	2,095,008	(99,657,991)	(97,532,983)
Balance as at 30 June 2013		99,968,269	1,670,413,032	2,614,801,114	4,385,182,415
Balance as at 1 January 2014		99,836,269	1,676,529,981	2,870,510,147	4,646,876,397
Profit for the period		—	—	222,175,903	222,175,903
Other comprehensive income					
Items that may be reclassified to profit or loss					
— Currency translation differences		—	—	(44,732,549)	(44,732,549)
— Hedging reserve		—	—	1,783,470	1,783,470
Total comprehensive income for the six months ended 30 June 2014		—	—	179,226,824	179,226,824
Transaction with owners					
Dividends	18	—	—	(107,823,170)	(107,823,170)
Transaction with owners		—	—	(107,823,170)	(107,823,170)
Balance as at 30 June 2014		99,836,269	1,676,529,981	2,941,913,801	4,718,280,051

The notes on pages 27 to 48 form an integral part of this condensed consolidated interim financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2014

	Note	Unaudited	
		Six months ended 30 June	
		2014	2013
		HK\$	HK\$
Cash flows from operating activities:			
— cash generated from operations		210,956,403	268,056,271
Cash flows from investing activities:			
— purchases of property, plant and equipment		(556,988,936)	(742,427,259)
— purchases of intangible assets		(9,144,528)	(3,427,855)
— purchases of leasehold land and land use rights		—	(92,097,788)
— proceeds on disposal of property, plant and equipment		129,946	2,736,060
— investment in an unlisted associate		—	(20,500,000)
— interest received		1,287,826	2,130,709
Cash flows used in investing activities — net		(564,715,692)	(853,586,133)
Cash flows from financing activities:			
— dividends paid	18	(107,823,170)	(112,964,143)
— repayments of borrowings	12	(1,100,183,102)	(1,095,760,829)
— proceeds from borrowings	12	1,167,600,311	1,808,029,007
— loan from a related party	21	289,646,465	—
— proceeds from shares issued	11	—	1,574,160
Cash flows generated from financing activities — net		249,240,504	600,878,195
Net (decrease)/increase in cash and cash equivalents		(104,518,785)	15,348,333
Cash and cash equivalents at beginning of the period		689,702,649	753,586,651
Exchange differences		(7,240,230)	6,000,694
Cash and cash equivalents at end of the period		577,943,634	774,935,678

The notes on pages 27 to 48 form an integral part of this condensed consolidated interim financial information.

1 General Information

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

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

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

On 9 September 2013, SCA Group Holding BV, a subsidiary of Svenska Cellulosa Aktiebolaget, 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, Svenska Cellulosa Aktiebolaget became the ultimate holding company of the Group.

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

This condensed consolidated interim financial information is presented in Hong Kong dollars, unless otherwise stated. This condensed consolidated interim financial information was approved for issue on 18 July 2014.

This condensed consolidated interim financial information has not been audited.

2 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2014 has been prepared in accordance with HKAS 34 "Interim financial reporting". The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2013, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

2.1 Going-concern basis

The Group meets its day-to-day working capital requirements through its bank facilities. After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its condensed consolidated interim financial information.

3 Significant accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2013, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

(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 2014:

HKAS 36 (Amendment) "Impairment of assets" is effective for annual periods beginning on or after 1 January 2014. The amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

HK (IFRIC) Interpretation 21 "Levies" is effective for annual periods beginning on or after 1 January 2014. This is an interpretation of HKAS 37 "Provisions, contingent liabilities and contingent assets". HKAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

Amendments and interpretations as mentioned above are not expected to have a material effect on the Group's operating results, financial position or comprehensive income.

3 Significant accounting policies (continued)

(b) Standards, amendments and interpretations to existing standards effective in 2014 but not relevant to the Group

		Effective for annual periods beginning on or after
HKAS 32 (Amendment)	Financial instruments: Presentation — Offsetting financial assets and financial liabilities	1 January 2014
Amendment to HKAS 39	Financial Instruments: Recognition and measurement, on novation of derivatives	1 January 2014
HKFRS 10, 12 and HKAS 27 (Amendment)	Consolidation for investment entities	1 January 2014

(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 2014 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
Amendments to HKAS 19	Defined benefit plans	1 July 2014
HKFRS 2	Share-based payment	1 July 2014
HKFRS 3	Business combinations	1 July 2014
HKFRS 8	Operating segments	1 July 2014
HKFRS 13	Fair value measurement	1 July 2014
HKAS 16	Property, plant and equipment	1 July 2014
HKAS 24	Related party disclosures	1 July 2014
HKAS 37	Provisions, contingent liabilities and contingent assets	1 July 2014
HKAS 38	Intangible assets	1 July 2014
HKAS 39	Financial instruments — Recognition and measurement	1 July 2014
HKAS 40	Investment property	1 July 2014
HKFRS 14	Regulatory deferral accounts	1 January 2016
Amendments to HKFRS 11	Joint arrangements	1 January 2016
Amendments to HKAS 16	Property, plant and equipment	1 January 2016
Amendments to HKAS 38	Intangible assets	1 January 2016
HKFRS 9	Financial instruments	1 January 2018

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2014

4 Estimates

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2013.

5 Financial risk management

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The interim condensed consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2013.

There have been no changes in the risk management department since year end or in any risk management policies.

5 Financial risk management (continued)

5.2 Liquidity risk

Compared to year end, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

As at 30 June 2014, the contractual maturities of the Group's non-derivative financial liabilities were as follows:

	On demand HK\$	Less than 1 year HK\$	Between 1 and 2 years HK\$	Between 2 and 5 years HK\$	Total Amount HK\$
As at 30 June 2014					
Term loans subject to a repayment on demand clause	105,497,859	—	—	—	105,497,859
Other bank loans	—	1,343,205,122	1,012,337,006	350,287,913	2,705,830,041
Interests payable on borrowings	2,585,913	55,259,481	19,118,252	4,234,960	81,198,606
Trade payables	—	878,804,448	—	—	878,804,448
Other payables	—	302,854,935	—	—	302,854,935
Due to a related party	—	5,580,927	—	—	5,580,927
Loan from a related party	—	289,592,044	—	—	289,592,044
As at 31 December 2013					
Term loans subject to a repayment on demand clause	178,869,794	—	—	—	178,869,794
Other bank loans	—	853,563,179	1,007,025,292	690,687,751	2,551,276,222
Other borrowings	—	—	7,290,766	—	7,290,766
Interests payable on borrowings	6,010,544	66,824,577	29,396,965	6,315,957	108,548,043
Trade payables	—	1,113,007,617	—	—	1,113,007,617
Other payables	—	294,694,434	—	—	294,694,434
Due to a related party	—	5,217,791	—	—	5,217,791

5.3 Fair value estimation

There were no changes on valuation techniques during the period.

In preparing the condensed consolidated interim financial statements, the significant judgements made by management in applying the valuation method for the financial instruments carried at fair value and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2013.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2014

6 Segment information

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

	Unaudited	
	Six months ended 30 June	
	2014	2013
	HK\$	HK\$
Sales of goods	3,642,984,565	3,268,457,086
Sales of semi-finished goods and other materials	34,579,821	41,968,552
Processing trade	2,397,230	3,229,308
Total revenue	3,679,961,616	3,313,654,946

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.

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

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

The Company is domiciled in Hong Kong. The result of its revenue from external customers in Mainland China, Hong Kong and overseas for the six months ended 30 June 2014 is HK\$3,368,373,172 (for the six months ended 30 June 2013: HK\$3,044,055,807), HK\$284,130,444 (for the six months ended 30 June 2013: HK\$260,471,351), HK\$27,458,000 (for the six months ended 30 June 2013: HK\$9,127,788) respectively.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2014

6 Segment information (continued)

The total non-current assets are analysed as follows:

	As at	
	30 June	31 December
	2014	2013
	Unaudited	Audited
	HK\$	HK\$
Total non-current assets other than deferred tax assets and investment in an associate		
— Mainland China	5,763,325,383	5,416,066,216
— Hong Kong and overseas	28,584,369	29,946,159
Deferred tax assets	199,183,592	204,808,552
Investment in an associate	54,269,551	58,757,692
Total non-current assets	6,045,362,895	5,709,578,619

7 Property, plant and equipment, investment property, leasehold land and land use rights and intangible assets

	Property, plant and equipment	Unaudited		Intangible assets
	HK\$	Investment property	leasehold land and land use rights	HK\$
	HK\$	HK\$	HK\$	HK\$
Six months ended 30 June 2013				
Opening net book amount as at 1 January 2013	3,987,486,971	32,435,570	185,167,942	12,954,724
Additions	725,048,561	—	101,963,369	3,427,855
Disposals	(3,178,340)	—	—	—
Depreciation and amortisation (Note 15)	(117,159,696)	(502,477)	(2,263,322)	(2,538,043)
Exchange differences	72,309,737	577,972	3,354,307	114,616
Closing net book amount as at 30 June 2013	4,664,507,233	32,511,065	288,222,296	13,959,152
Six months ended 30 June 2014				
Opening net book amount as at 1 January 2014	5,101,881,171	32,427,614	290,468,442	21,235,148
Additions	570,397,019	—	—	9,144,528
Disposals	(295,425)	—	—	—
Reclassification	(8,268)	8,268	—	—
Depreciation and amortisation (Note 15)	(172,072,291)	(509,842)	(3,324,331)	(4,713,745)
Exchange differences	(49,432,384)	(309,331)	(2,773,466)	(213,355)
Closing net book amount as at 30 June 2014	5,450,469,822	31,616,709	284,370,645	25,452,576

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2014

7 Property, plant and equipment, investment property, leasehold land and land use rights and intangible assets *(continued)*

During the period, the Group has capitalized borrowing costs, including interest expenses and related foreign exchange loss amounting to HK\$11,803,449 (2013: interest expenses and exchange gain of HK\$3,295,472) on qualifying assets. Borrowing costs were capitalized at the weighted average rate of its general borrowings of 2.46% (2013: 0.69%).

8 Investment in an associate

	Unaudited 30 June 2014 HK\$	Audited 31 December 2013 HK\$
Beginning of the period	58,757,692	64,357,657
Additional investment in an unlisted associate	—	20,500,000
Share of post-tax loss of an associate	(4,358,121)	(26,976,817)
Exchange differences	(130,020)	876,852
	54,269,551	58,757,692

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2014

9 Trade receivables, other receivables and prepayments

	As at	
	30 June 2014 Unaudited HK\$	31 December 2013 Audited HK\$
Trade receivables	958,130,758	915,812,348
Other receivables (Note(a))	376,607,491	346,506,944
Notes receivable	15,012,415	6,382,988
Prepayments	30,594,304	27,191,726
Less: Provision for impairment of trade receivables	(13,259,850)	(9,617,461)
	1,367,085,118	1,286,276,545

(a) Other receivables mainly comprised creditable input value added tax.

The majority of the Group's sales is with credit terms ranging from 30 to 90 days. As at 30 June 2014 and 31 December 2013, the ageing analysis of the trade receivables based on invoice date was as follows:

	As at	
	30 June 2014 Unaudited HK\$	31 December 2013 Audited HK\$
Within 3 months	879,692,102	854,781,509
4 months to 6 months	55,263,942	46,992,878
7 months to 12 months	19,829,728	8,841,000
Over 1 year	3,344,986	5,196,961
	958,130,758	915,812,348

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2014

10 Share capital and share premium

	Number of authorised shares	Number of issued and fully paid shares	Share capital HK\$	Unaudited Amount Share premium HK\$	Total HK\$
Opening balance as at					
1 January 2013	80,000,000,000	999,382,686	99,938,269	1,668,318,024	1,768,256,293
Allotment of shares					
Employee share option scheme (Note 11)					
— Exercise of options	—	300,000	30,000	2,095,008	2,125,008
As at 30 June 2013	80,000,000,000	999,682,686	99,968,269	1,670,413,032	1,770,381,301
As at 1 January 2014 and 30 June 2014	80,000,000,000	998,362,686	99,836,269	1,676,529,981	1,776,366,250

As at 30 June 2014 and 2013, the par value of authorised and issued ordinary shares is HK\$0.1 per share.

11 Share-based payment

Movements in the number of share options outstanding and their related weighted average exercise prices for the six months period ended 30 June 2014 and 2013 were as follows:

	For the six months period ended 30 June			
	2014	2013	Unaudited	
	Average exercise price in HK\$	Number of options	Average exercise price in HK\$	Number of options
At 1 January	12.73	13,986,000	11.04	25,843,000
Granted	—	—	10.34	1,359,000
Exercised	—	—	5.25	(300,000)
Forfeited	14.06	(400,000)	11.29	(60,000)
At 30 June	12.69	13,586,000	11.07	26,842,000

No option was granted during the six months ended 30 June 2014.

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.

11 Share-based payment (continued)

No option was exercised during the six months ended 30 June 2014 (2013: 300,000 shares were issued with the net proceeds of HK\$1,574,160).

Share options outstanding at 30 June 2014 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
1 May 2022	14.06	10,267,000
1 May 2023	10.34	1,134,000

12 Borrowings

	As at	
	30 June 2014 Unaudited HK\$	31 December 2013 Audited HK\$
Non-current	1,362,624,919	1,705,003,809
Current	1,448,702,981	1,032,432,973
	2,811,327,900	2,737,436,782

Movements in borrowings are analysed as follows:

	Unaudited HK\$
Six months ended 30 June 2013	
Opening amount as at 1 January 2013	2,069,218,272
New borrowings	1,808,029,007
Repayments of borrowings	(1,095,760,829)
Exchange differences, net	7,891,580
Closing amount as at 30 June 2013	2,789,378,030
Six months ended 30 June 2014	
Opening amount as at 1 January 2014	2,737,436,782
New borrowings	1,167,600,311
Repayments of borrowings	(1,100,183,102)
Exchange differences, net	6,473,909
Closing amount as at 30 June 2014	2,811,327,900

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2014

12 Borrowings (continued)

Interest expenses on borrowings for the six months ended 30 June 2014 were HK\$46,628,757 (six months ended 30 June 2013: HK\$41,495,704) including HK\$7,973,311 capitalized in the construction-in-progress (six months ended 30 June 2013: HK\$16,130,535).

13 Derivative financial instruments

	As at	
	30 June 2014 Unaudited HK\$	31 December 2013 Audited HK\$
Cross currency swap (Note(a))	2,815,831	11,112,636
Interest rate swap (Note(b)) — cash flow hedge	22,265	1,805,786
	2,838,096	12,918,422

The 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 or, 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”) on 27 July 2011 with the maturity date of 29 July 2014, whereby the Group would receive AUD floating interest and principal amounts while the Group would be obligated to pay HK\$ floating interest and principal. The aggregate principal receivable amounts to AUD17,441,455 while the aggregate principal payable by the Group amounts to HK\$150,000,000. The swap also entitles the Group to receive AUD 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 AUD17,441,455 and HK\$150,000,000, both declining over the term of three years. The residual principal as at 30 June 2014 amounted to AUD2,180,182 and HK\$18,750,000 respectively. The schedule of principal and interest exchanges are synchronized with the AUD 3-year term loan included under bank borrowing described under Note 12 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 as at 30 June 2014 was HK\$18,750,000 (31 December 2013: HK\$535,500,000). As at 30 June 2014, the fixed interest rate was 0.85% per annum and the floating rate was with reference to the 3 month HIBOR.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2014

14 Trade payables, other payables and accrued expenses

	As at	
	30 June	31 December
	2014	2013
	Unaudited	Audited
	HK\$	HK\$
Trade payables	878,804,448	1,113,007,617
Notes payables	20,653,973	3,412,027
Other payables	410,915,097	439,774,855
Accrued expenses	274,120,267	263,869,672
	1,584,493,785	1,820,064,171

Ageing analysis of trade payables and notes payables as at 30 June 2014 and 31 December 2013 were as follows:

	As at	
	30 June	31 December
	2014	2013
	Unaudited	Audited
	HK\$	HK\$
Within 3 months	890,208,804	1,066,381,206
4 months to 6 months	863,241	21,918,953
7 months to 12 months	4,434,820	26,850,535
Over 1 year	3,951,556	1,268,950
	899,458,421	1,116,419,644

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2014

15 Operating profit

The following items have been (credited)/charged to the operating profit during the six months ended 30 June 2014 and 2013:

	Unaudited	
	Six months ended 30 June	
	2014	2013
	HK\$	HK\$
Amortisation of deferred government grants	(2,047,902)	(1,699,549)
Foreign exchange loss/(gain), net	33,388,693	(31,366,483)
Provision for impairment of receivables	3,642,389	10,135
Provision/(write-back) for impairment of inventories	309,922	(484,509)
Share option expenses	—	13,857,000
Depreciation of property, plant and equipment (note 7)	172,072,291	117,159,696
Depreciation of investment property (note 7)	509,842	502,477
Amortisation of intangible assets (note 7)	4,713,745	2,538,043
Amortisation of leasehold land and land use rights (note 7)	3,324,331	2,263,322
Loss on disposal of property, plant and equipment	165,479	442,280

16 Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 2013: 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.

Pursuant to the qualification of HNTE, Vinda Paper (Xiaogan) Co., Ltd., a wholly owned subsidiary of the Group, enjoys a favourable tax rate of 15% and an additional deduction of 50% of qualified research and development expenses when calculating the taxable income.

	Unaudited	
	Six months ended 30 June	
	2014	2013
	HK\$	HK\$
Current income tax		
— Hong Kong profits tax	25,603,562	15,974,967
— PRC enterprise income tax	27,558,399	81,842,276
Deferred income tax	6,710,944	(14,882,532)
	59,872,905	82,934,711

16 Income tax expense *(continued)*

Income tax expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the six months ended 30 June 2014 is 21.23% (the estimated tax rate for the six months ended 30 June 2013 was 22.60%).

17 Earnings per share**(a) Basic**

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

	Unaudited	
	Six months ended 30 June	
	2014	2013
Profit attributable to equity holders of the Company (HK\$)	222,175,903	283,984,356
Weighted average number of ordinary shares in issue	998,362,686	999,581,084
Basic earnings per share (HK\$ per share)	0.223	0.284

(b) Diluted

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

	Unaudited	
	Six months ended 30 June	
	2014	2013
Profit attributable to equity holders of the Company (HK\$)	222,175,903	283,984,356
Weighted average number of ordinary shares in issue	998,362,686	999,581,084
Adjustments for share options	954,590	3,824,768
Weighted average number of ordinary shares for diluted earnings per share	999,317,276	1,003,405,852
Diluted earnings per share (HK\$ per share)	0.222	0.283

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2014

18 Dividends

On 26 March 2013, the Board of Directors proposed a final dividend in respect of the year ended 31 December 2012 of HK\$0.113 per ordinary share. 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.

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. The final dividend was paid on 20 June 2014.

On 18 July 2014, the Board of Directors has resolved to declare an interim dividend of HK\$0.04 per share (2013: HK\$0.048 per share). This interim dividend, amounting to HK\$39,934,507 (2013: HK\$47,984,769), has not been recognised as a liability in this interim financial information. It will be recognised in shareholders' equity in the year ending 31 December 2014.

19 Commitments

(a) Capital Commitments

	As at	
	30 June	31 December
	2014	2013
	Unaudited	Audited
	HK\$	HK\$
Property, plant and equipment and intangible assets	450,166,850	537,649,164
Investment in an associate	20,500,000	20,500,000
	470,666,850	558,149,164

(b) Commitments under operating leases

As at 30 June 2014, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	As at	
	30 June	31 December
	2014	2013
	Unaudited	Audited
	HK\$	HK\$
Not later than one year	90,588,226	62,341,069
Later than one year but not later than two years	81,204,760	60,834,545
Later than two years but not later than five years	236,493,387	177,600,722
Later than five years	519,400,353	416,522,513
	927,686,726	717,298,849

20 Contingent liabilities

As at 30 June 2014 and 31 December 2013, the Group had no material contingent liabilities.

21 Related-party transactions

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

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

Name of related party	Relationship
SCA Hygiene Australasia Pty Limited ("SCA HA")	A subsidiary of Svenska Cellulosa Aktiebolaget
SCA Tissue Hong Kong Limited ("SCA (Hong Kong)")	A subsidiary of Svenska Cellulosa Aktiebolaget
SCA Trading (Shanghai) Co., Ltd. ("SCA (Shanghai)")	A subsidiary of Svenska Cellulosa Aktiebolaget
AB SCA Finans ("SCA Finans")	A subsidiary of Svenska Cellulosa Aktiebolaget
V-Care (China) limited ("V-Care (China)")	A subsidiary of V-Care
Jiangmen Taiyuan Paper Limited ("Taiyuan Paper")	A subsidiary of Fu An International Company Limited ("Fu An", a shareholder of the Company has significant influence over it)

(b) Significant related party transactions

In the opinion of the Company's directors, the related party transactions were conducted in the ordinary course of business. Other than the related party transactions disclosed elsewhere in the condensed consolidated interim financial information, significant related party transactions of the Group during the six months ended 30 June 2014 also include:

	Unaudited	
	Six months ended 30 June	
	2014	2013
	HK\$	HK\$
(1) Sales of products to related parties:		
— SCA HA	22,390,873	4,505,619
— SCA (Hong Kong)	6,038,760	—
— SCA (Shanghai)	684,773	708,390
— V-Care (China)	304,979	1,801,329
	29,419,385	7,015,338

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For the six months ended 30 June 2014

21 Related-party transactions (continued)

(b) Significant related party transactions (continued)

	Unaudited Six months ended 30 June	
	2014	2013
	HK\$	HK\$
(2) Processing service to a related party: — SCA (Hong Kong)	2,397,230	3,229,308

	Unaudited Six months ended 30 June	
	2014	2013
	HK\$	HK\$
(3) Purchase of products from a related party: — V-Care (China)	29,413,769	8,273,968

	Unaudited Six months ended 30 June	
	2014	2013
	HK\$	HK\$
(4) Rental from a related party: — V-Care (China)	1,045,455	1,039,809

	Unaudited Six months ended 30 June	
	2014	2013
	HK\$	HK\$
(5) Rent expense paid and prepaid to a related party: — Taiyuan Paper (Note(a))	30,329,195	25,543,640

	Unaudited Six months ended 30 June	
	2014	2013
	HK\$	HK\$
(6) Loan from a related party — SCA Finans (Note(b))	289,646,465	—

21 Related-party transactions *(continued)***(b) Significant related party transactions** *(continued)*

	Unaudited	
	Six months ended 30 June	
	2014	2013
	HK\$	HK\$
(7) Interest expenses accrued to a related party		
— SCA Finans (Note(b))	628,995	—

- (a) On 22 November 2011, 27 March 2012 and 10 April 2014, Vinda Paper (China) Company Limited (“Vinda Paper (China)”), entered into 3 lease agreements with Taiyuan Paper, whereby Taiyuan Paper had agreed to lease Vinda Paper (China) 2 pieces of land located in Xinhui District, Guangdong, the PRC, together with a factory, buildings and relevant ancillary infrastructures erected thereon for a term commencing on the date of 22 November 2011, 27 March 2012 and 10 April 2014 respectively and ending on an initial term of 15 years from 22 November 2011 with a fixed annual rent of RMB29,000,000 (approximately HK\$36,616,162), RMB16,800,000 (approximately HK\$21,212,121) and RMB16,200,000 (approximately HK\$20,454,545), respectively.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2014

21 Related-party transactions (continued)

(b) Significant related party transactions (continued)

- (b) On 29 April 2014, the Group entered into a Loan Agreement with SCA Finans, in relation to short term loan of an aggregate amount not exceeding HK\$1,500,000,000 (or an equivalent amount). The loan balance as at 30 June 2014 represented 2 short term loans with principal of HK\$100,000,000 and RMB 150,000,000 (approximately HK\$188,962,746) respectively and the weighted average interest rate is 2.51%.

	Unaudited Six months ended 30 June	
	2014 HK\$	2013 HK\$
(8) Key management compensation:		
Directors		
— Basic salaries, housing allowances, other allowances, benefits-in-kind and other benefits	5,776,951	5,122,678
— Share-based payments	—	3,869,000
Senior management		
— Basic salaries, housing allowances, other allowances, benefits-in-kind and other benefits	4,257,439	5,439,521
	10,034,390	14,431,199

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

	As at	
	30 June 2014 Unaudited HK\$	31 December 2013 Audited HK\$
(1) Trade receivables from related parties		
— SCA HA	11,019,363	5,134,384
— SCA (Hong Kong)	7,906,663	778,438
— SCA (Shanghai)	224,980	215,254
— V-Care (China)	445,096	1,883,842
	19,596,102	8,011,918

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For the six months ended 30 June 2014

21 Related-party transactions (continued)

(c) Period-end/year-end balances with related parties (continued)

All the above receivables are aged within 3 months as at 30 June 2014 and 31 December 2013.

	As at	
	30 June 2014 Unaudited HK\$	31 December 2013 Audited HK\$
(2) Rental prepayments to a related party — Taiyuan Paper	66,054,381	32,949,237

	As at	
	30 June 2014 Unaudited HK\$	31 December 2013 Audited HK\$
(3) Trade payables to a related party: — V-Care (China)	5,580,927	5,217,791

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2014

21 Related-party transactions (continued)

(c) Period-end/year-end balances with related parties (continued)

Ageing analyses of trade payables to a related party of the Group based on invoice date as at 30 June 2014 and 31 December 2013 are as below:

	As at	
	30 June	31 December
	2014	2013
	Unaudited	Audited
	HK\$	HK\$
Within 3 months	5,580,927	5,217,791

	As at	
	30 June	31 December
	2014	2013
	Unaudited	Audited
	HK\$	HK\$
(4) Loan from a related party — SCA Finans	289,592,044	—

The above loans from a related party comprises of principal amounts of HK\$288,964,474 and interest payable amount of HK\$627,570.

22 Events occurring after the balance sheet date

- (a) On 7 July 2014, the Board of the Company announced an agreement with Fu An, Dynasty Fortune Partners, L.P. (a related party on which a director of the Company has significant influence), Cathay Capital Holdings II, L.P. (an independent third party) acquire all the outstanding issued shares of V-Care Holdings Limited, an associate owned as to 41% by the Group, held by them with the cash consideration of HK\$295,000,000 in total.
- (b) On 17 July 2014, the Company and SCA Group Holding BV (“SCA Group”) entered into a sale and purchase agreement (“Agreement”) in relation to the sale and purchase of certain subsidiaries and assets of SCA Group. These transactions thereunder this Agreement still has to be approved by the independent shareholders of the extraordinary general meeting of the Company.