
THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of the Offers, this Composite Document or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or otherwise transferred all your shares, or options over shares, in Vinda International Holdings Limited, you should at once hand this Composite Document and the accompanying Forms of Acceptance to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

This Composite Document should be read in conjunction with the accompanying Forms of Acceptance, the contents of which form part of the terms of the Offers contained herein.

The Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this Composite Document and the accompanying Forms of Acceptance, make no representation as to their accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Composite Document and the accompanying Forms of Acceptance.



SCA Group Holding BV

(Incorporated in the Netherlands with limited liability)



Vinda International Holdings Limited

(Incorporated in Cayman Islands with limited liability)

(Stock code: 3331)

COMPOSITE OFFER AND RESPONSE DOCUMENT

**VOLUNTARY CONDITIONAL CASH OFFER
BY J.P. MORGAN SECURITIES (ASIA PACIFIC) LIMITED
FOR AND ON BEHALF OF SCA GROUP HOLDING BV
TO ACQUIRE ALL OF THE OUTSTANDING SHARES
IN THE ISSUED SHARE CAPITAL OF
VINDA INTERNATIONAL HOLDINGS LIMITED
(OTHER THAN THOSE SHARES ALREADY OWNED
OR AGREED TO BE ACQUIRED BY
SCA GROUP HOLDING BV AND PARTIES ACTING IN CONCERT WITH IT)
AND
TO CANCEL ALL THE OUTSTANDING SHARE OPTIONS OF
VINDA INTERNATIONAL HOLDINGS LIMITED**

**Sole Financial Adviser
to SCA Group Holding BV**

J.P.Morgan

**Joint Financial Advisers
to Vinda International Holdings Limited**

BofA Merrill Lynch

HSBC

**Independent Financial Adviser to
the Independent Board Committee**



SOMERLEY LIMITED

Holders of Shares and Options should inform themselves of and observe any applicable legal or regulatory requirements. See "Important Notices" beginning on page iv of this Composite Document and "General matters relating to the Offers — Availability of the Offers" of the "Letter from J.P. Morgan" beginning on page 20 of this Composite Document.

Capitalised terms used in this cover have the same meaning as those defined in the section headed "Definitions" in this Composite Document. A letter from J.P. Morgan containing, among other things, the details of the terms and conditions of the Offers is set out on pages 8 to 22 of this Composite Document. A letter from the Vinda Board is set out on pages 23 to 32 of this Composite Document. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders and Optionholders in respect of the Offers is set out on pages 33 to 34 of this Composite Document. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee in respect of the Offers is set out on pages 35 to 66 of this Composite Document.

The procedures for acceptance and settlement of the Offers are set out in Appendix I to this Composite Document and in the accompanying Forms of Acceptance. Acceptances of the Offers contained herein should be received by the Registrar, by no later than 4:00 p.m. on Monday, 28 October 2013 or such later time or date as the Offeror may determine and announce, with the consent of the Executive and in accordance with the Takeovers Code.

Any persons including, without limitation, custodians, nominees and trustees, who would, or otherwise intend to, forward this Composite Document and/or the Forms of Acceptance to any jurisdiction outside of Hong Kong should read the details in this regard which are contained in the section headed "General matters relating to the Offers — Availability of the Offers" of the "Letter from J.P. Morgan" and Appendix I to this Composite Document before taking any action. It is the responsibility of each overseas Independent Shareholder and Optionholder wishing to accept the Offers to satisfy himself, herself or itself as to full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required and the compliance with other necessary formalities or legal requirements. Overseas Independent Shareholders and Optionholders are advised to seek professional advice on deciding whether to accept the Offers.

7 October 2013

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EXPECTED TIMETABLE

The timetable set out below is indicative only and may be subject to changes. Any changes to the timetable will be announced by the Offeror and Vinda as and when appropriate.

Despatch date of this Composite Document Monday, 7 October 2013

Opening date of the Share Offer and the Option Offer Monday, 7 October 2013

First Closing Date (*Note 1*) Monday, 28 October 2013

Latest time and date for acceptance of the Share Offer
and the Option Offer on the first Closing Date
(*Notes 1 and 2*) 4:00 p.m. on Monday,
28 October 2013

Announcement of the results of the Share Offer and
the Option Offer as at the first Closing Date,
on the website of the Stock Exchange by 7:00 p.m. on Monday,
28 October 2013

Latest date for posting of remittances to the
Independent Shareholders and Optionholders
in respect of valid acceptances received
by the first Closing Date, assuming the Share Offer
and the Option Offer become, or are declared,
unconditional on such date (*Note 3*) Wednesday, 6 November 2013

Latest time and date by which the Share Offer
can become or be declared unconditional
as to acceptance (*Note 4*) 7:00 p.m. on Friday,
6 December 2013

Latest time and date by which the Share Offer and
Option Offer can become or be declared
unconditional in all respects 7:00 p.m. on Friday,
27 December 2013

Notes:

1. In accordance with the Takeovers Code, the Offers must initially be open for acceptance for at least 21 days following the date on which this Composite Document is posted. The Offers will be closed for acceptances at 4:00 p.m. on Monday, 28 October 2013 unless the Offeror revises or extends the Offers in accordance with the Takeovers Code. The Offeror has the right under the Takeovers Code to extend the Offers until such date as it may determine in accordance with the Takeovers Code (or as permitted by the Executive in accordance with the Takeovers Code). The Offeror will issue an announcement in relation to any extension of the Offers, which announcement will state either the next Closing Date or, if the Share Offer is at that time unconditional as to acceptances, a statement that the Offers will remain open until further notice. In the latter case, at least 14 days' notice in writing must be given before the Share Offer and Option Offer are closed to the Independent Shareholders and Optionholders who have not accepted the Share Offer and the Option Offer, respectively.

EXPECTED TIMETABLE

- Beneficial owners of the Offer Share(s) who hold their Offer Share(s) in CCASS directly as an investor participant or indirectly via a broker or custodian participant should note the timing requirements (set out in Appendix I to this Composite Document) for causing instructions to be made to CCASS in accordance with the General Rules of CCASS and CCASS Operational Procedures.

Acceptances of the Offers are irrevocable and are not capable of being withdrawn, except in the circumstances as set out in the section headed “Right of Withdrawal” in Appendix I to this Composite Document.

- Remittances in respect of the consideration payable for the Offer Share(s) tendered under the Share Offer will be despatched by ordinary post to those Independent Shareholder(s) accepting the Share Offer as soon as possible, but in any event within seven (7) Business Days from the later of the date of receipt by the Registrar of all the relevant documents to render the acceptance under the Share Offer complete and valid, and the date on which the Offers become or are declared unconditional in all respects.

Remittances in respect of the consideration payable for the Option(s) tendered under the Option Offer will be despatched by ordinary post to the office of Vinda in Hong Kong at Room 506, Tower 1, South Seas Centre, 75 Mody Road, Tsimshatsui East, Kowloon, Hong Kong for collection by those Optionholders accepting the Option Offer as soon as possible, but in any event within seven (7) Business Days from the later of the date of receipt by the Registrar of all the relevant documents to render the acceptance under the Option Offer complete and valid, and the date on which the Offers become or are declared unconditional in all respects.

- In accordance with the Takeovers Code, when the Share Offer and the Option Offer become or are declared unconditional in all respects, at least 14 days’ notice in writing must be given before the Share Offer and the Option Offer are closed to those Independent Shareholder(s) and Optionholder(s) who has/ have not accepted the Share Offer and Option Offer, respectively. In accordance with the Takeovers Code, except with the consent of the Executive, the Share Offer may not become or be declared unconditional as to acceptance after 7:00 p.m. on the 60th day after the day this Composite Document is posted. Accordingly, unless the Share Offer has previously become unconditional as to acceptances, the Share Offer and the Option Offer will lapse after 7:00 p.m. on Friday, 6 December 2013 unless extended with the consent of the Executive. If the Share Offer becomes or is declared unconditional as to acceptances, the Offeror may declare the Share Offer and the Option Offer open for acceptances (i) up to the date that is four (4) months from the day this Composite Document is posted or (ii) if the Offeror has by that time become entitled to exercise compulsory acquisition rights, until any such later date as the Offeror may choose to close the Share Offer and the Option Offer in accordance with the Takeovers Code. The Option Offer is conditional on the Share Offer becoming or being declared unconditional in all respects and will remain open for so long as the Share Offer remains open for acceptance.

All time and date references contained in this Composite Document and the accompanying Forms of Acceptance are to Hong Kong times and dates.

IMPORTANT NOTICES

NOTICE TO US HOLDERS OF OFFER SHARES

The Share Offer is made for the securities of a Cayman Islands company and is subject to Hong Kong disclosure requirements, which are different from those of the United States. In addition, US holders of Offer Shares should be aware that this Composite Document has been prepared in accordance with Hong Kong format and style, which differ from those of the United States. The Share Offer is being extended into the United States pursuant to the US tender offer rules or an available exemption therefrom or otherwise in accordance with the requirements of the SFO. Accordingly, the Share Offer will comply with the relevant Hong Kong disclosure and other procedural requirements, including with respect to withdrawal rights, offer timetable, settlement procedures and timing of payments, which are different from those applicable under US tender offer procedures and laws.

The receipt of cash pursuant to the Share Offer by a US holder of Offer Shares may be a taxable transaction for US federal income tax purposes and under applicable state and local, as well as foreign and other tax laws. Each US holder of Offer Shares is urged to consult his/her/its independent professional adviser immediately regarding the tax consequences of acceptance of the Share Offer.

The financial information of the Vinda Group included in this Composite Document has been extracted from the audited financial statements for the three years ended 31 December 2012 and the unaudited financial statements for the six months ended 30 June 2013, which have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. Such financial information may not be wholly comparable to financial information of US companies or companies whose financial statements are solely prepared in accordance with Generally Accepted Accounting Principles in the United States.

It may be difficult for US holders of Offer Shares to enforce their rights and claims arising out of the US federal securities laws, since Vinda is located in a country other than the United States, and some or all of its officers and directors may be residents of a country other than the United States. In addition, most of the assets of the SCA Group and the Vinda Group are located outside the United States. US holders of Offer Shares may not be able to sue a non-US company or its officers or directors in a non-US court for violations of the US securities laws. Further, it may be difficult for US holders of Offer Shares to effect service of process within the United States upon Vinda or its officers or directors, or to enforce against them a judgment of a US court.

In accordance with normal Hong Kong practice and pursuant to Rule 14e-5(b) of the US Exchange Act, the Offeror or its nominees, or its brokers (acting as agents), may from time to time make certain purchases of, or arrangements to purchase, Offer Shares outside of the United States, other than pursuant to the Share Offer, before or during the period in which the Share Offer remains open for acceptance. These purchases may occur either in the open market at prevailing prices or in private transactions at negotiated prices. Any information about such purchases will be reported to the SFC and will be available on the website of the SFC at <http://www.sfc.hk/>.

IMPORTANT NOTICES

NOTICE TO HOLDERS OUTSIDE OF HONG KONG AND THE UNITED STATES

The making and implementation of the Share Offer to Independent Shareholders and the Option Offer to Optionholders who are not resident in Hong Kong or the United States may be subject to the laws of the relevant jurisdictions in which such holders are located. Such holders should inform themselves about and observe any applicable legal or regulatory requirements.

Please refer to the section headed “General matters relating to the Offers — Availability of the Offers” of the “Letter from J.P. Morgan” in this Composite Document for further information.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Composite Document contains forward-looking statements, which may be identified by words such as “believe”, “expect”, “anticipate”, “intend”, “plan”, “seek”, “estimate”, “will”, “would” or words of similar meaning, that involve risks and uncertainties, as well as assumptions. All statements other than statements of historical fact are statements that could be deemed forward-looking statements.

DEFINITIONS

In this Composite Document, the following expressions have the meanings set out below, unless the context requires otherwise:

“Accepting Shareholders”	the Independent Shareholders who accept the Share Offer
“acting in concert”	has the meaning given to it in the Takeovers Code
“Announcement”	the joint announcement issued by the Offeror and Vinda dated 9 September 2013 in relation to the Offers
“associate”	has the meaning given to it in the Takeovers Code
“BofA Merrill Lynch”	Merrill Lynch (Asia Pacific) Limited, a registered institution under the SFO, registered to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 7 (providing automated trading services) regulated activities, which is the joint financial adviser to Vinda in respect of the Offers
“Business Day”	a day (other than Saturday or Sunday or a day on which a black rainstorm warning or tropical cyclone warning signal number 8 or above is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which the Stock Exchange is open for the transaction of business
“Cayman Islands Companies Law”	the Companies Law Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Chairman”	Mr. LI Chao Wang, the chairman of Vinda and an executive Vinda Director
“Closing Date”	the date stated in this Composite Document as the first closing date of the Share Offer or any subsequent closing date as may be announced by the Offeror and approved by the Executive
“Committed Parties”	Fu An, the Chairman and Ms. Zhang
“Composite Document”	this composite offer and response document dated 7 October 2013 jointly issued by the Offeror and Vinda in relation to the Offers and in accordance with the Takeovers Code
“Conditions”	the conditions to the Share Offer, as set out in the section headed “Conditions to the Offers — Conditions to the Share Offer” of the “Letter from J.P. Morgan” in this Composite Document

DEFINITIONS

“Consents”	any consent, approval, authorisation, qualification, waiver, permit, grant, franchise, concession, agreement, licence, exemption or order of, registration, certificate, declaration or permission from, or filing with, or report or notice to, any Relevant Authority(ies) or third parties, including those required under or in relation to any concession rights or licences granted by the Relevant Authority(ies) or third parties to the Vinda Group to carry out its operations, whether under applicable laws or regulations, any agreement or arrangement with such Relevant Authority(ies) or third parties, or otherwise
“Despatch Date”	7 October 2013, being the date of despatch of this Composite Document
“Encumbrances”	mortgage, charge, pledge, lien, option, restriction, purchase right, right of first refusal, right of pre-emption, voting trust or agreement, third-party right or interest, other encumbrance or security interest of any kind, or another type of preferential arrangement (including a title transfer or retention arrangement) having similar effect
“EUR”	Euros, the lawful currency adopted by 17 of the 28 member states of the European Union
“Executive”	the Executive Director of the Corporate Finance Division of the SFC and any of his delegates
“Forms of Acceptance”	the WHITE Form of Share Offer Acceptance and the PINK Form of Option Offer Acceptance (accompanying this Composite Document), and “Form of Acceptance” means either of them
“Fu An”	Fu An International Company Limited, a company incorporated under the laws of the British Virgin Islands with limited liability and a substantial shareholder of Vinda
“Fu An Irrevocable Undertaking”	the irrevocable undertaking dated 6 September 2013 given by Fu An and the Chairman in favour of the Offeror
“fully-diluted basis”	the basis upon which the number of Shares is determined, being the aggregate of (i) all Shares in issue and (ii) all Shares which would be issued if all convertible securities, warrants, options and derivatives (including the Options) for the time being had been exercised in full
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited

DEFINITIONS

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HSBC”	The Hongkong and Shanghai Banking Corporation Limited, an institution registered under the SFO to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO and a licensed bank under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong), which is the joint financial adviser to Vinda in respect of the Offers
“Independent Board Committee”	the independent board committee of the Vinda Board, comprising all the independent non-executive Vinda Directors, namely Dr. CAO Zhen Lei, Mr. KAM Robert, Mr. HUI Chin Tong, Godfrey and Mr. TSUI King Fai
“Independent Financial Adviser” or “Somerley”	Somerley Limited, a corporation licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, which is the independent financial adviser to the Independent Board Committee, the Independent Shareholders and Optionholders in respect of the Offers
“Independent Shareholders”	Shareholders other than the Offeror and the parties acting in concert with it
“Interim Dividend”	the interim dividend of HK\$0.048 per Share declared by the Vinda Board on 28 August 2013
“Irrevocable Undertakings”	the Fu An Irrevocable Undertaking and the Zhang Irrevocable Undertaking, and “Irrevocable Undertaking” means either of them
“J.P. Morgan”	J.P. Morgan Securities (Asia Pacific) Limited, a registered institution under the SFO licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 7 (providing automated trading services) regulated activities, which is the sole financial adviser to the Offeror in respect of the Offers
“Last Trading Date”	30 August 2013, being the last full trading day prior to the suspension of trading in the Shares on the Stock Exchange preceding the publication of the Announcement

DEFINITIONS

“Latest Practicable Date”	4 October 2013, being the latest practicable date prior to the despatch of this Composite Document for the purpose of ascertaining certain information for inclusion in this Composite Document
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Ms. Zhang”	Ms. ZHANG Dong Fang, the Chief Executive Officer of Vinda and an executive Director
“Offer Period”	has the meaning given to it in the Takeovers Code
“Offer Share(s)”	issued Share(s) other than those Shares already owned or agreed to be acquired by the Offeror and the parties acting in concert with it
“Offeror”	SCA Group Holding BV, a company incorporated in the Netherlands with limited liability and a direct wholly-owned subsidiary of SCA
“Offeror Directors”	the directors of the Offeror
“Offers”	the Share Offer and the Option Offer
“Option Offer”	the offer made by the Offeror in compliance with Rule 13 of the Takeovers Code to cancel all the outstanding Options in accordance with the terms and conditions set out in this Composite Document
“Optionholders”	holders of the Options
“Options”	the outstanding share options granted by Vinda pursuant to the Share Option Scheme, whether vested or not
“PRC”	the People’s Republic of China which, for the purpose of this Composite Document, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Registrar”	Computershare Hong Kong Investor Services Limited, the share registrar of Vinda at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong
“Relevant Authorities”	any government, governmental, quasi-governmental, statutory or regulatory authority, body, agency, tribunal, court or institution in any jurisdiction that has the authority to grant permit, license or approval or accept registration or filing in relation to the Offers or otherwise

DEFINITIONS

“Relevant Options”	(i) 3,000,000 Options at an exercise price of HK\$5.42 (exercisable from 15 April 2010 to 14 April 2020) and (ii) 936,000 Options at an exercise price of HK\$8.648 (exercisable from 15 April 2011 to 14 April 2021), in each case held by Ms. Zhang
“Relevant Period”	the period commencing from 9 March 2013, being the date falling six months preceding the date of the Announcement, up to and including the Latest Practicable Date
“Relevant Shares”	the 20,964,654 Offer Shares held by Fu An as at the date of the Fu An Irrevocable Undertaking, representing approximately 2.10% of the issued share capital of Vinda as at the Latest Practicable Date
“SCA”	Svenska Cellulosa Aktiebolaget SCA (publ), a company incorporated in Sweden with limited liability and the ultimate holding company of the Offeror, the issued shares of which are listed on NASDAQ OMX Stockholm
“SCA Group”	SCA and its subsidiaries
“SEK”	Swedish kronor, the lawful currency of Sweden
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of Vinda
“Share Offer”	the voluntary conditional cash offer made by J.P. Morgan for and on behalf of the Offeror to acquire all of the outstanding Shares in the issued share capital of Vinda (other than those Shares already owned or agreed to be acquired by the Offeror and the parties acting in concert with it) in accordance with the terms and conditions set out in this Composite Document
“Share Offer Price”	the price at which the Share Offer is made, being HK\$11.00 per Offer Share
“Share Option Scheme”	the share option scheme adopted by Vinda on 19 June 2007, as amended from time to time
“Shareholders”	registered holders of the issued Shares
“Stamp Duty Ordinance”	the Stamp Duty Ordinance, Chapter 117 of the Laws of Hong Kong

DEFINITIONS

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	has the meaning given to it in the Listing Rules
“substantial shareholder”	has the meaning given to it in the Listing Rules
“Takeovers Code”	The Codes on Takeovers and Mergers and Share Repurchases published by the SFC
“Unconditional Date”	the date on which the Offers become or are declared unconditional in all respects
“United States” or “US”	United States of America
“US\$”	United States dollars, the lawful currency of the United States
“US Exchange Act”	the United States Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder
“Vinda”	Vinda International Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange (stock code: 3331)
“Vinda Board”	the board of Vinda Directors
“Vinda Directors”	directors of Vinda
“Vinda Group”	Vinda and its subsidiaries
“Zhang Irrevocable Undertaking”	the irrevocable undertaking dated 6 September 2013 given by Ms. Zhang in favour of the Offeror
“%”	per cent

For the purpose of illustration only, (i) the amounts denominated in US\$ have been translated into HK\$ at the exchange rate of US\$1 to HK\$7.78 and (ii) the amounts denominated in SEK have been translated into EUR at the exchange rate of SEK 1 to EUR 0.1153. Such translations should not be construed as a representation that the relevant amounts have been, could have been, or could be converted at that or any other rate or at all.

1. All time and date references contained in this Composite Document are to Hong Kong times and dates.
2. Certain amounts and percentage figures in this Composite Document have been subject to rounding adjustments.

DEFINITIONS

3. Certain English translations of Chinese names or words or Chinese translations of English names or words in this Composite Document are for information and identification purposes only and should not be regarded as the official English translation of such Chinese names or words or Chinese translation of such English names or words, respectively.
4. The singular includes the plural and vice versa, unless the context otherwise requires.
5. References to any Appendix, paragraph and any sub-paragraphs of them are references to the Appendices to, and paragraphs of, this Composite Document and any sub-paragraphs of them respectively.
6. References to any statute or statutory provision include a statute or statutory provision which amends, consolidates or replaces the same whether before or after the date of this Composite Document.
7. Reference to one gender is a reference to all or any genders.

J.P.Morgan

33/F., One Island East
18 Westlands Road, Quarry Bay
Hong Kong

7 October 2013

To the Independent Shareholders and Optionholders

Dear Sir or Madam,

1. INTRODUCTION

Reference is made to the Announcement pursuant to which the Offeror and Vinda jointly announced on 9 September 2013 that J.P. Morgan would, for and on behalf of the Offeror, make a voluntary conditional cash offer (i) to acquire all of the outstanding Shares in the issued share capital of Vinda (other than those Shares already owned or agreed to be acquired by the Offeror and the parties acting in concert with it); and (ii) to cancel all the outstanding Options.

This letter forms part of this Composite Document and sets out, among other things, certain background information of the Offeror and the SCA Group, details of the Offers, the reasons for making the Offers and the intentions of the Offeror in relation to the Vinda Group. Further details on the terms of the Offers are set out in Appendix I — “Further Terms of the Offers” to this Composite Document and in the accompanying Forms of Acceptance.

Your attention is further drawn to the “Letter from the Vinda Board” on pages 23 to 32, the “Letter from the Independent Board Committee” on pages 33 to 34 and the “Letter from the Independent Financial Adviser” on pages 35 to 66 in this Composite Document.

2. THE SHARE OFFER

As at the Latest Practicable Date, there are 998,282,686 Shares in issue. The Offeror does not hold any Shares. SCA Hygiene Holding AB, a direct wholly-owned subsidiary of the Offeror, holds 216,431,897 Shares, representing approximately 21.68% of the issued share capital of Vinda.

The Share Offer is made by J.P. Morgan for and on behalf of the Offeror on the following terms:

Consideration of the Share Offer

For each Offer Share HK\$11.00 in cash

LETTER FROM J.P. MORGAN

The Share Offer is being extended to all Independent Shareholders in accordance with the Takeovers Code. The Offer Shares to be acquired under the Share Offer shall be fully paid and shall be acquired free from all Encumbrances and together with all rights attaching to them as at the Closing Date or subsequently becoming attached to them, including the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after the Closing Date.

Comparison of value

The Share Offer Price of HK\$11.00 per Offer Share represents:

- (i) a premium of approximately 38.36% over the closing price of HK\$7.95 per Share as quoted on the Stock Exchange on 30 August 2013, being the Last Trading Date;
- (ii) a premium of approximately 33.20% over the average closing price of approximately HK\$8.26 per Share for the last 5 consecutive trading days as quoted on the Stock Exchange immediately prior to and including the Last Trading Date;
- (iii) a premium of approximately 33.06% over the average closing price of approximately HK\$8.27 per Share for the last 10 consecutive trading days as quoted on the Stock Exchange immediately prior to and including the Last Trading Date;
- (iv) a premium of approximately 31.45% over the average closing price of approximately HK\$8.37 per Share for the last 20 consecutive trading days as quoted on the Stock Exchange immediately prior to and including the Last Trading Date;
- (v) a premium of approximately 34.54% over the average closing price of approximately HK\$8.18 per Share for the last 30 consecutive trading days as quoted on the Stock Exchange immediately prior to and including the Last Trading Date;
- (vi) a premium of approximately 34.24% over the average closing price of approximately HK\$8.19 per Share for the last 60 consecutive trading days as quoted on the Stock Exchange immediately prior to and including the Last Trading Date; and
- (vii) a premium of approximately 0.73% over the closing price of HK\$10.92 per Share as quoted on the Stock Exchange on 4 October 2013, being the Latest Practicable Date.

LETTER FROM J.P. MORGAN

The value which the Share Offer attributes to each Share represents a premium of approximately 150.77% over the unaudited net asset value per Share of approximately HK\$4.39 (which is calculated by dividing (i) the unaudited net asset value of Vinda as stated in the unaudited financial statements of Vinda for the 6-month period ended 30 June 2013 by (ii) the total number of Shares in issue as at 30 June 2013).

3. THE OPTION OFFER

As at the Latest Practicable Date, there are outstanding Options in respect of 26,512,000 Shares. The Offeror and the parties acting in concert with it do not hold any Options.

The respective exercise prices of the outstanding Options and the respective periods during which they are exercisable are as follows:

Exercise price (HK\$ per Share)	Number of outstanding Options	Exercisable period
2.98	2,651,000	24 February 2009 to 23 February 2019
5.42	3,000,000	15 April 2010 to 14 April 2020
8.648	3,501,000	15 April 2011 to 14 April 2021
10.34	1,359,000	2 May 2013 to 1 May 2023
14.06	16,001,000	2 May 2012 to 1 May 2022

Out of the 26,512,000 outstanding Options, 5,274,000 and 225,000 Options with an exercise price of HK\$14.06 and HK\$10.34 per Share, respectively, are subject to vesting conditions, and are exercisable when Vinda meets certain performance conditions as set out by the Vinda Board when such Options were granted.

In accordance with Rule 13 of the Takeovers Code, the Option Offer is made by J.P. Morgan for and on behalf of the Offeror to cancel all the outstanding Options (whether vested or not) in exchange for cash on the following terms:

(A) In respect of Options with an exercise price of HK\$2.98:

For cancellation of each such Option HK\$8.02 in cash

(B) In respect of Options with an exercise price of HK\$5.42:

For cancellation of each such Option HK\$5.58 in cash

(C) In respect of Options with an exercise price of HK\$8.648:

For cancellation of each such Option HK\$2.352 in cash

(D) In respect of Options with an exercise price of HK\$10.34:

For cancellation of each such Option HK\$0.66 in cash

LETTER FROM J.P. MORGAN

In respect of Options with an exercise price of HK\$14.06, as the exercise price for the underlying Shares is above the Share Offer Price, J.P. Morgan is, for and on behalf of the Offeror, making a nominal cash offer for the cancellation of such Options on the following terms:

For cancellation of each such Option HK\$0.0001 in cash

Following acceptance of the Option Offer, the relevant Options together with all rights attaching thereto will be entirely cancelled and renounced on the Closing Date.

Options which are not tendered under the Option Offer will not be cancelled or renounced on the Closing Date. Subject to vesting (where applicable), Optionholders of such Options may exercise such Options in accordance with the Share Option Scheme following the Closing Date.

4. VALUE OF THE OFFERS

Value of the Offers

As at the Latest Practicable Date, there are 998,282,686 Shares in issue. On the basis of the Share Offer Price of HK\$11.00 per Offer Share and assuming that no outstanding Options are exercised prior to the Closing Date, the entire issued share capital of Vinda is valued at HK\$10,981,109,546. After taking into account the 216,431,897 Shares already held by the Offeror (and the parties acting in concert with it) and assuming that the Share Offer is accepted in full, the Share Offer is valued at HK\$8,600,358,679 based on the Share Offer Price and 781,850,789 Offer Shares.

As at the Latest Practicable Date, there are a total of 26,512,000 Options outstanding entitling the Optionholders to subscribe for, pursuant to the Share Option Scheme, an aggregate of:

- (i) 2,651,000 Shares at an exercise price of HK\$2.98 per Share;
- (ii) 3,000,000 Shares at an exercise price of HK\$5.42 per Share;
- (iii) 3,501,000 Shares at an exercise price of HK\$8.648 per Share;
- (iv) 1,359,000 Shares at an exercise price of HK\$10.34 per Share; and
- (v) 16,001,000 Shares at an exercise price of HK\$14.06 per Share.

Assuming none of the outstanding Options are exercised prior to the Closing Date, the total amount required to satisfy the cancellation of all the outstanding Options is HK\$47,133,912.

Based on the above and assuming that no outstanding Options are exercised prior to the Closing Date, the Offers are valued at approximately HK\$8,647,492,591 in aggregate.

LETTER FROM J.P. MORGAN

In the event all the outstanding Options are exercised in full by the Optionholders prior to the Closing Date and the Share Offer is accepted in full (including all Shares issued and allotted as a result of the exercise of the Options), Vinda will have to issue 26,512,000 new Shares, representing approximately 2.59% of the enlarged issued share capital of Vinda. After taking into account the 216,431,897 Shares already held by the Offeror (and the parties acting in concert with it) and assuming all the outstanding Options are exercised in full by the Optionholders prior to the Closing Date and the Share Offer is accepted in full, the maximum value of the Share Offer is valued at approximately HK\$8,891,990,679. In that case, no amount will be payable by the Offeror under the Option Offer.

Settlement of consideration

Provided that the Offers have become, or have been declared, unconditional in all respects, settlement of the consideration in respect of acceptances of the Offers will be made as soon as possible but in any event within seven (7) Business Days of the later of the date of receipt of duly completed and valid acceptances in respect of the Offers and the Unconditional Date.

No fractions of a cent will be payable and the amount of cash consideration payable to a Shareholder or an Optionholder (as the case may be) who accepts the Share Offer or the Option Offer (as the case may be) will be rounded up to the nearest cent.

Financing for the Offers

The Offeror intends to finance the consideration payable by the Offeror under the Offers from the internal resources of the SCA Group.

For the purpose of making the Offers, the SCA Group has undertaken to maintain in its bank accounts an amount equivalent to not less than HK\$400 million. In addition, J.P. Morgan Securities plc has granted SCA a credit facility in the amount of US\$1,100 million (equivalent to approximately HK\$8,558 million), which may be used by the Offeror to finance the Offers, if necessary. The Offeror confirms that it does not intend that the payment of interest on, repayment of, or security for any liability (contingent or otherwise) under such credit facility will depend, to any significant extent, on the business of the Vinda Group.

J.P. Morgan, as the sole financial adviser to the Offeror in respect of the Offers, is satisfied that sufficient financial resources are available to the Offeror to satisfy full acceptance of the Offers.

Others

Save as disclosed in the sections headed “The Share Offer” and “The Option Offer” in this letter, there are no other outstanding Shares, Options, warrants, derivatives or other securities that are convertible or exchangeable into Shares or other types of securities in Vinda.

5. CONDITIONS TO THE OFFERS

Conditions to the Share Offer

The Share Offer is conditional on the satisfaction of the following conditions:

- (i) valid acceptances of the Share Offer being received (and not, where permitted, withdrawn) by 4:00 p.m. on the Closing Date (or such later time or date as the Offeror may, subject to the Takeovers Code, decide) in respect of such number of Offer Shares which, together with Shares already owned or agreed to be acquired before or during the Offers, would result in the Offeror and the parties acting in concert with it holding more than 50% of the voting rights in Vinda on a fully-diluted basis as at the Closing Date;
- (ii) the Shares remaining listed and traded on the Stock Exchange up to the Closing Date (or, if earlier, the Unconditional Date) save for any temporary suspension(s) of trading in the Shares as a result of the Offers and no indication being received on or before the Closing Date (or, if earlier, the Unconditional Date) from the SFC and/or the Stock Exchange to the effect that the listing of the Shares on the Stock Exchange is or is likely to be withdrawn, other than as a result of either of the Offers or anything done or caused by or on behalf of the Offeror or any party acting in concert with it;
- (iii) the representations and warranties given by each of the Committed Parties contained in the Irrevocable Undertakings remaining true and accurate and not misleading on each of (a) the date of execution of the Irrevocable Undertakings, (b) the Despatch Date, (c) the date on which each of the Committed Parties respectively delivers the duly executed form of acceptance and transfer for his/her/its Shares or Options (as the case may be) in accordance with the section headed “Irrevocable Undertakings” of this letter and (d) the Unconditional Date;
- (iv) (a) all Consents as are necessary for the consummation of the transactions contemplated in the Irrevocable Undertakings and the Offers and in connection with, including, without limitation, any change in the direct or indirect shareholder(s) or ultimate controlling shareholder(s) of any member of the Vinda Group that has been granted the Consents to carry out its operations having been obtained and remaining in full force and effect without material variation from any Relevant Authority(ies) and all conditions (if any) to such Consents having been fulfilled, (b) each member of the Vinda Group possessing or having obtained all Consents from the Relevant Authority(ies) that are necessary to carry on its business and (c) all mandatory Consents from third parties having been obtained for the acquisition of the Offer Shares and/or Options under the Offers;

LETTER FROM J.P. MORGAN

- (v) no event having occurred which would make the Offers or the acquisition of any of the Offer Shares and/or the Options under the Offers void, unenforceable or illegal or prohibit the implementation of the Offers or the transactions contemplated under the Irrevocable Undertakings;
- (vi) no Relevant Authority(ies) in any jurisdiction having taken or instigated any action, proceeding, suit, investigation or enquiry, or enacted or made or proposed, and there not continuing to be outstanding, any statute, regulation, demand or order that would make the Offers or the acquisition of any of the Offer Shares and/or Options under the Offers void, unenforceable or illegal or prohibit the implementation of, or which would impose any material conditions, limitations or obligations with respect to, the Offers or the transactions contemplated under the Irrevocable Undertakings (other than such items or events as would not have a material adverse effect on the legal ability of the Offeror to proceed with or consummate the Offers and the transactions contemplated under the Irrevocable Undertakings);
- (vii) since the date of the last audited consolidated financial statements of Vinda, there having been no change, effect, fact, event or circumstance which has had or would reasonably be expected to have a material adverse effect on, or to cause a material adverse change in, the general affairs, management, financial position, business, prospects, conditions (whether financial, operational, legal or otherwise), earnings, solvency, current or future consolidated financial position, shareholders' equity or results of operations of the Vinda Group as a whole, whether or not arising in the ordinary course of business;
- (viii) save for payment of the Interim Dividend, no dividend or other distribution (whether in cash or in kind) during the Offer Period having been declared, made or paid by Vinda to the Shareholders; and
- (ix) there having been no frustrating action taken by Vinda or any member of the Vinda Group since the Latest Practicable Date, unless with the consent of the Offeror.

As at the Latest Practicable Date, based on the information currently available to the Offeror and Vinda, the Offeror and Vinda understand that no Consent is required for the consummation of the Offers and the Irrevocable Undertakings.

Waiver of Conditions

The Offeror reserves the right to waive, in whole or in part, all or any of the Conditions either generally or in respect of any particular matter save that Conditions (i), (v) and (vi) cannot be waived. As at the Latest Practicable Date, the Offeror does not intend to waive any of the Conditions. If any of the Conditions is not satisfied or

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(where applicable) waived on or before 27 December 2013 (being the latest date by which the Offers can become or be declared unconditional in all respects in accordance with the Takeovers Code), the Share Offer will lapse.

Invoking Conditions

Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, the Offeror should not invoke any of the Conditions (other than Condition (i)) so as to cause the Offers to lapse unless the circumstances which give rise to the right to invoke any such Condition are of material significance to the Offeror in the context of the Offers.

Condition to the Option Offer

The Option Offer is conditional upon the Share Offer becoming or being declared unconditional in all respects.

The Offers becoming unconditional

In accordance with Rule 15.3 of the Takeovers Code, the Offeror must publish an announcement when the Share Offer becomes or is declared unconditional as to acceptances and when the Share Offer becomes or is declared unconditional in all respects. The Offers must also remain open for acceptance for at least fourteen (14) days after the Offers become unconditional. Independent Shareholders and Optionholders are reminded that the Offeror does not have any obligation to keep the Offers open for acceptance beyond this minimum 14-day period.

WARNING: Independent Shareholders, Optionholders and/or potential investors of Vinda should note that the Share Offer is subject to the satisfaction or waiver (where applicable) of the Conditions, and the Option Offer is subject to, and conditional upon, the Share Offer becoming or being declared unconditional in all respects. Accordingly, the Offers may or may not become unconditional. Independent Shareholders, Optionholders and/or potential investors of Vinda should therefore exercise caution when dealing in the securities of Vinda (including the Shares and any options or rights in respect of them). Persons who are in doubt as to the action they should take should consult their licensed securities dealers or registered institutions in securities, bank managers, solicitors, professional accountants or other professional advisers.

6. IRREVOCABLE UNDERTAKINGS

Undertakings to accept the Offers

On 6 September 2013:

- (i) Fu An and the Chairman executed the Fu An Irrevocable Undertaking in favour of the Offeror, pursuant to which Fu An has irrevocably undertaken to the Offeror to accept, or procure the acceptance of, the Share Offer in respect of the Relevant Shares as soon as possible and in any event within the period during which the Offers are open for acceptance; and

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- (ii) Ms. Zhang executed the Zhang Irrevocable Undertaking in favour of the Offeror, pursuant to which Ms. Zhang has irrevocably undertaken to the Offeror to accept the Option Offer in respect of the Relevant Options as soon as possible and in any event within the period during which the Offers are open for acceptance.

Accordingly, pursuant to the Offers, the Offeror will acquire from Fu An 20,964,654 Offer Shares for a total consideration of HK\$230,611,194 and from Ms. Zhang 3,936,000 Options for cancellation for a total consideration of HK\$18,941,472.

Prior to the closing, lapsing or withdrawal of the Share Offer, each of Fu An and the Chairman has undertaken not to, among other things, (i) sell or transfer (or cause the same to be done) or otherwise dispose of (or permit any such action to occur in respect of) any interest in any of the Relevant Shares (other than to the Offeror), (ii) accept, or give any undertaking (whether conditional or unconditional) to accept, or otherwise agree to accept, any offer, or approve any offer made or proposed to be implemented by way of a contractual offer, scheme of arrangement or otherwise in respect of securities in Vinda by any person other than the Offeror or (iii) take any action or enter into any agreement or arrangement (including, in the case of Fu An, through its representation on the Vinda Board (and whether or not legally binding or subject to any condition or which is to take effect after the Share Offer closes or lapses)), or permit any agreement or arrangement to be entered into or authorise or incur any obligation or give any indication of intent (or permit such circumstances to occur) which, (x) in relation to the Relevant Shares, would or might restrict or impede the acceptance of the Share Offer or (y) would otherwise be prejudicial to the successful outcome of the Share Offer.

No withdrawal

Each of the Committed Parties has irrevocably undertaken that he/she/it will not withdraw any acceptance of the Share Offer in respect of the Relevant Shares or the Option Offer in respect of the Relevant Options (as the case may be).

Termination

The Irrevocable Undertakings will be terminated and the obligations of each of the Committed Parties under the Irrevocable Undertakings shall lapse and terminate if (i) the Share Offer lapses or is withdrawn or (ii) the Share Offer has not become or been declared unconditional in all respects by 6.00 p.m. on 31 December 2013, whichever is earlier.

7. INFORMATION OF THE OFFEROR

The Offeror is an investment holding company incorporated in the Netherlands with limited liability and is a direct wholly-owned subsidiary of SCA. As at the Latest Practicable Date, the Offeror does not hold any Shares. SCA Hygiene Holding AB, a direct wholly-owned subsidiary of the Offeror, holds 216,431,897 Shares, representing approximately 21.68% of the issued share capital of Vinda. The Offeror and the parties

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acting in concert with it do not hold any Options. Jan Torsten FRIMAN, Jan Lennart PERSSON, Iman DAMSTÉ, William Andrew VERMIE, Mukundkumar Ambalal AMIN and Duncan John PARSONS are the Offeror Directors.

SCA is one of the leading global hygiene and forest products companies incorporated in Sweden with limited liability. The SCA Group develops and produces sustainable personal care, tissue and forest products. Sales are conducted in about 100 countries under many strong brands, including the global brands TENA and Tork, and regional brands, such as Tempo, Dr. P, Sealer, Libero and Libresse. As Europe's largest private forest owner, SCA places considerable emphasis on sustainable forest management. The board of directors of SCA comprises 12 directors, namely Sverker MARTIN-LÖF, Pär BOMAN, Rolf BÖRJESSON, Jan JOHANSSON, Leif JOHANSSON, Louise JULIAN, Bert NORDBERG, Anders NYRÉN, Barbara Milian THORALFSSON, Örjan SVENSSON, Thomas WIKLUND and Roger BOSTRÖM.

The SCA Group has about 36,000 employees and sales in 2012 amounted to approximately SEK85 billion (equivalent to approximately EUR9.8 billion). SCA was founded in 1929, has its headquarters in Stockholm, Sweden, and is listed on NASDAQ OMX Stockholm.

8. INFORMATION OF THE VINDA GROUP

Vinda is an investment holding company incorporated in the Cayman Islands with limited liability, whose Shares have been listed on the Main Board of the Stock Exchange since 10 July 2007.

Founded in 1985, the Vinda Group is a leading manufacturer and brand seller of household paper products in the PRC and Hong Kong. The Vinda Group attains strong brand recognition with its tissue brand "Vinda" and offers a great variety of household paper products including toilet paper, hanky, softpack, box tissue, paper napkin, wet wipe and kitchen towel. The Vinda Group has also developed into personal care business segment by owning the baby diaper brand "Babifit", as well as the sanitary napkin brand "VIA", through V-Care Holdings Limited, an associate held as to 41% by the Vinda Group.

For the year ended 31 December 2012, the Vinda Group had about 8,000 employees and the audited revenue amounted to approximately HK\$6,024 million.

Upon the Offers having become or been declared unconditional in all respects, Vinda will become a subsidiary of SCA and the financial results and financial position of the Vinda Group will be consolidated in the financial statements of SCA.

9. REASONS FOR THE OFFERS AND THE EXPECTED BENEFITS

SCA believes that Vinda is well positioned for growth within the tissue market in the PRC, and the Vinda Group could be developed even further with the backing of SCA. SCA has been a minority shareholder of Vinda since 2007 and would like to take a more active role in the development of Vinda if it becomes the majority shareholder. Through a larger shareholding, SCA would have a more significant influence on the future direction of

Vinda, which in turn encourage profitable value creation in a number of areas, including manufacturing, branding, “go to market” approach and category expansion into other markets. Becoming a majority shareholder is also an important step that will allow SCA to explore potential opportunities to create value in Vinda by sharing or entering into licensing arrangements with Vinda in relation to the intellectual property rights of SCA (such as brands and technical know-how). In particular, with a leading global position in the “Away from Home” tissue markets, which are relatively under-developed in the PRC, SCA would like to support value creation and to increase its investments in Vinda as a part of its own portfolio of businesses worldwide.

SCA also has operations in a number of other Asian countries, and believes that the supply of additional products manufactured by Vinda through SCA’s existing distribution channels represents a potential opportunity.

The Offeror further believes that the Share Offer provides an opportunity for the Independent Shareholders to realise some or all of their Shares in return for immediate cash. The Share Offer represents a 38.36% premium over the Last Trading Date and 34.54% over the average closing price of approximately HK\$8.18 per Share for the last 30 consecutive trading days immediately prior to and including the Last Trading Date. Given the recent trading levels, the Offeror believes that the Share Offer represents an attractive premium to the prices at which the market has valued Vinda.

10. INTENTIONS OF THE OFFEROR IN RELATION TO THE VINDA GROUP

Following completion of the Offers, the Offeror will review the businesses of the Vinda Group and the composition of the Vinda Board to consider and determine what changes, if any, would be necessary, appropriate or desirable, long term and short term, in order to best organise and optimise the businesses and operations of the Vinda Group and to integrate the same within the SCA Group.

The Offeror intends that the Vinda Group will continue to operate its business (including the deployment of the fixed assets of the Vinda Group and the continued employment of the employees of the Vinda Group) in substantially its current state. Other than as described in the preceding paragraph, as at the Latest Practicable Date, the Offeror (i) has no agreement, arrangement, understanding, intention or negotiation with any party (concluded or otherwise) in relation to (a) any disposal, termination or scaling-down of the existing business of the Vinda Group; or (b) any disposal, restructuring or re-deployment of the assets of the Vinda Group; or (c) any injection of new business and/or assets into the Vinda Group, and (ii) has no intention to (x) discontinue the employment of any employees of the Vinda Group; or (y) make any changes to the composition of the Vinda Board. However, the Offeror reserves the right to make any changes that it deems necessary or appropriate to the Vinda Group’s businesses and operations to better integrate, generate maximum synergy and achieve enhanced economies of scale with the other operations of the SCA Group.

11. LISTING STATUS OF VINDA

It is the Offeror's preference to maintain the listing status of Vinda on the Stock Exchange. Accordingly, if the Offeror does not acquire the requisite percentage of the Offer Shares for the exercise of the right to compulsorily acquire all the issued Shares under the Cayman Islands Companies Law and the Takeovers Code as detailed in the section headed "Compulsory Acquisition and Withdrawal of Listing" of this letter within four (4) months after posting of this Composite Document, the directors of the Offeror and Vinda have jointly and severally undertaken to the Stock Exchange to take appropriate steps following the close of the Offers to ensure that sufficient public float exists in the Shares. Any future transactions between the Vinda Group and the SCA Group will be carried out on an arm's length basis and in compliance with the Listing Rules.

If, upon the close of the Offers, less than the minimum prescribed percentage applicable to Vinda, being 25%, of the issued Shares are held by the public or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares or (ii) there are insufficient Shares in public hands to maintain an orderly market, then the Stock Exchange may exercise its discretion to suspend trading in the Shares.

12. COMPULSORY ACQUISITION AND WITHDRAWAL OF LISTING

Notwithstanding the Offeror's preference to maintain the listing of Vinda, the Offeror intends to exercise the right under section 88 of the Cayman Islands Companies Law to compulsorily acquire those Shares not acquired by the Offeror under the Share Offer if it, within four (4) months of the posting of this Composite Document, acquires not less than 90% of the Offer Shares. On completion of the compulsory acquisition, if exercised, Vinda will become a wholly-owned subsidiary of the Offeror and an application will be made for the withdrawal of the listing of the Shares from the Stock Exchange pursuant to Rule 6.15 of the Listing Rules. As soon as reasonably practicable after such application for the withdrawal of the listing of the Shares from the Stock Exchange has been made, Vinda will give the Shareholders notice of the proposed withdrawal of the listing by way of any announcement pursuant to Rule 6.15 of the Listing Rules.

Pursuant to Rule 2.11 of the Takeovers Code, except with the consent of the Executive, where the Offeror seeks to acquire or privatise Vinda by means of the Share Offer and the use of compulsory acquisition rights, such rights may only be exercised if, in addition to satisfying any requirement imposed by the Cayman Islands Companies Law, acceptance of the Share Offer and purchases made by the Offeror and the parties acting in concert with it during the four months after posting of this Composite Document total 90% or more of the disinterested Shares (as defined in the Takeovers Code).

The Offeror will comply with Rule 15.6 of the Takeovers Code which requires that the Offers may not remain open for more than four (4) months from the posting of this Composite Document, unless the Offeror has by that time become entitled to exercise the right of compulsory acquisition and in which event it must do so without delay.

WARNING: If the level of acceptances of the Share Offer reaches the prescribed level under the Cayman Islands Companies Law required for compulsory acquisition and the requirements of Rule 2.11 of the Takeovers Code are satisfied, and if the Offeror exercises its right of compulsory acquisition in respect of Vinda, dealings in the Shares will be suspended from the Closing Date up to the withdrawal of listing of the Shares from the Stock Exchange pursuant to Rule 6.15 of the Listing Rules.

13. GENERAL MATTERS RELATING TO THE OFFERS

Effect of accepting the Offers

In addition to the Conditions set out in this Composite Document and the terms of the Offers set out in Appendix I — “Further Terms of the Offers” to this Composite Document and in the accompanying Forms of Acceptance, the Offers are made on the basis that acceptance of the Share Offer or the Option Offer by Independent Shareholders or Optionholders, respectively, will be deemed to constitute a warranty by such person(s) to the Offeror that such Offer Shares acquired under the Share Offer or Options tendered under the Option Offer (as the case may be) are sold or tendered by Independent Shareholders or Optionholders (as the case may be) free from all Encumbrances and together with all rights accruing or attaching thereto on the Closing Date or subsequently becoming attached to them, including, without limitation, in the case of the Offer Shares, the rights to receive in full all dividends (whether final or interim) and/or other distributions, if any, declared, paid or made on or after the Closing date.

The Offers are made in compliance with the Takeovers Code which is administered by the Executive.

Sellers’ ad valorem stamp duty arising in connection with acceptance of the Share Offer will be payable by each Accepting Shareholder at the rate of HK\$1.00 for every HK\$1,000 or part thereof of the consideration payable by the Offeror for such person’s Offer Shares and will be deducted from the cash amount due to such Accepting Shareholder. The Offeror will pay the buyer’s ad valorem stamp duty in relation to the Share Offer on its own behalf.

No stamp duty is payable in connection with the Option Offer.

Availability of the Offers

The Offeror intends to make the Share Offer and Option Offer available to all Independent Shareholders and Optionholders, respectively, including those who are not resident in Hong Kong. The making and the implementation of the Share Offer and Option Offer to Independent Shareholders and Optionholders who are not resident in Hong Kong may be subject to the laws of the relevant overseas jurisdictions in which such Independent Shareholders and Optionholders are located. Such Independent Shareholders and Optionholders should inform themselves about and observe any applicable requirements and restrictions in their own jurisdictions. Independent Shareholders and Optionholders who have registered addresses outside

LETTER FROM J.P. MORGAN

Hong Kong and wish to accept the Offers should satisfy themselves as to the full observance of the applicable laws and regulations of the relevant jurisdiction in connection therewith (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes payable by such Accepting Shareholders and Optionholders in such jurisdiction).

The Share Offer is made for the securities of a Cayman Islands company and is subject to Hong Kong disclosure requirements, which are different from those of the United States. In addition, US holders of Offer Shares should be aware that this Composite Document has been prepared in accordance with Hong Kong format and style, which differ from those of the United States. The Share Offer is being extended into the United States pursuant to the US tender offer rules or an available exemption therefrom or otherwise in accordance with the requirements of the SFO. Accordingly, the Share Offer will comply with the relevant Hong Kong disclosure and other procedural requirements, including with respect to withdrawal rights, offer timetable, settlement procedures and timing of payments, which are different from those applicable under US tender offer procedures and laws.

The receipt of cash pursuant to the Share Offer by a US holder of Offer Shares may be a taxable transaction for US federal income tax purposes and under applicable state and local, as well as foreign and other tax laws. Each US holder of Offer Shares is urged to consult his/her/its independent professional adviser immediately regarding the tax consequences of acceptance of the Share Offer.

It may be difficult for US holders of Offer Shares to enforce their rights and claims arising out of the US federal securities laws, since Vinda is located in a country other than the United States, and some or all of its officers and directors may be residents of a country other than the United States. In addition, most of the assets of the SCA Group and the Vinda Group are located outside the United States. US holders of Offer Shares may not be able to sue a non-US company or its officers or directors in a non-US court for violations of the US securities laws. Further, it may be difficult for US holders of Offer Shares to effect service of process within the United States upon Vinda or its officers or directors, or to enforce against them a judgment of a US court.

In accordance with normal Hong Kong practice and pursuant to Rule 14e-5(b) of the US Exchange Act, the Offeror or its nominees, or its brokers (acting as agents), may from time to time make certain purchases of, or arrangements to purchase, Offer Shares outside of the United States, other than pursuant to the Share Offer, before or during the period in which the Share Offer remains open for acceptance. These purchases may occur either in the open market at prevailing prices or in private transactions at negotiated prices. Any information about such purchases will be reported to the SFC and will be available on the website of the SFC at <http://www.sfc.hk/>.

LETTER FROM J.P. MORGAN

The Offeror will comply with the requirements of the Takeovers Code in respect of overseas Independent Shareholders and Optionholders.

Close of the Offers

The latest time at which the Offeror can declare the Share Offer unconditional as to acceptances is 7:00 p.m. on the 60th day after the posting of this Composite Document (or such later date to which the Executive may consent). Accordingly, unless the Share Offer has previously become unconditional as to acceptances, the Share Offer and the Option Offer will lapse after 7:00 p.m. on Friday, 6 December 2013 unless extended with the consent of the Executive.

If all the Conditions are satisfied (or, if permissible, waived), Shareholders and Optionholders will be notified as soon as possible by way of an announcement in accordance with the Takeovers Code and the Listing Rules.

Additional information

Your attention is drawn to the “Letter from the Vinda Board” on pages 23 to 32 of this Composite Document, the “Letter from the Independent Board Committee” on pages 33 to 34 of this Composite Document and the “Letter from the Independent Financial Adviser” on pages 35 to 66 of this Composite Document in relation to their respective recommendations and advice with respect to the Offers.

Your attention is also drawn to the additional information set out in the Appendices to this Composite Document, all of which form part of this Composite Document.

Yours faithfully,
For and on behalf of
J.P. Morgan Securities (Asia Pacific) Limited
David PW Lau
Managing Director



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

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 3331)

Executive Directors:

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

Non-Executive Directors:

Mr. Johann Christoph MICHALSKI
Mr. Ulf Olof Lennart SODERSTROM
Mr. CHIU Bun (alternate to
Mr. MICHALSKI and Mr. SODERSTROM)

Independent Non-Executive Directors:

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

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

7 October 2013

To the Independent Shareholders and Optionholders

Dear Sir or Madam,

**VOLUNTARY CONDITIONAL CASH OFFER BY J.P. MORGAN
SECURITIES (ASIA PACIFIC) LIMITED FOR AND
ON BEHALF OF SCA GROUP HOLDING BV FOR
VINDA INTERNATIONAL HOLDINGS LIMITED**

1. INTRODUCTION

Reference is made to the Announcement pursuant to which the Offeror and Vinda jointly announced on 9 September 2013 that J.P. Morgan would, for and on behalf of the Offeror, make a voluntary conditional cash offer (i) to acquire all of the outstanding Shares

LETTER FROM THE VINDA BOARD

in the issued share capital of Vinda (other than those Shares already owned or agreed to be acquired by the Offeror and the parties acting in concert with it); and (ii) to cancel all the outstanding Options.

On 6 September 2013, (i) Fu An and the Chairman executed the Fu An Irrevocable Undertaking in favour of the Offeror, pursuant to which Fu An has irrevocably undertaken to the Offeror to accept, or procure the acceptance of, the Share Offer in respect of the Relevant Shares as soon as possible and in any event within the period during which the Offers are open for acceptance; and (ii) Ms. Zhang executed the Zhang Irrevocable Undertaking in favour of the Offeror, pursuant to which Ms. Zhang has irrevocably undertaken to the Offeror to accept the Option Offer in respect of the Relevant Options as soon as possible and in any event within the period during which the Offers are open for acceptance.

This letter forms part of this Composite Document and sets out, amongst other things, certain background information of the Offeror and the intentions of the Offeror in relation to Vinda Group. Further details on the terms of the Offers are set out in Appendix I — “Further Terms of the Offers” of this Composite Document and in the accompanying Forms of Acceptance.

The purpose of this Composite Document is to provide you with, among other things, (i) information relating to Vinda Group, the Offeror and the Offers; (ii) a letter from J.P. Morgan containing, among other things, details of the Offers; (iii) a letter from the Independent Board Committee containing its recommendation and advice to the Independent Shareholders and the Optionholders in relation to the Offers; and (iv) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee in relation to the Offers.

2. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

An Independent Board Committee of Vinda, which comprises all of its independent non-executive directors, has been established by Vinda Board to make a recommendation to the Independent Shareholders as to whether the Share Offer is, or is not, fair and reasonable and as to acceptance and to the Optionholders as to its views on the Option Offer. As at the date of this letter, the independent non-executive directors of Vinda are Dr. CAO Zhen Lei, Mr. KAM Robert, Mr. HUI Chin Tong, Godfrey and Mr. TSUI King Fai, the executive directors are Mr. LI Chao Wang, Ms. YU Yi Fang, Ms. ZHANG Dong Fang and Mr. DONG Yi Ping and the non-executive directors are Mr. Johann Christoph MICHALSKI and Mr. Ulf Olof Lennart SODERSTROM (with Mr. CHIU Bun being the alternate director to each of them). By reason of their respective position and/or involvement within the SCA Group, Mr. Johann Christoph MICHALSKI (also President of SCA Global Hygiene Category), Mr. Ulf Olof Lennart SODERSTROM (also President of SCA Asia Pacific) and Mr. CHIU Bun (also the general counsel of SCA Asia Pacific) are associates of the Offeror. Accordingly, they are considered to have an interest in the Offers and will not act as a member of the Independent Board Committee.

LETTER FROM THE VINDA BOARD

In addition, as approved by the Independent Board Committee, an independent financial adviser, Somerley, has been appointed to advise the Independent Board Committee in connection with the Share Offer and the Option Offer.

3. THE SHARE OFFER

As at the Latest Practicable Date, there are 998,282,686 Shares in issue. The Share Offer is made by J.P. Morgan for and on behalf of the Offeror on the following terms:

Consideration of the Share Offer

For each Offer Share HK\$11.00 in cash

The Share Offer is being extended to all Independent Shareholders in accordance with the Takeovers Code. The Offer Shares to be acquired under the Share Offer shall be fully paid and shall be acquired free from all Encumbrances and together with all rights attaching to them as at the Closing Date or subsequently becoming attached to them, including the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after the Closing Date.

Comparisons of value

The Share Offer Price of HK\$11.00 per Offer Share represents:

	Share price of Vinda HK\$	Premium/ (Discount) of the Share Offer Price to the share price %
Closing price on the Last Trading Date	7.95	38.36
Average closing price for the last 5 trading days as quoted on the Stock Exchange immediately prior to and including the Last Trading Date	8.26	33.20
Average closing price for the last 10 trading days as quoted on the Stock Exchange immediately prior to and including the Last Trading Date	8.27	33.06
Average closing price for the last 20 trading days as quoted on the Stock Exchange immediately prior to and including the Last Trading Date	8.37	31.45
Average closing price for the last 30 trading days as quoted on the Stock Exchange immediately prior to and including the Last Trading Date	8.18	34.54

LETTER FROM THE VINDA BOARD

	Share price of Vinda HK\$	Premium/ (Discount) of the Share Offer Price to the share price %
Average closing price for the last 60 trading days as quoted on the Stock Exchange immediately prior to and including the Last Trading Date	8.19	34.24
Closing price on the Latest Practicable Date	10.92	0.73

The value which the Share Offer attributes to each Share represents a premium of approximately 150.77% over the unaudited net asset value per Share of approximately HK\$4.39 (which is calculated by dividing (i) the unaudited net asset value of Vinda as stated in the unaudited financial statements of Vinda for the 6-month period ended 30 June 2013 by (ii) the total number of Shares in issue as at 30 June 2013).

Highest and lowest Share prices

During the Relevant Period, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$11.08 on 28 March and 11 April 2013 and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$7.46 on 19 July 2013.

Total consideration

On the basis of the Share Offer Price of HK\$11.00 per Offer Share, and assuming that no outstanding Options are exercised prior to the Closing Date, the entire issued share capital of Vinda is valued at HK\$10,981,109,546.

4. THE OPTION OFFER

As at the date of the Latest Practicable Date, there are outstanding Options in respect of 26,512,000 Shares. The respective exercise prices of the outstanding Options and the respective periods in which they are exercisable are set out below:

Exercise Price (HK\$ per Share)	Number of outstanding Options	Exercisable period
2.98	2,651,000	24 February 2009 to 23 February 2019
5.42	3,000,000	15 April 2010 to 14 April 2020
8.648	3,501,000	15 April 2011 to 14 April 2021
10.34	1,359,000	2 May 2013 to 1 May 2023
14.06	16,001,000	2 May 2012 to 1 May 2022

LETTER FROM THE VINDA BOARD

The Options granted under the Share Option Scheme may be exercised in accordance with the terms of the Share Option Scheme at any time during the period as determined by Vinda Board from time to time and not exceeding ten (10) years from the date of the grant. There is no minimum period for which an Option must be held before it can be exercised.

Out of the 26,512,000 outstanding Options, 5,274,000 and 225,000 Options with an exercise price of HK\$14.06 and HK\$10.34 per Share, respectively, are subject to vesting conditions, and are exercisable when Vinda meets certain performance conditions as set out by the Vinda Board when such Options were granted.

Option Offer

In accordance with Rule 13 of the Takeovers Code, the Option Offer is made by J.P. Morgan for and on behalf of the Offeror to cancel all the outstanding Options (whether vested or not) in exchange for cash on the following terms:

(A) In respect of Options with an exercise price of HK\$2.98:

For cancellation of each such Option HK\$8.02 in cash

(B) In respect of Options with an exercise price of HK\$5.42:

For cancellation of each such Option HK\$5.58 in cash

(C) In respect of Options with an exercise price of HK\$8.648:

For cancellation of each such Option HK\$2.352 in cash

(D) In respect of Options with an exercise price of HK\$10.34:

For cancellation of each such Option HK\$0.66 in cash

In respect of Options with an exercise price of HK\$14.06, as the exercise price for the underlying Shares is above the Share Offer Price, J.P. Morgan is, for and on behalf of the Offeror, making a nominal cash offer for the cancellation of such Options on the following terms:

For cancellation of each such Option HK\$0.0001 in cash

The Option Offer is conditional upon the Share Offer becoming or being declared unconditional in all respects.

Following acceptance of the Option Offer, the relevant Options together with all rights attaching thereto will be entirely cancelled and renounced on the Closing Date.

Options which are not tendered under the Option Offer will not be cancelled or renounced on the Closing Date, Optionholders of such options may exercise such options in accordance with the Share Option Scheme.

LETTER FROM THE VINDA BOARD

Your attention is drawn to the section headed “Compulsory Acquisition and Withdrawal of Listing” of this letter. In the event that the Offeror shall exercise its right under section 88 of the Cayman Islands Companies Law to compulsorily acquire those Shares not acquired by the Offeror under the Share Offer, the Options which are not tendered under the Option Offer, subject to the fulfillment of the vesting conditions, if any, shall continue to be exercisable in accordance with their terms of grant and the provisions of the Share Option Scheme.

The shareholding structure of Vinda (i) as at the Latest Practicable Date; and (ii) assuming that the outstanding vested Options are exercised in full prior to the Offer Period are as follows:

	As at the Latest Practicable Date		Assuming that the outstanding vested Options ⁽⁶⁾ are exercised in full prior to the Offer Period	
	Number of Shares	Approximate Shareholding	Number of Shares	Approximate Shareholding
Fu An ⁽¹⁾	237,306,235	23.77%	237,306,235	23.28%
The personal interests of the Chairman ^(1&2)	936,000	0.09%	2,934,000	0.29%
The personal interests of Ms. Zhang ⁽³⁾	—	—	5,934,000	0.58%
SCA Hygiene Holding AB ⁽⁴⁾	216,431,897	21.68%	216,431,897	21.23%
The personal Interests of Vinda Directors ⁽⁵⁾ (other than the Chairman and Ms. Zhang)	18,626,000	1.87%	20,426,000	2.01%
Public shareholders	<u>524,982,554</u>	<u>52.59%</u>	<u>536,263,554</u>	<u>52.61%</u>
Total	<u><u>998,282,686</u></u>	<u><u>100.00%</u></u>	<u><u>1,019,295,686</u></u>	<u><u>100.00%</u></u>

Notes:

- (1) The Shares are registered in the name of Fu An, 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 the Chairman. Under the SFO, Sentential Holdings Limited and the Chairman are all deemed to be interested in the Shares held by Fu An.

Pursuant to the Fu An Irrevocable Undertaking, Fu An has irrevocably undertaken to the Offeror to accept, or procure the acceptance of the Share Offer in respect of the Relevant Shares, representing approximately 2.10% of the issued share capital of Vinda as at the Latest Practicable Date.

- (2) The Chairman is the beneficial owner of 936,000 Shares of Vinda and holds 1,998,000 Options.
- (3) Pursuant to the Zhang Irrevocable Undertaking, Ms. Zhang has irrevocably undertaken to the Offeror to accept the Option Offer in respect of the Relevant Options owned by her.

LETTER FROM THE VINDA BOARD

- (4) The Shares are registered in the name of SCA Hygiene Holding AB, which is indirectly wholly-owned by Svenska Cellulosa Aktiebolaget. Under the SFO, Svenska Cellulosa Aktiebolaget is deemed to be interested in the Shares held by SCA Hygiene Holding AB.

SCA Hygiene Holding AB is a direct wholly-owned subsidiary of the Offeror.

Pursuant to the Fu An Irrevocable Undertaking, Fu An has irrevocably undertaken to the Offeror to accept, or procure the acceptance of the Share Offer in respect of the Relevant Shares, representing approximately 2.10% of the issued share capital of Vinda as at the Latest Practicable Date.

- (5) Out of the 18,626,000 Shares, Ms. YU Yi Fang, Mr. DONG Yi Ping, Mr. CHIU Bun and Mr. HUI Chin Tong, Godfrey owns 9,088,000, 9,038,000, 400,000 and 100,000 Shares respectively.

Please refer to the section headed “Disclosure of Interests — (c) Interests of the Vinda Directors in Vinda” in Appendix IV — General Information of Vinda for details of the individual interests of the Vinda Directors in Vinda.

- (6) Out of the 26,512,000 outstanding Options, 5,274,000 and 225,000 Options with an exercise price of HK\$14.06 and HK\$10.34 per Share, respectively, are subject to vesting conditions, as such only 21,013,000 outstanding Options are vested and exercisable prior to the Offer Period.

As at the date of the Composite Document,

- (i) Mr. CHIU Bun has confirmed that it is his intention to accept the Share Offer in respect of the 400,000 Shares owned by him;
- (ii) other than the Fu An Irrevocable Undertaking, each of the Chairman, Ms. YU Yi Fang and Mr. DONG Yi Ping has confirmed that he/she does not intend to accept the Share Offer or the Option Offer;
- (iii) other than the Zhang Irrevocable Undertaking, Ms. ZHANG has confirmed that she does not intend to accept the Share Offer or the Option Offer;
- (iv) each of Mr. TSUI King Fai and Dr. CAO Zhen Lei has confirmed that he intends to accept the Option Offer in respect of the 80,000 Options with an exercise price of HK\$8.648. Other than that, each of them has no intention to accept the Option Offer;
- (v) each of Mr. HUI Chin Tong, Godfrey and Mr. KAM Robert has confirmed that he does not intend to accept the Share Offer or the Option Offer; and
- (vi) each of Mr. Ulf Olof Lennart SODERSTROM and Mr. Johann Christoph MICHALSKI has confirmed that he does not intend to accept the Option Offer.

5. VALUE OF THE OFFERS

Your attention is drawn to the section headed the “Value of the Offers” in the “Letter from J.P Morgan” of this Composite Document which sets out the value of the Offers.

LETTER FROM THE VINDA BOARD

6. CONDITIONS TO THE SHARE OFFER

Your attention is drawn to the section headed “Conditions to the Offers — Conditions to the Share Offer” in the “Letter from J.P. Morgan” of this Composite Document which sets out the conditions to the Share Offer.

7. IRREVOCABLE UNDERTAKINGS

Your attention is drawn to the section headed “Irrevocable Undertakings” in the “Letter from J.P. Morgan” of this Composite Document which sets out the details of (i) the Fu An Irrevocable Undertaking given by Fu An and the Chairman on 6 September 2013 in favour of the Offeror to accept, or procure the acceptance of, the Share Offer in respect of the Relevant Shares as soon as possible and in any event within the period during which the Offers are open for acceptance; and (ii) the Zhang Irrevocable Undertaking given by Ms. Zhang on 6 September 2013 in favour of the Offeror, pursuant to which Ms. Zhang has irrevocably undertaken to the Offeror to accept the Option Offer in respect of the Relevant Options as soon as possible and in any event within the period during which the Offers are open for acceptance.

8. INFORMATION ON AND INTENTION OF THE OFFEROR

Your attention is drawn to the sections headed “Information of the Offeror” and “Intentions of the Offeror in relation to the Vinda Group” in the “Letter from J.P. Morgan” of this Composite Document.

The Vinda Board is aware of the Offeror’s intentions as set out in the section headed “Intentions of the Offeror in relation to the Vinda Group” in the “Letter from J.P. Morgan” that the Vinda Group will continue to operate its business in substantially its current state and the Independent Board Committee has taken these into account in making its recommendation as set out in the “Letter from the Independent Board Committee” of this Composite Document.

9. REASONS FOR THE OFFERS AND THE EXPECTED BENEFITS

Your attention is drawn to the section headed “Reasons for the Offers and the Expected Benefits” in the “Letter from J.P. Morgan” of this Composite Document.

10. INFORMATION ON THE VINDA GROUP

Vinda is an investment holding company incorporated in the Cayman Islands with limited liability, whose Shares have been listed on the Main Board of the Stock Exchange since 10 July 2007.

Founded in 1985, the Vinda Group is a leading manufacturer and brand seller of household paper products in the PRC and Hong Kong. The Vinda Group attains strong brand recognition with its tissue brand “Vinda” and offers a great variety of household paper products including toilet paper, hanky, softpack, box tissue, paper napkin, wet wipe and kitchen towel. The Vinda Group has also developed into personal care business

LETTER FROM THE VINDA BOARD

segment by owning the baby diaper brand “Babifit”, as well as the sanitary napkin brand “VIA”, through V-Care Holdings Limited, an associate owned as to 41% by the Vinda Group.

For the year ended 31 December 2012, the Vinda Group had about 8,000 employees and the audited revenue amounted to approximately HK\$6,024 million.

Upon the Offers having become or been declared unconditional in all respects, Vinda will become a subsidiary of SCA and the financial results and financial position of the Vinda Group will be consolidated in the financial statements of SCA.

11. LISTING STATUS OF VINDA

It is the Offeror’s preference to maintain the listing status of Vinda on the Stock Exchange. Accordingly, if the Offeror does not acquire the requisite percentage of the Offer Shares for the exercise of the right to compulsorily acquire all the issued Shares under the Cayman Islands Companies Law and the Takeovers Code as detailed in the section headed “Compulsory Acquisition and Withdrawal of Listing” of this letter within four (4) months after posting of this Composite Document, the directors of the Offeror and Vinda have jointly and severally undertaken to the Stock Exchange to take appropriate steps following the close of the Offers to ensure that sufficient public float exists in the Shares. Any future transactions between the Vinda Group and the SCA Group will be carried out on an arm’s length basis and in compliance with the Listing Rules.

If, upon the close of the Offers, less than the minimum prescribed percentage applicable to Vinda, being 25%, of the issued Shares are held by the public or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares or (ii) there are insufficient Shares in public hands to maintain an orderly market, then the Stock Exchange may exercise its discretion to suspend trading in the Shares.

12. COMPULSORY ACQUISITION AND WITHDRAWAL OF LISTING

Notwithstanding the Offeror’s preference to maintain the listing of Vinda, the Offeror intends to exercise the right under section 88 of the Cayman Islands Companies Law to compulsorily acquire those Shares not acquired by the Offeror under the Share Offer if it, within four (4) months of the posting of this Composite Document, acquires not less than 90% of the Offer Shares. On completion of the compulsory acquisition, if exercised, Vinda will become a wholly-owned subsidiary of the Offeror and an application will be made for the withdrawal of the listing of the Shares from the Stock Exchange pursuant to Rule 6.15 of the Listing Rules.

Pursuant to Rule 2.11 of the Takeovers Code, except with the consent of the Executive, where the Offeror seeks to acquire or privatise Vinda by means of the Share Offer and the use of compulsory acquisition rights, such rights may only be exercised if, in addition to satisfying any requirement imposed by the Cayman Islands Companies Law, acceptance of the Share Offer and purchases made by the Offeror and the parties acting in concert with it during the four months after posting of this Composite Document total 90% or more of the disinterested Shares (as defined in the Takeovers Code).

LETTER FROM THE VINDA BOARD

If the Offeror exercises the compulsory acquisition rights as described above, written notice of the Offeror's exercise of such right will be provided within two months after the expiration of the four month period from the posting of this Composite Document by the Offeror to those Shareholders who do not accept the Share Offer, pursuant to which such Shareholders will be required to sell their Shares to the Offeror.

WARNING: If the level of acceptances of the Share Offer reaches the prescribed level under the Cayman Islands Companies Law required for compulsory acquisition and the requirements of Rule 2.11 of the Takeovers Code are satisfied, and if the Offeror exercises its right of compulsory acquisition in respect of Vinda, dealings in the Shares will be suspended from the Closing Date up to the withdrawal of listing of the Shares from the Stock Exchange pursuant to Rule 6.15 of the Listing Rules.

13. RECOMMENDATION AND ADDITIONAL INFORMATION

Your attention is drawn to (i) the "Letter from the Independent Board Committee" on pages 33 to 34 of this Composite Document, which sets out its recommendations to the Independent Shareholders and Optionholders in relation to the Offers and (ii) the "Letter from the Independent Financial Adviser" on pages 35 to 66 of this Composite Document, which sets out its advice to the Independent Board Committee in relation to the Offers and the principal factors considered by it in arriving at its recommendations.

You are also advised to read the "Letter from J.P. Morgan", the Appendices to this Composite Document and the Forms of Acceptances in respect of the terms and acceptance and settlement procedures of the Offers.

The Independent Shareholders and the Optionholders are recommended to consult their own professional advisers as to the tax implications that may arise from accepting the Offers.

WARNING: Independent Shareholders, Optionholders and/or potential investors of Vinda should note that the Share Offer is subject to the satisfaction or waiver (where applicable) of the Conditions, and the Option Offer is subject to, and conditional upon, the Share Offer becoming or being declared unconditional in all respects. Accordingly, the Offers may or may not become unconditional. Independent Shareholders, Optionholders and/or potential investors of Vinda should therefore exercise caution when dealing in the securities of Vinda (including the Shares and any options or rights in respect of them). Persons who are in doubt as to the action they should take should consult their licensed securities dealers or registered institutions in securities, bank managers, solicitors, professional accountants or other professional advisers.

Yours faithfully,
By Order of the Board
Vinda International Holdings Limited
ZHANG Dong Fang
Director



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

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 3331)

7 October 2013

To the Independent Shareholders and Optionholders

Dear Sir or Madam,

COMPOSITE OFFER AND RESPONSE DOCUMENT

**VOLUNTARY CONDITIONAL CASH OFFER
BY J.P. MORGAN SECURITIES (ASIA PACIFIC) LIMITED
FOR AND ON BEHALF OF SCA GROUP HOLDING BV
TO ACQUIRE ALL OF THE OUTSTANDING SHARES
IN THE ISSUED SHARE CAPITAL OF
VINDA INTERNATIONAL HOLDINGS LIMITED
(OTHER THAN THOSE SHARES ALREADY OWNED
OR AGREED TO BE ACQUIRED BY
SCA GROUP HOLDING BV AND PARTIES ACTING IN CONCERT WITH IT)
AND
TO CANCEL ALL OF THE OUTSTANDING SHARE OPTIONS OF
VINDA INTERNATIONAL HOLDINGS LIMITED**

INTRODUCTION

We refer to this Composite Document dated 7 October 2013 issued jointly by the Offeror and Vinda, of which this letter forms part. Capitalised terms used in this letter have the same meanings as defined elsewhere in this Composite Document unless the context requires otherwise.

We have been appointed to form the Independent Board Committee to consider the Share Offer and the Option Offer and the terms of the Offers and to advise you as to whether, in our opinion, the terms of the Offers are fair and reasonable so far as the Independent Shareholders and Optionholders are concerned and as to its acceptance.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Somerley has been appointed as the Independent Financial Adviser to advise us in respect of the terms of the Offers. Your attention is drawn to the letter from the Independent Financial Adviser as set out on pages 35 to 66 of this Composite Document containing its advice to us and the principal factors and reasons taken into account by it in arriving at such advice.

We further draw your attention to the “Letter from J.P. Morgan” set out on pages 8 to 22 of this Composite Document which contains, inter alia, information about the Offers.

We also draw your attention to the “Letter from the Vinda Board” set out on pages 23 to 32 of this Composite Document and the additional information set out in this Composite Document, including the Appendices to this Composite Document and the accompanying Forms of Acceptance in respect of the terms of the Offers and acceptance and settlement procedures for the Share Offer and the Option Offer.

RECOMMENDATIONS

Having considered the terms of the Offers and the letter of advice and recommendations of the Independent Financial Adviser, we consider that:

- (a) the terms of the Share Offer are fair and reasonable so far as the Independent Shareholders are concerned, and recommend the Independent Shareholders to accept the Share Offer;
- (b) the terms of the Option Offer for the Options up to an exercise price of HK\$8.648 are fair and reasonable so far as those Optionholders are concerned, and recommend the Optionholders holding the Options up to an exercise price of HK\$8.648 to accept the Option Offer; and
- (c) the terms of the Option Offer for the Options with an exercise price of HK\$10.34 and HK\$14.06 are not fair and reasonable so far as those Optionholders are concerned, and recommend the Optionholders holding the Options with an exercise price of HK\$10.34 or HK\$14.06 to reject the Option Offer.

Notwithstanding our recommendations, the Independent Shareholders and Optionholders should consider carefully the terms and conditions of the Offers.

Yours faithfully,
The Independent Board Committee

Dr. CAO Zhen Lei
*Independent non-
executive Director*

Mr. KAM Robert
*Independent non-
executive Director*

**Mr. HUI Chin Tong,
Godfrey**
*Independent non-
executive Director*

Mr. TSUI King Fai
*Independent non-
executive Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of a letter of advice from Somerley to the Independent Board Committee in relation to the Offers, which has been prepared for the purpose of inclusion in the Composite Document.



SOMERLEY LIMITED
20th Floor
China Building
29 Queen's Road Central
Hong Kong

7 October 2013

To: *The Independent Board Committee of
Vinda International Holdings Limited*

Dear Sirs,

**VOLUNTARY CONDITIONAL CASH OFFER
TO ACQUIRE ALL OF THE OUTSTANDING SHARES IN THE ISSUED CAPITAL OF
VINDA INTERNATIONAL HOLDINGS LIMITED
(OTHER THAN THOSE SHARES ALREADY OWNED OR AGREED TO BE ACQUIRED BY
THE OFFEROR AND PARTIES ACTING IN CONCERT WITH IT)
AND
TO CANCEL ALL THE OUTSTANDING OPTIONS**

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee in connection with the Offers. Details of the Offers are contained in the Composite Document dated 7 October 2013, of which this letter forms a part. Capitalised terms used in this letter shall have the same meanings as those defined in the Composite Document unless the context otherwise requires.

On 9 September 2013, Vinda and the Offeror jointly announced that J. P. Morgan would, for and on behalf of the Offeror, make a voluntary conditional cash offer (i) to acquire all of the outstanding Shares; and (ii) to cancel all of the outstanding Options.

The Vinda Board comprises four executive directors, two non-executive directors and four independent non-executive directors. In accordance with Rule 2.8 of the Takeovers Code, members of the Independent Board Committee should comprise all non-executive directors who have no direct or indirect interest in the Offers. Mr. Johann Christoph Michalski and Mr. Ulf Olof Lennart Soderstrom, the non-executive Vinda Directors, and Mr. Chiu Bun, the alternate director to Mr. Michalski and Mr. Soderstrom, are respectively the president of SCA Global Hygiene Category, the president of SCA Asia Pacific and the general counsel of SCA Asia Pacific, and are therefore not considered independent in the context of the Offers. The Independent Board Committee, comprising all independent non-executive Vinda Directors, namely Dr. Cao Zhen Lei, Mr. Hui Chin Tong, Godfrey, Mr. Tsui King Fai and Mr. Kam Robert, has been established to advise the Independent

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Shareholders and the Optionholders in connection with the Offers. As at the Latest Practicable Date, each of the independent non-executive Vinda Directors was interested in 290,000 Options and Mr. Hui Chin Tong, Godfrey, an independent non-executive Vinda Director, was interested in 100,000 Shares. The Independent Board Committee has approved the appointment of ourselves, Somerley Limited, as the independent financial adviser to the Independent Board Committee in this regard.

We are not associated or connected with Vinda or the Offeror, their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them and, accordingly, are considered eligible to give independent advice on the Offers. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from Vinda or the Offeror, their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them.

In formulating our advice and recommendation, we have relied on the information and facts supplied, and the opinions expressed, by the directors and management of Vinda, which we have assumed to be true, accurate and complete. We have reviewed, among other things, the published information on Vinda, including its annual reports for the two years ended 31 December 2011 and 2012 and its interim report for the six months ended 30 June 2013, the announcement of Vinda dated 10 April 2012 in relation to the sale of Shares by Fu An to the SCA Group, the Clarification Announcement (as defined below) dated 5 June 2013 and the indebtedness statement and statement of material change set out in Appendix II of the Composite Document. We have reviewed the trading performance of the Shares on the Stock Exchange. We have sought and received confirmation from the Vinda Directors that no material facts have been omitted from the information supplied and opinions expressed by them. We have further assumed that all representations contained or referred to in the Composite Document are true, accurate and complete at the time they were made and at the date of the Composite Document. Independent Shareholders and Optionholders will be informed as soon as possible if we become aware of any material change to such information throughout the Offer Period. We consider that the information we have received is sufficient for us to reach our opinion and advice as set out in this letter. We have no reason to doubt the truth and accuracy of the information provided to us or to believe that any material facts have been omitted or withheld. We have, however, not conducted any independent investigation into the businesses and affairs of the Vinda Group and the SCA Group, nor have we carried out any independent verification of the information supplied.

We have not considered the tax implications on the Independent Shareholders of acceptance or non-acceptance of the Share Offer nor the Optionholders of acceptance or non-acceptance of the Option Offer since these depend on their individual circumstances. In particular, Independent Shareholders and Optionholders who are residents overseas or subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax positions and, if in any doubt, should consult their own professional advisers.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL TERMS OF THE OFFERS

The Share Offer

J. P. Morgan, for and on behalf of the Offeror, is making the Share Offer on the following terms:

Share Offer Price for each Offer Share HK\$11.00 in cash

The Offer Shares to be acquired under the Share Offer shall be fully paid and free from any Encumbrances and together with all rights attaching to them as at the Closing Date or subsequently becoming attached to them, including the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after the Closing Date. The Vinda Board has resolved to declare an interim dividend of HK\$0.048 per Share for the six months ended 30 June 2013, which will be paid on or about 30 October 2013 to shareholders whose names appear on the register of members of Vinda on 18 October 2013 (i.e. before the Closing Date).

The Option Offer

As at the Latest Practicable Date, there were 2,651,000, 3,000,000, 3,501,000, 1,359,000 and 16,001,000 outstanding Options with exercise prices of HK\$2.98, HK\$5.42, HK\$8.648, HK\$10.34 and HK\$14.06 per Share respectively. Pursuant to Rule 13 of the Takeovers Code, subject to the Share Offer becoming or being declared unconditional in all respects, J. P. Morgan, for and on behalf of the Offeror, is making the Option Offer for the cancellation of all the outstanding Options (whether vested or not) on the following terms:

Price for each Option under the Option Offer with exercise price of:

HK\$2.98 HK\$8.02 in cash

HK\$5.42 HK\$5.58 in cash

HK\$8.648 HK\$2.352 in cash

HK\$10.34 HK\$0.66 in cash

HK\$14.06 HK\$0.0001 in cash

Under the Option Offer, prices for outstanding Options with exercise prices of less than the Share Offer Price (the “**In-the-money Options**”) represent the difference between the Share Offer Price and the respective exercise prices of these Options. The price for each outstanding Option with the exercise price of HK\$14.06 (the “**Out-of-money Options**”) is HK\$0.0001, which is a nominal amount, since the exercise price is above the Share Offer Price.

Conditions to the Share Offer

The Share Offer is subject to the Conditions, which include, among other things, valid acceptances of the Share Offer being received (and not, where permitted, withdrawn) by 4:00 p.m. on the Closing Date (or such later time or date as the Offeror may, subject to the Takeovers Code, decide) in respect of such number of Offer Shares which, together with Shares already owned or agreed to be acquired before or during the Offers, would result in the Offeror and the parties acting in concert with it holding more than 50% of the voting rights in Vinda on a fully-diluted basis as at the Closing Date (the “**50% Control Condition**”). Certain Conditions can be waived in whole or in part by the Offeror while certain Conditions cannot be waived, including the 50% Control Condition. As at the Latest Practicable Date, the Offeror does not intend to waive any of the Conditions. If any of the Conditions is not satisfied or (where applicable) waived on or before 27 December 2013, the Share Offer will lapse.

Further details of the Conditions are set out in the section 5 headed “Conditions to the Offers — Conditions to the Share Offer” of the “Letter from J. P. Morgan” (the “**JP Morgan Letter**”) contained in the Composite Document.

The first Closing Date is Monday, 28 October 2013.

Condition to the Option Offer

The Option Offer is conditional upon the Share Offer becoming or being declared unconditional in all respects.

Irrevocable Undertakings

Undertakings to accept the Offers

On 6 September 2013:

- (i) Fu An and the Chairman executed the Fu An Irrevocable Undertaking in favour of the Offeror, pursuant to which Fu An has irrevocably undertaken to the Offeror to accept, or procure the acceptance of, the Share Offer in respect of the Relevant Shares (representing approximately 2.10% of the issued share capital of Vinda as at the Latest Practicable Date) as soon as possible and in any event within the period during which the Offers are open for acceptance; and
- (ii) Ms. Zhang executed the Zhang Irrevocable Undertaking in favour of the Offeror, pursuant to which Ms. Zhang has irrevocably undertaken to the Offeror to accept the Option Offer in respect of the Relevant Options as soon as possible and in any event within the period during which the Offers are open for acceptance. The Relevant Options have exercise prices of HK\$5.42 and HK\$8.648.

Prior to the closing, lapsing or withdrawal of the Share Offer, each of Fu An and the Chairman has undertaken not to, among other things, (i) sell or transfer (or cause the same to be done) or otherwise dispose of (or permit any such action to occur in respect of) any

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interest in any of the Relevant Shares (other than to the Offeror), (ii) accept, or give any undertaking (whether conditional or unconditional) to accept, or otherwise agree to accept, any offer, or approve any offer made or proposed to be implemented by way of a contractual offer, scheme of arrangement or otherwise in respect of securities in Vinda by any person other than the Offeror or (iii) take any action or enter into any agreement or arrangement (including, in the case of Fu An, through its representation on the Vinda Board (and whether or not legally binding or subject to any condition or which is to take effect after the Share Offer closes or lapses)), or permit any agreement or arrangement to be entered into or authorise or incur any obligation or give any indication of intent (or permit such circumstances to occur) which, (x) in relation to the Relevant Shares, would or might restrict or impede the acceptance of the Share Offer or (y) would otherwise be prejudicial to the successful outcome of the Share Offer.

No withdrawal

Each of the Committed Parties has irrevocably undertaken that he/she/it will not withdraw any acceptance of the Share Offer in respect of the Relevant Shares or the Option Offer in respect of the Relevant Options (as the case may be).

Termination

The Irrevocable Undertakings will be terminated and the obligations of each of the Committed Parties under the Irrevocable Undertakings shall lapse and terminate if (i) the Share Offer lapses or is withdrawn or (ii) the Share Offer has not become or been declared unconditional in all respects by 6.00 p.m. on 31 December 2013, whichever is earlier.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation with regard to the Offers, we have taken into account the following principal factors and reasons:

1. Background to and reason for the Offers by the SCA Group

As stated in the JP Morgan Letter, the Offeror is an investment holding company incorporated in the Netherlands with limited liability and is a direct wholly-owned subsidiary of SCA. As at the Latest Practicable Date, the Offeror does not hold any Shares. SCA Hygiene Holding AB, a direct wholly-owned subsidiary of the Offeror, holds 216,431,897 Shares, representing approximately 21.68% of the issued share capital of Vinda. The Offeror and the parties acting in concert with it do not hold any Options.

SCA was founded in 1929, is incorporated in Sweden and has its headquarters in Stockholm, Sweden, and is listed on NASDAQ OMX Stockholm. The SCA Group is one of the leading global hygiene and forest products companies and develops and produces sustainable personal care, tissue and forest products. Sales are conducted in about 100 countries under many strong brands, including the global brands TENA and Tork, and regional brands, such as Tempo, Dr. P, Sealer, Libero and Libresse. The SCA Group's sales in 2012 amounted to approximately SEK85 billion (equivalent to approximately HK\$104 billion).

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SCA is a global leading consumer tissue and Away-From-Home (AFH) tissue company. The consumer tissue product portfolio includes toilet paper, kitchen rolls, facial tissues, handkerchiefs and napkins. Products are sold both under own and retailers' brands. In the AFH product segment, encompassing hospitals, large workplaces, restaurants and hotels, SCA develops and markets complete hygiene solutions comprising dispensers, tissue, soap, service and maintenance.

As at the Latest Practicable Date, the market capitalisation of SCA was approximately SEK114 billion (equivalent to approximately HK\$139 billion).

SCA believes that Vinda is well positioned for growth within the tissue market in the PRC, and the Vinda Group could be developed even further with the backing of SCA. Since Vinda's listing in 2007, the SCA Group has been a shareholder and at that time indirectly held 127,524,330 Shares. The SCA Group's shareholding in Vinda increased to 169,531,897 Shares in 2008 and to 216,431,897 Shares after acquiring 46,900,000 Shares from Fu An in April 2012 at a price of HK\$15.00 per Share. It is the intention of SCA to take a more active role in the development of Vinda if it becomes the majority shareholder. It is expected that, if it has a larger shareholding after the Offers, SCA would have a more significant influence on the future direction of Vinda, particularly in areas like manufacturing and branding, and would explore potential opportunities to create value in Vinda by sharing or entering into licensing arrangements with Vinda in relation to the intellectual property rights of SCA (such as brands and technical know-how). Vinda would potentially be able to utilise SCA's existing distribution channels in other Asian countries to create potential opportunity in development of its business in those Asian countries.

2. Intention of the Offeror regarding the Vinda Group

As stated in the JP Morgan Letter, following completion of the Offers, the Offeror will review the businesses of the Vinda Group and the composition of the Vinda Board to consider and determine what changes, if any, would be necessary, appropriate or desirable, long term and short term, in order to best organise and optimise the businesses and operations of the Vinda Group and to integrate the same within the SCA Group.

The Offeror intends that the Vinda Group will continue to operate its business in substantially its current state. However, the Offeror reserves the right to make any changes that it deems necessary or appropriate to the Vinda Group's businesses and operations to better integrate, generate maximum synergy and achieve enhanced economies of scale with the other operations of the SCA Group. Accordingly, there may be material changes in the businesses and operations of the Vinda Group which could affect its prospects after completion of the Offers.

It is also stated in the JP Morgan Letter that it is the Offeror's preference to maintain the listing status of Vinda on the Stock Exchange. Accordingly, assuming that the Offeror does not acquire the requisite percentage of the Offer Shares for the exercise of the right to compulsorily acquire all the issued Shares under the Cayman Islands Companies Law and the Takeovers Code within four (4) months after posting of the Composite Document, which the Offeror cannot do assuming Fu An keeps over 10% of the Shares, the directors of

the Offeror and Vinda have jointly and severally undertaken to the Stock Exchange to take appropriate steps following the close of the Offers to ensure that sufficient public float exists in the Shares.

3. Business of the Vinda Group

The Vinda Group was founded in 1985 and is a leading manufacturer and brand seller of household paper products in the PRC and Hong Kong. It offers a variety of household paper products including toilet paper, hanky, softpack, box tissue, paper napkin, wet wipe and kitchen towel.

The flagship brand “Vinda” is a premium brand of tissue paper products in China and has been recognised by the PRC State Administration for Industry and Commerce Trademark Office as a “China Famous Trademark”. The Vinda Group’s “Vinda” series was also recognised by the PRC State General Administration for Quality Supervision and Inspection and Quarantine as a “China Top Brand Product”.

Through V-Care Holdings Limited, an associate held as to 41% by the Vinda Group, Vinda has extended its product range into the personal care business segment through the baby diaper brand “Babifit” and the sanitary napkin brand “VIA”.

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4. Financial information of the Vinda Group

(a) Financial performance

The following is a summary of the audited consolidated results of the Vinda Group for the three years ended 31 December 2012, 2011 and 2010, and the unaudited consolidated results of the Vinda Group for the six months ended 30 June 2013 and 2012 as extracted from the relevant annual and interim reports of the Vinda Group. Further details of the results and other financial information of the Vinda Group are set out in Appendix II of the Composite Document, to which the attention of Independent Shareholders and Optionholders is drawn.

	For the six months ended		For the year ended		
	30 June		31 December		
	2013	2012	2012	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Audited)	(Audited)	(Audited)
Revenue	3,313,655	2,887,493	6,024,047	4,765,299	3,602,169
Cost of sales	<u>(2,355,840)</u>	<u>(1,984,449)</u>	<u>(4,169,105)</u>	<u>(3,468,791)</u>	<u>(2,540,131)</u>
Gross profit	957,815	903,044	1,854,942	1,296,508	1,062,038
Gross profit margin	28.9%	31.3%	30.8%	27.2%	29.5%
Selling and marketing costs	(438,367)	(358,626)	(770,366)	(574,774)	(444,985)
Administrative expenses	(165,362)	(163,375)	(367,866)	(238,878)	(181,352)
Other income and gains — net	<u>29,745</u>	<u>422</u>	<u>58,407</u>	<u>22,786</u>	<u>27,769</u>
Operating profit	383,831	381,465	775,117	505,642	463,470
Interest income	2,131	3,759	7,403	4,817	2,701
Foreign exchange gain/(loss), net	22,122	(4,506)	208	57,813	21,664
Finance costs	(25,365)	(26,802)	(48,323)	(43,983)	(27,654)
Share of post-tax loss of an associate	<u>(15,800)</u>	<u>(3,136)</u>	<u>(15,934)</u>	<u>(2,358)</u>	<u>—</u>
Profit before tax	366,919	350,780	718,471	521,931	460,181
Income tax expense	(82,935)	(92,735)	(181,909)	(116,216)	(91,235)
Profit attributable to equity holders of the company	<u>283,984</u>	<u>258,045</u>	<u>536,562</u>	<u>405,715</u>	<u>368,946</u>

Commentary

(i) Six months ended 30 June 2013 compared to six months ended 30 June 2012

Compared with rapid expansion in the previous years, China's economy decelerated in the first half of 2013, limiting growth in the retail market. More entrants in the household paper market, coupled with existing players' expanded production capacity coming into operation, increased supply-side capacity, thus intensifying competition in the industry.

In view of the weak consumer sentiment, retailers cut back on network expansion, dampening the sales growth in consumer goods to a certain extent. Expanded household paper production capacity across the industry caused the market competition to increase, as noted above. The Vinda Group strengthened its marketing and promotion efforts during the period and this adversely affected the average selling prices per ton of its products which weighed on the Vinda Group's overall profit margins during the period. For the six months ended 30 June 2013, gross profit margin decreased from approximately 31.3% to approximately 28.9% and the net profit margin decreased from approximately 8.9% to approximately 8.6%.

For the six months ended 30 June 2013, revenue increased by approximately 14.8% to approximately HK\$3,313.7 million as compared to the corresponding period in 2012. In particular, the sales of softpack tissue products exhibited a growth of approximately 38.3%. However, this top-line growth was not reflected to the same extent in profits, primarily due to the deterioration of the growth of gross profit as mentioned above as well as the growth of operating profit as discussed below.

Net operating expenses, comprising selling and marketing costs, administrative expenses and other net income and gains, increased by approximately HK\$52.4 million or 10.0% compared with the corresponding period in 2012 from approximately HK\$521.6 million to approximately HK\$574.0 million. Although the operating profit of the Vinda Group increased by approximately HK\$2.4 million or 0.6% from approximately HK\$381.5 million to approximately HK\$383.8 million, this included a large increase in "other income and gains" from approximately HK\$0.4 million to approximately HK\$29.7 million.

Profit before tax increased by approximately HK\$16.1 million or 4.6% from approximately HK\$350.8 million to approximately HK\$366.9 million. However, this included a significant foreign exchange gain of approximately HK\$22.1 million, as compared to a foreign exchange loss of approximately HK\$4.5 million for the same period in 2012. On the other hand, the loss of an associate increased from approximately HK\$3.1 million to approximately HK\$15.8 million.

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Vinda recorded a profit attributable to the Shareholders of approximately HK\$284.0 million for the six months ended 30 June 2013. With the help of a lower tax charge, this represented an increase of approximately 10.1%, as compared to a profit attributable to the Shareholders of approximately HK\$258.0 million for the corresponding period in 2012. As disclosed in the 2013 interim report, the estimated average annual tax rate used for the six months ended 30 June 2013 was approximately 22.6% (for the six months ended 30 June 2012: approximately 26.4%).

Overall, while revenue continued to grow, selling prices came under pressure and costs rose, thus reducing margins. Without the contribution from higher other income, a foreign exchange gain and a lower tax charge, none of which may continue, profits would have been broadly flat.

(ii) 2012 compared to 2011

The Vinda Group's revenue increased by approximately HK\$1,258.7 million or 26.4% from approximately HK\$4,765.3 million in 2011 to approximately HK\$6,024.0 million in 2012, primarily attributable to consolidating its existing position and promoting sales of new products through marketing campaigns. Growth of sales of softpack tissue products in 2012 amounted to approximately 70.1%. Operating profit increased by approximately HK\$269.5 million or 53.3% from approximately HK\$505.6 million in 2011 to approximately HK\$775.1 million in 2012.

Wood pulp is the major raw material used to produce household paper products. During the year, wood pulp prices began to ease as a result of weakening demand from Europe and the United States. Consequently, backed by strong liquidity, the Vinda Group adopted a flexible and proactive procurement strategy. With the help of such strategy, the gross profit increased by approximately HK\$558.4 million or 43.1% in 2012 and the gross profit margin increased from approximately 27.2% in 2011 to approximately 30.8% in 2012.

On the other hand, net operating expenses increased by approximately HK\$289.0 million or 36.5% from approximately HK\$790.9 million in 2011 to approximately HK\$1,079.8 million in 2012.

The foreign exchange gain in relation to the Vinda Group's borrowings and cash and cash equivalents, which primarily arose as a result of the settlement of relevant transactions and the translation at year-end exchange rates of relevant assets and liabilities denominated in foreign currencies, decreased from approximately HK\$57.8 million in 2011 to approximately HK\$0.2 million in 2012 and the profit before tax increased by approximately HK\$196.5 million or 37.7% from approximately HK\$521.9 million 2011 to approximately HK\$718.5 million in 2012.

As a result of the above, Vinda recorded a profit attributable to the Shareholders of approximately HK\$536.6 million in 2012, representing an increase of approximately 32.3%, as compared to a profit attributable to the Shareholders of approximately HK\$405.7 million in 2011.

(iii) 2011 compared to 2010

For the year ended 31 December 2011, the Vinda Group recorded revenue of approximately HK\$4,765.3 million, representing an increase of approximately 32.3% as compared to the previous year. In particular, the revenue of softpack tissue products grew by approximately 66.5%.

A wood pulp supply shortage occurred during the first half of 2011, resulting in a spike in wood pulp prices which peaked in the middle of 2011. During the second half of 2011, various external circumstances caused the demand from Europe and the United States for wood pulp to ease, while suppliers' inventory level also exceeded normal levels at one point, leading to the steady decline of wood pulp prices. As a result, the gross profit increased by approximately HK\$234.5 million or 22.1% and the gross profit margin decreased from approximately 29.5% in 2010 to approximately 27.2% in 2011.

Net operating expenses increased by approximately HK\$192.3 million or 32.1% from approximately HK\$598.6 million in 2010 to approximately HK\$790.9 million in 2011. As a result, the operating profit of the Vinda Group increased by approximately HK\$42.2 million or 9.1% from approximately HK\$463.5 million in 2010 to approximately HK\$505.6 million in 2011.

The foreign exchange gain, on the other hand, increased from approximately HK\$21.7 million in 2010 to approximately HK\$57.8 million in 2011 and the profit before tax increased by approximately HK\$61.8 million or 13.4% from approximately HK\$460.2 million in 2010 to approximately HK\$521.9 million in 2011.

As a result of the above, Vinda recorded a profit attributable to the Shareholders of approximately HK\$405.7 million in 2011, representing an increase of approximately 10.0%, as compared to a profit attributable to the Shareholders of approximately HK\$368.9 million in 2010.

(iv) Overall comments

2011 and 2012 were strong years for the Vinda Group, showing good levels of growth. However, there were some signs of a change in the operating and competitive environment in 2012, including a 36.5% increase in net operating expenses and comments by Vinda's management of "vicious competition" in the 2012 annual report and "fierce market competition" in the 2013 interim report. On 5 June 2013, Vinda published an announcement headed "Clarification of News and Resumption of Trading" (the "**Clarification Announcement**"), which mentioned inter alia weaker growth in the household paper market and pressure on selling prices and costs. These trends seem to have been confirmed in the interim results for 2013, with decelerating growth in the PRC economy, weak consumer sentiment and intensifying competition affecting both selling prices and costs and weighting on the Vinda Group's overall profit margins.

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The Vinda Directors have made a statement of material changes in the financial and trading position and outlook of the Vinda Group since 31 December 2012, as set out in full in paragraph 5 headed “No Material Change” of Appendix II of the Composite Document.

(b) Financial position

Set out below are the summarised consolidated balance sheet of the Vinda Group as at 31 December 2010, 31 December 2011, 31 December 2012 and 30 June 2013. Further details of the financial position and other financial information of the Vinda Group are set out in Appendix II of the Composite Document.

	As at 30 June 2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Audited)	As at 31 December 2011 HK\$'000 (Audited)	2010 HK\$'000 (Audited)
Property, plant and equipment	4,664,507	3,987,487	3,022,041	2,272,640
Leasehold land and land use rights	288,222	185,168	184,797	160,497
Investment properties	32,511	32,435	—	—
Deferred income tax assets	193,398	175,685	115,701	87,688
Other non-current assets	83,733	77,313	70,246	11,085
Total non-current assets	5,262,371	4,458,088	3,392,785	2,531,910
Inventories	1,655,520	1,446,576	1,372,222	1,321,689
Trade receivables, other receivables and prepayments	1,266,784	1,115,985	939,353	647,012
Prepayments to and receivables from related parties	47,440	42,304	43,274	1,101
Restricted bank deposits	2,462	6,101	1,292	46
Cash and cash equivalents	774,936	753,587	714,612	389,552
Total current assets	3,747,142	3,364,553	3,070,753	2,359,400
Total assets	9,009,513	7,822,641	6,463,538	4,891,310
Borrowings	(1,812,450)	(850,318)	(1,151,334)	(530,263)
Deferred government grants	(102,736)	(100,597)	(74,290)	(69,981)
Derivative financial instruments	(19,570)	(15,070)	(17,425)	—
Deferred income tax liabilities	(6,163)	(4,492)	(1,662)	(1,714)
Total non-current liabilities	(1,940,919)	(970,477)	(1,244,711)	(601,958)
Trade payables, other payables and accrued expenses	(1,589,072)	(1,423,018)	(1,209,944)	(980,263)
Due to related parties	(1,710)	(2,144)	(1,780)	—
Borrowings	(976,928)	(1,218,901)	(801,144)	(557,415)
Current income tax liabilities	(115,701)	(89,183)	(67,364)	(63,519)
Total current liabilities	(2,683,411)	(2,733,246)	(2,080,232)	(1,601,197)
Total liabilities	(4,624,330)	(3,703,723)	(3,324,943)	(2,203,155)
Total assets less current liabilities	6,326,102	5,089,395	4,383,306	3,290,113
Net assets	<u>4,385,183</u>	<u>4,118,918</u>	<u>3,138,595</u>	<u>2,688,155</u>

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As at 30 June 2013, total assets amounted to approximately HK\$9,009.5 million, representing an increase of approximately 15.2% when compared with the same as at 31 December 2012. Non-current assets amounted to approximately HK\$5,262.4 million as at 30 June 2013, accounting for approximately 58.4% of total assets, which primarily consisted of property, plant and equipment of approximately HK\$4,664.5 million. Property, plant and equipment of the Vinda Group include land and buildings, leasehold improvements, machinery, furniture, fittings and equipments, vehicles, and construction in progress. Current assets amounted to approximately HK\$3,747.1 million as at 30 June 2013, representing approximately 41.6% of total assets, which mainly consisted of inventories of approximately HK\$1,665.5 million and trade and other receivables and prepayments of approximately HK\$1,266.8 million.

As at 30 June 2013, total liabilities amounted to approximately HK\$4,624.3 million, representing an increase of approximately 24.9% when compared with the same as at 31 December 2012. Borrowings from banks and PRC local governments amounted to approximately HK\$2,789.4 million as at 30 June 2013, accounting for approximately 60.3% of total liabilities. Trade and other payables and accrued expenses amounted to approximately HK\$1,589.1 million, accounting for approximately 59.2% and 34.4% of current liabilities and total liabilities respectively.

The gearing ratio of the Vinda Group, being total borrowings divided by total shareholders' equity, was approximately 63.6% as at 30 June 2013, representing an increase of approximately 13.4% from the gearing ratio of approximately 50.2% as at 31 December 2012. Total borrowings rose from approximately HK\$2,069.2 million as at 31 December 2012 to approximately HK\$2,789.4 million as at 30 June 2013, representing an increase of approximately 34.8%. This factor is referred to in paragraph 5 headed "No Material Change" of Appendix II of the Composite Document. As disclosed in the indebtedness statement set out in paragraph 4 of Appendix II of the Composite Document, the Vinda Group's outstanding bank loans increased further to approximately HK\$2,937.9 million as at 31 August 2013. On this basis, compared to net assets as at 30 June 2013, gearing would be approximately 67.0%. Capital commitments as at 30 June 2013 amounted to approximately HK\$597.0 million, approximately equal to "cash and cash equivalents" at that date.

The Vinda Group's cash outflow for investing activities for the six months ended 30 June 2013 amounted to approximately HK\$853.6 million, out of which approximately HK\$834.5 million was utilised for the purchases of property, plant and equipment and land. As the Vinda Group generated approximately HK\$268.1 million from its operating activities over the same period, its level of borrowings increased, as noted above.

During the six months ended 30 June 2013, aggregate new annual production capacity of 80,000 tons was put into production. In order to satisfy the market demand, the Vinda Group will add a further 140,000 tons of annual production capacity in the second half of 2013. Therefore, the Vinda Group's total designed annual production capacity at the end of 2013 is expected to reach 760,000 tons. It is expected that the Vinda Group's total annual production capacity will reach 890,000

tons by the end of 2014 and its target for 2015 is 1 million tons, subject to the then market environment. The Vinda Group is now evaluating the viability of implementing a two-pronged development strategy starting from 2015, which fuses both the current investment-driven growth model and a brand new asset-light model.

5. Prospects of the Vinda Group and its business sector

According to Euromonitor (May 2013), with rising disposable incomes and growing hygiene awareness, the retail tissue and hygiene products market in China continued to expand in 2012. According to a 2012 tissue paper & disposable products report (the “**Industry Report**”) produced by the China National Household Paper Industry Association, in 2012, the tissue paper and disposable products industry continued to expand. The per capita consumption of the products increased to 4.2kg in 2012, from 3.9kg in 2011. This number was close to the 2011’s world average of 4.4kg.

As stated in Vinda’s 2012 annual report, household paper, which is not only a fast-growing consumer good but also a daily necessity, should enjoy an increase in demand as the domestic consumption expands as a result of people with increasing income looking for daily necessities of good quality. The following observations are mainly based on remarks in Vinda’s 2012 annual report and 2013 interim report.

While the slowdown of China’s economy in the first half of 2013 hampered the growth in the country’s retail market, the strong demand for household paper continued to drive the development of the household paper industry in the long term. However, the promising prospects for the household paper industry has intensified competition in the industry, in particular, market participants have unveiled plans for expanding production capacity. With such intensive competition, market participants have to advance in the value chain with a focus on product quality and added value. Even though household paper is a traditional industry, there is still room for breakthroughs in technology.

“Vinda” has long become a household name and its brand equity is the Vinda Group’s core competitive strength. In facing forthcoming keen competition in the household paper industry and to satisfy consumers’ strong demand for household paper products of increasing high quality, the Vinda Group has to expand and upgrade its existing production capacities. Also, Vinda needs to pursue improvement in production technology and logistic capabilities.

Costs are difficult to control, with the price of the main raw material, wood pulp, proving volatile. Manufacturers are likely to focus on technology improvement to achieve even better economies of scale as well efficiency. Meanwhile, with the strengthening leadership in the market, top players, with expanded product capacity, are anticipated to further consolidate market share in China.

Vinda has not made a profit forecast for 2013. The Vinda Directors note a slowdown of China’s economy, stiff market competition resulting from the expanded household paper production capacity across the industry, volatile wood pulp prices, and a squeeze on profit margins evidenced from the 2013 interim results. We also note that Hengan International Group Company Limited (stock code: 1044.HK) (“**Hengan**”), one of the leading market

participants by size in terms of production capacities in the domestic personal and household hygiene product industry, also experienced a deceleration of revenue growth in its tissue paper product segment in the first half of 2013 as compared to the revenue growth in 2011.

As mentioned above, in June 2013, Vinda issued the Clarification Announcement stating, among other things, that growth in the household paper market in Mainland China in 2013 was expected to be weaker than in the corresponding period of 2012 and that there was pressure on selling prices and costs. Vinda Directors have also made a statement of material changes which is set out in paragraph 5 headed “No Material Change” of Appendix II of the Composite Document.

6. Share Offer Price comparison

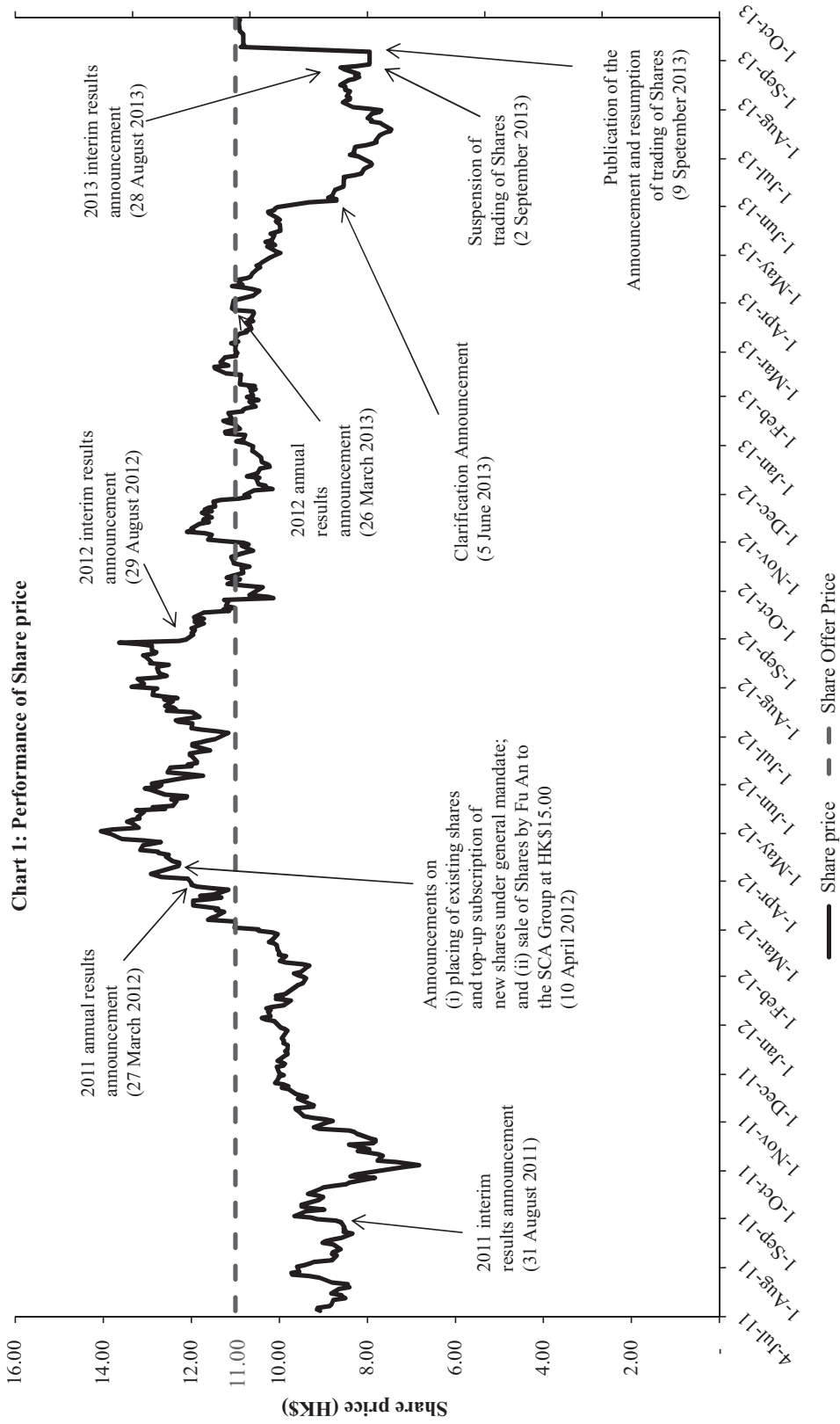
The Share Offer Price of HK\$11.00 for each Share represents:

- (a) a premium of approximately 38.36% over the closing price of HK\$7.95 per Share as quoted on the Stock Exchange on the Last Trading Date;
- (b) a premium of approximately 33.20% over the average of the closing prices of approximately HK\$8.26 per Share as quoted on the Stock Exchange for the last 5 trading days up to and including the Last Trading Date;
- (c) a premium of approximately 33.06% over the average of the closing prices of approximately HK\$8.27 per Share as quoted on the Stock Exchange for the last 10 trading days up to and including the Last Trading Date;
- (d) a premium of approximately 34.54% over the average of the closing prices of approximately HK\$8.18 per Share as quoted on the Stock Exchange for the last 30 trading days up to and including the Last Trading Date;
- (e) a premium of approximately 34.24% over the average of the closing prices of approximately HK\$8.19 per Share as quoted on the Stock Exchange for the last 60 trading days up to and including the Last Trading Date; and
- (f) a premium of approximately 11.98% over the average of the closing prices of approximately HK\$9.82 per Share as quoted on the Stock Exchange for the last 180 trading days up to and including the Last Trading Date.

7. Trading performance of the Shares

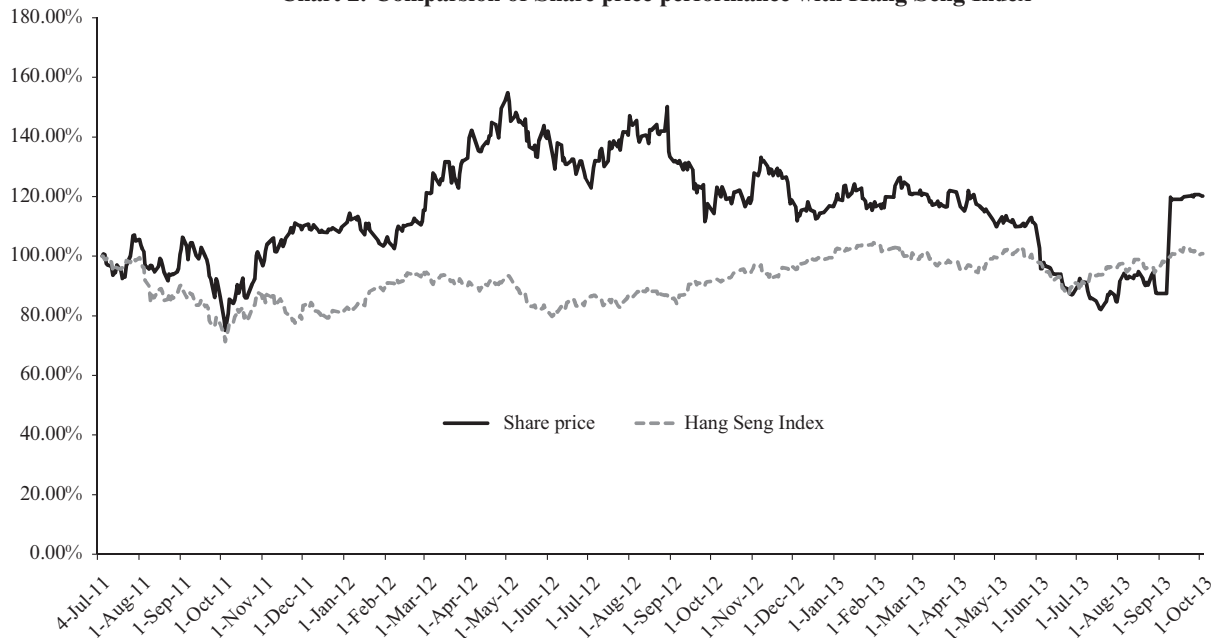
(a) During the Review Period

Set out below is (i) the movement of the Share price on the Stock Exchange (i.e. chart 1), and (ii) the comparison of the Share price with the Hang Seng Index (i.e. chart 2), from 4 July 2011 to the Latest Practicable Date (the “**Review Period**”):



Source: Bloomberg

Chart 2: Comparison of Share price performance with Hang Seng Index



Source: Bloomberg

As illustrated in the above charts, the Share price moved generally in line with the Hang Seng Index except (i) during the period from the publication of 2011 annual results announcement and 2012 interim results announcement, and (ii) during the period from the announcement of 2012 annual results and the announcement of the Offers. Chart 2 above illustrates the performance of the Shares compared to that of the Hang Seng Index. During the Review Period, the Share price generally out-performed the Hang Seng Index for most of the time until June 2013 when the Clarification Announcement was published.

Since February 2012, the Shares have sustained an upward momentum until the end of April 2012, probably influenced by the following announcements. On 27 March 2012, Vinda announced its 2011 annual results. For the year ended 31 December 2011, the profit attributable to the Shareholders increased by approximately 10.0% as compared to that of 2010. On 10 April 2012, the Share price closed at HK\$12.30 on the Stock Exchange and Vinda announced a placing of 42,000,000 Shares to independent investors at HK\$11.68 per Share. On the same day, Vinda announced that Fu An entered into an agreement with SCA Hygiene Holding AB to sell 46,900,000 Shares at a price of HK\$15.00 per Share. Following these announcements, the Share price rose to a high of HK\$14.06 per Share on 2 May 2012.

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The profit attributable to the Shareholders for the six months ended 30 June 2012 of approximately HK\$258.0 million announced on 29 August 2012 represented an increase of approximately 35.1% as compared to the same period in 2011. However, the Share price moved downward, from HK\$13.64 on 29 August 2012 to a low of HK\$10.14 on 26 September 2012, and then fluctuated between HK\$12.10 and HK\$10.16 until the 2012 annual results were released on 26 March 2013.

After the announcement of 2012 annual results, the Share price increased from HK\$10.60 on 26 March 2013 to HK\$11.02 on 27 March 2013, but soon began a downward trend. On 4 June 2013, trading in the Shares on the Stock Exchange was halted and on the following day, Vinda made the Clarification Announcement to clarify certain information regarding the Vinda Group's future growth as well as existing market conditions in the household paper industry as reported in a press article. This has been referred to in the sections above.

After the publication of the Clarification Announcement, the Share price dropped significantly to a low of HK\$7.46 on 19 July 2013. Shortly after the 2013 interim results announcement was published on 28 August 2013, trading in the Shares was halted on 2 September 2013. The Share price closed at HK\$7.95 on 30 August 2013, the Last Trading Date, and rose to HK\$10.88 on 9 September 2013, being the first trading day immediately after the release of the Announcement, compared to the Share Offer Price of HK\$11.00. We therefore conclude that the recent Share prices are being determined principally by the Share Offer Price of HK\$11.00 and that there is a risk therefore that the Share price would drop, at least in the short term, to the levels seen in July/August 2013 if the Offers do not become unconditional.

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(b) Since the announcement of the Offers

From the start of trading of the Shares after the Announcement to the Latest Practicable Date, the closing prices and volumes of trading of the Shares have been as follows:

Date (Year 2013)	Closing Share prices (HK\$)	Daily trading volume (number of Shares)
9 September	10.88	72,989,669
10 September	10.80	41,349,758
11 September	10.82	32,402,000
12 September	10.82	36,105,000
13 September	10.82	15,973,553
16 September	10.82	7,270,200
17 September	10.82	6,127,605
18 September	10.86	9,099,000
19 September	10.90	4,909,000
23 September	10.92	12,140,440
24 September	10.92	1,587,700
25 September	10.94	8,297,000
26 September	10.90	7,626,000
27 September	10.96	2,606,000
30 September	10.96	1,455,000
2 October	10.92	2,147,000
3 October	10.94	2,585,261
Latest Practicable Date	10.92	<u>1,433,000</u>
Total:		266,103,186

Source: Bloomberg

Based on the above table, approximately 266.1 million Shares have been traded since the announcement of the Offers, representing approximately 26.66% of the issued Shares and 50.69% of the public float as at the Latest Practicable Date, as defined in the notes to subsection 8 below. The prices at which these Shares have traded represent small discounts (from 0.36% to 1.85%) to the Share Offer Price of HK\$11.00 per Share.

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8. Liquidity of the Shares

Set out below are the monthly trading volumes of the Shares and the percentages of such monthly trading volumes to the total issued share capital and the public float of Vinda during the period from July 2011 to August 2013 (prior to the announcement of the Offers):

	Monthly total trading volume of the Shares	Percentage of the monthly total trading volume of the Shares to the total issued Shares <i>(Note 1)</i>	Percentage of the monthly total trading volume of the Shares to the public float <i>(Note 1 & 2)</i>
Year 2011			
July	80,089,500	8.54%	16.57%
August	66,312,259	7.07%	13.72%
September	74,090,425	7.90%	15.33%
October	48,832,479	5.21%	10.10%
November	58,844,462	6.27%	12.16%
December	32,064,447	3.42%	6.63%
Year 2012			
January	46,321,591	4.94%	9.57%
February	49,013,028	5.22%	10.13%
March	58,177,738	6.20%	12.02%
April	102,017,354	10.20%	19.37%
May	46,829,364	4.68%	8.89%
June	53,517,782	5.35%	10.16%
July	74,146,511	7.41%	14.08%
August	63,234,684	6.32%	12.00%
September	137,167,650	13.73%	26.07%
October	101,472,102	10.15%	19.29%
November	110,528,258	11.06%	20.01%
December	126,617,476	12.67%	24.07%
Year 2013			
January	136,528,065	13.66%	25.94%
February	86,627,303	8.67%	16.46%
March	52,497,443	5.25%	9.98%
April	79,125,155	7.92%	15.03%
May	70,571,130	7.06%	13.41%
June	72,693,930	7.27%	13.81%
July	51,685,272	5.17%	9.82%
August	47,278,678	4.74%	9.01%
Average	74,087,849	7.54%	14.41%

Source: Bloomberg and the website of the Stock Exchange

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Notes:

1. *The calculation is based on the monthly total trading volumes of the Shares divided by the total issued share capital of Vinda or total number of Shares in public float at the end of each month.*
2. *The total number of Shares in public float is calculated based on the number of total issued Shares excluding Shares held by the SCA Group, Fu An and the Vinda Directors at the end of each month.*

The monthly total trading volume of the Shares during the period from July 2011 to August 2013 ranged between approximately 32.06 million Shares and 137.17 million Shares, representing approximately 3.42% to 13.73% of the total Shares in issue and 6.63% to 26.07% of the public float. During such period, the average monthly total trading volume amounted to 74.09 million Shares, i.e. 7.42% and 14.11% of the total issued Shares and the public float as at the Latest Practicable Date respectively.

We consider the Shares were generally actively traded during such period, with periods of high trading volume of the Shares in April 2012 and September 2012 to January 2013. April may see high volume of trading as a result of annual results announcement. Coupled with the traditional high trading volume in April, on 10 April 2012, Vinda announced a placing of 42,000,000 Shares to independent investors at HK\$11.68 per Share and the sale of 46,900,000 Shares by Fu An to SCA Hygiene Holding AB.

Coupled with the Share prices fluctuations, the trading volume of Shares increased significantly from September 2012 to January 2013, slowing after January 2013. Monthly trading volume of the Shares decreased from approximately 8.67% of the total issued Shares in February 2013 to approximately 4.74% of the total issued Shares in August 2013, after which trading increased sharply as noted in the section 7(b) above following the announcement of the Offers.

9. Comparable analysis

The Vinda Group is principally engaged in the manufacture and sales of household consumable paper including toilet paper, hanky, softpack, box tissue, paper napkin, wet wipe and kitchen towel. It is developing a range of diapers and sanitary napkins through a 41% associate, which was loss-making in the six months ended 30 June 2013. As disclosed in Vinda's 2012 annual report, about 90% of the Vinda Group's sales are made within China.

Consequently, we researched companies (i) principally engaged in the manufacture and sales of household consumable paper products in China, (ii) with the majority of their revenues generated in China, and (iii) having their shares listed on the Main Board of the Stock Exchange. Based on these criteria and on an exhaustive basis, we identified only one such company, Hengan. Hengan and its subsidiaries are principally engaged in the manufacturing, distribution and sale of personal hygiene products (including sanitary napkins products, disposable diapers products and tissue papers products), food and snacks products and skin care products, and its tissue paper product segment accounted for approximately 49.4% of total revenue for the year ended 31 December 2012. Hengan's price earnings multiple, at around 30.04 times as at the Latest Practicable Date, is considerably higher than Vinda's, which has been the case for the past three years. Overall, we do not consider Hengan, which is a Hang Seng Index constituent, to be comparable to Vinda in terms of market capitalisation, profitability and product range, as follows:

	Vinda	Hengan
Market capitalisation as at the Latest Practicable Date	HK\$10.9 billion	HK\$112.9 billion
Profit attributable to shareholders for the year ended 31 December 2012	HK\$536.6 million	HK\$3,518.7 million
Product segments	Household consumable paper	Sanitary napkins products, disposable diapers products, tissue paper products, food and snacks products, and skin care products and others

Source: Bloomberg and 2012 annual reports of Vinda and Hengan

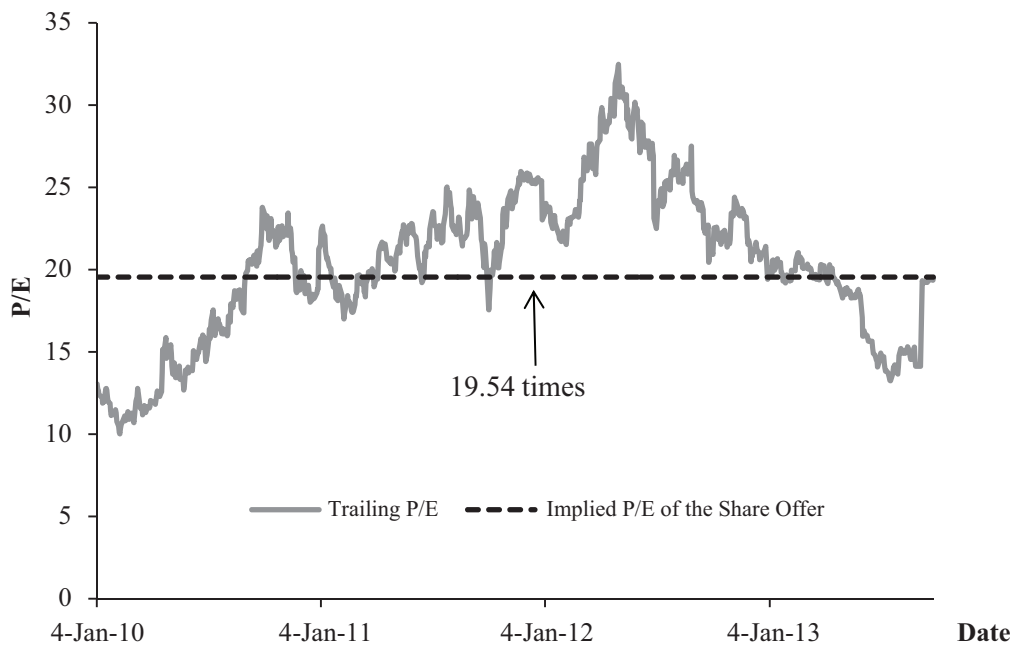
We also reviewed overseas-listed companies which are engaged in the same sector as Vinda, including Kao Group, Kimberly-Clark and Procter & Gamble. Taking into account that these are overseas-listed companies which do not generate their revenues substantially from China, we are of the view that they do not provide a meaningful comparison.

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10. Price earnings multiple

Set out below are the trailing price-to-earnings multiple (“P/E”) of Vinda for the period from 4 January 2010 to the Latest Practicable Date, calculated based on the respective closing Share prices on the respective dates and the respective earnings per Share for the latest published twelve-month period, as extracted from Bloomberg:

Period	Trailing P/E multiple	
	Low (times)	High (times)
4 January 2010 to 31 December 2010	10.02	23.78
3 January 2011 to 30 December 2011	17.01	25.96
3 January 2012 to 31 December 2012	19.41	32.47
2 January 2013 to 30 August 2013 (i.e. the Last Trading Date)	13.25	21.03
9 September 2013 to the Latest Practicable Date	19.18	19.47



Source: Bloomberg

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During the period from 4 January 2010 to the Last Trading Date, the Shares have been trading at trailing P/E ranging from approximately 10.02 times to approximately 32.47 times with an average of approximately 20.40 times. Based on the Share Offer Price and the basic earnings per Share for the second half of 2012 and the six months ended 30 June 2013, the Share Offer represents a P/E of approximately 19.54 times, which is towards the middle of the historical range.

11. Dividend yield

Vinda has paid dividends to its Shareholders since 2008. For the six months ended 30 June 2013, it has declared an interim dividend of HK\$4.8 cents per Share. The final dividend paid in respect of the year 2012 was HK\$11.3 cents per Share. Adding these two dividends together, the annualised total of HK\$16.1 cents represents a dividend yield at the Share Offer Price of approximately 1.46%.

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12. Voluntary general offer precedents

The offer prices for voluntary general offers are determined by reference to, among other things, the then stock market conditions. Due to high volatility of the stock market in Hong Kong, we consider that the voluntary general offers announced significantly before the date of the Announcement may not provide meaningful comparisons. Accordingly, we have reviewed an exhaustive list of voluntary general offers involving listed companies in Hong Kong (the “**Offer Precedents**”) announced since 1 January 2012 and up to the day before the Latest Practicable Date (excluding voluntary general offer to repurchase shares), identifying five Offer Precedents. One of the offeree companies among the Offer Precedents, Radford Capital Investment Limited (“**Radford**”), is principally engaged in investment holding and trading of financial assets designated as held for trading. As financial assets trading differs fundamentally from the broad commercial activities of the Offer Precedents companies, we have excluded Radford. Set out in the table below are the details of the Offer Precedents, excluding Radford:

Date of announcement	Company	Principal activities	Premium/(discount) of offer price over/(to) average closing share price prior to the announcement of the general offer				
			Last trading date	5-trading-day average	10-trading-day average	30-trading-day average	60-trading-day average
31-Aug-2012	Winteam Pharmaceutical Group Limited (Stock code: 570) <i>(Note)</i>	Production and sale of Chinese medicine and pharmaceutical products	17.24%	17.89%	17.24%	19.80%	24.88%
10-Oct-2012	Pizu Group Holdings Limited (Stock code: 8053)	Provision of school network integration services and information technology related services in the PRC; and trading, proprietary investments, private equity investments, financial advisory, asset management services and money lending	7.20%	10.74%	11.20%	11.95%	15.52%
17-Jan-13	Trauson Holdings Company Limited (Stock code: 325)	Design, manufacture and sale of various trauma and spine orthopaedic implants and related surgical tools	66.67%	77.56%	82.48%	81.73%	83.80%
18-Jun-13	Yashili International Holdings Limited (Stock code: 1230)	Production and sale of pediatric milk formula products and nutrition products, other operations include the production and sale of packing materials	9.37%	(2.18%)	(4.32%)	0.74%	13.65%
19-Aug-13	Tysan Holdings Limited (Stock code: 687)	Foundation piling; property development; property investment and management; machinery leasing and trading; and electrical and mechanical engineering	10.00%	18.67%	21.03%	37.59%	45.91%
	Average		22.10%	24.54%	25.53%	30.36%	36.75%
	Maximum		66.67%	77.56%	82.48%	81.73%	83.80%
	Minimum		7.20%	(2.18%)	(4.32%)	0.74%	13.65%
9-Sep-13	The Share Offer		38.36%	33.20%	33.06%	34.54%	34.24%

Source: the website of the Stock Exchange

Note: the premiums over the closing price on the last trading date and the respective average closing prices are determined based on the final offer price

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Based on the table above, the offer prices for the Offer Precedents ranged from: (i) premiums of 7.20% to 66.67% over the respective last trading dates, (ii) a discount of 2.18% to a premium of 77.56% to/over the respective 5-trading-day averages, (iii) from a discount of 4.32% to a premium of 82.48% to/over the respective 10-trading-day averages, (iv) premiums of 0.74% to 81.73% over the respective 30-trading-day averages, and (v) premiums of 13.65% to 83.80% over the respective 60-trading-day averages. The premiums represented by the Share Offer Price are towards the middle of the range of those of the Offer Precedents.

The averages of the premiums/discounts of the offer prices for the Offer Precedents over/to the last trading dates, the 5-trading-day averages, the 10-trading-day averages, the 30-trading-day averages and 60-trading-day averages were approximately 22.10%, 24.54%, 25.53%, 30.36% and 36.75% respectively. The premiums represented by the Share Offer Price over the Last Trading Date, the 5-trading-day average, the 10-trading-day average and the 30-trading-day average of 38.36%, 33.20%, 33.06% and 34.54% respectively were above the averages of those of the Offer Precedents whereas the premium represented by the Share Offer Price over the 60-trading-day average of 34.24% was slightly below the average of those of the Offer Precedents. For our recommendations as regards the Offers, please refer to the subsection headed “Recommendations” below.

13. Listing

The Offeror has expressed a preference to maintain the listing of Vinda. If Fu An keeps more than 10% of the issued share capital of Vinda, the Offeror will not be able to privatise Vinda. For the Vinda Directors’ intention of their interests in Vinda, please refer to paragraph headed “Disclosure of interests — (c) Interests of the Vinda Directors in Vinda” in Appendix IV of the Composite Document.

Independent Shareholders should be aware that, if the number of Shares held by the public, as defined in the Listing Rules, comprises less than 25% of the issued Shares at the close of the Offers, trading in the Shares may be suspended. It is stated in the JP Morgan Letter that the directors of the Offeror and Vinda have jointly and severally undertaken to the Stock Exchange to take appropriate steps following the close of the Offers to ensure that sufficient public float exists in the Shares. Assuming Vinda remains as a listed company after the close of the Offers, any future transactions between the Vinda Group and the SCA Group will be carried out on an arm’s length basis and in compliance with the Listing Rules.

14. Options

As at the Latest Practicable Date, there were 2,651,000, 3,000,000, 3,501,000, 1,359,000 and 16,001,000 outstanding Options with exercise prices of HK\$2.98, HK\$5.42, HK\$8.648, HK\$10.34 and HK\$14.06 per Share respectively. Pursuant to Rule 13 of the Takeovers Code, subject to the Share Offer becoming or being declared unconditional in all respects, the Option Offer will be made for the cancellation of all outstanding Options at the prices (the “**Option Offer Prices**”) which are equal to the “see-through” prices, being the Share Offer Price minus the relevant exercise price of that Option for the In-the-money Options or a nominal price of HK\$0.0001 for the Out-of-the-money Options. Subject to the Share Offer

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becoming or being declared unconditional in all respects, acceptance of the Option Offer by the Optionholders will result in the cancellation of those relevant Options, together with all rights attaching thereto.

Pursuant to the Share Option Scheme, if a general offer by way of takeover is made to all the Shareholders (other than the offeror and/or any person controlled by the offeror and/or any party acting in concert with the offeror) to acquire all or part of the issued Shares and such offer is declared unconditional, the grantee of an option shall, subject to the rules of the Share Option Scheme, be entitled to exercise his or her outstanding options to its full extent or to the extent specified in his or her notice for such exercise within 14 days after the date on which such offer becomes or is declared unconditional.

Options which are not tendered under the Option Offer will not be cancelled or renounced on the Closing Date. Optionholders of such Options may exercise such Options in accordance with the Share Option Scheme following the Closing Date.

For the In-the-money Options, as the exercise prices are below the Share Offer Price, the Option Offer Prices reflect the differences between the Share Offer Price and the exercise prices. Given they are in-the-money and will remain exercisable after the Closing Date (assuming the Option Offer is not accepted by the Optionholders), the In-the-money Options can be considered to have both intrinsic value and time value. Intrinsic value of an option is a measure of the value of the option if immediately exercised and represents the underlying share price minus the option's exercise price. Time value of an option, on the other hand, refers to the value that is attributable to the time remaining until the expiration of the option. The value of an option is basically the sum of its intrinsic value and time value. The Options are not transferable and thus have no liquidity except through exercise of the Options and sale of the Shares received.

For the Out-of-money Options, as the exercise price is above the Share Offer Price, the Option Offer Price is therefore at the nominal price of HK\$0.0001. However, given they will remain exercisable after the Closing Date (assuming the Option Offer is not accepted by the Optionholders), the Out-of-money Options are still embedded with time value (although no current intrinsic value). Out-of-money Options would become in-the-money and valuable to the Optionholders should the Share price rise above the exercise price before the expiry date. On the basis that the Options will not be cancelled and will continue to be exercisable after the Closing Date (if the Option Offer is not accepted by the Optionholders), there will still be value on the remaining time period before expiry in each Option.

DISCUSSION AND ANALYSIS

A. Share Offer

(i) Premium over undisturbed market prices

The premiums of the Offer Price of HK\$11.00 per Share over the “undisturbed” market prices of the Shares for various periods in the two months before the announcement of the Offers are significant, in the range of 33.06% to 38.36%, as set out in subsection 6(a) to (e) above. This range is similar to the averages for the Offer Precedents set out in subsection 12 above. The Shares closed at HK\$7.95 on the Last Trading Date and there is no guarantee that they may not trend back towards that level, at least in the short term, if the Offers do not become unconditional.

If a longer average period, say six months is taken (subsection 6(f)), the premium narrows to 11.98% and, as can be seen from the chart 1 in subsection 7 above, the Share price was above HK\$11.00 for much of 2012. However, during 2012, the growth of Vinda was more encouraging than it is currently and expectations may have been raised by the SCA Group’s purchase of Shares at HK\$15.00 per Share. After the publication of the 2012 results in March 2013 and the Clarification Announcement in June 2013, the Share price dropped quite significantly and closed at HK\$7.95 on 30 August 2013, the Last Trading Date, before the announcement of the Offers.

(ii) Market price after the Announcement

Since the announcement of the Offers, the Shares have traded actively at a small discount to the Share Offer Price. On this basis, the market does not seem to expect any increase in the Share Offer Price, although the Offeror has not specifically stated that there would be no increase.

(iii) Prospects of the Vinda Group and its business sector

The household paper products business, the sector in which Vinda operates, is generally considered to have an encouraging future but to face short-term problems of over-capacity, as mentioned in the Industry Report. Margins are suffering from downward pressure on selling prices and volatile wood pulp costs. Competition is said by Vinda’s management to be “fierce” in the 2013 interim report.

The Vinda Group’s profits showed a compound growth rate of about 20.6% for the period from 2010 to 2012. The interim profits for 2013 showed a small increase in profits over 2012, with the help of several factors which may not be recurring. Margins deteriorated. There seems evidence that the benign conditions both the sector and Vinda enjoyed in 2010 to 2012 are changing and competition is intensifying. Vinda has not made a profit forecast for the financial year 2013.

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(iv) P/E ratio

The Share Offer price of HK\$11.00 per Share represents a P/E ratio of approximately 19.54 times which compares with a P/E ratio of approximately 14.12 times based on the market price before the Announcement.

We have found it difficult to identify a similar company or index by which to judge the P/E ratio. Hengan, which is a Hang Seng Index constituent and which we do not consider as comparable to Vinda in terms of market capitalisation, profitability and product range, trades at a higher P/E ratio of around 30.04 times as at the Latest Practicable Date but then it has typically traded at a premium to Vinda for reasons discussed above. In general terms, we would expect a P/E ratio of approximately 19.54 times to reflect an assumption of good growth prospects which, as discussed above, may be reasonable in the longer term but is subject to a number of uncertainties and risks in the short-term.

(v) Cash flow/balance sheet

Heavy capital expenditure has put a strain on cash flow and gearing as measured by the gearing ratio. Purchases of property, plant and equipment and land totalled approximately HK\$834.5 million in the first half of 2013. Further capacity growth after the 2015 target of 1 million tons may be restricted by capital constraints and Vinda has unveiled a plan for “asset-light” growth thereafter. Gearing has increased from approximately 50.2% at the end of 2012 to approximately 63.6% as at 30 June 2013. The increase in gearing, if it continues, may affect the Vinda Group’s ability to obtain further borrowings at acceptable interest rates for its expansion.

(vi) 50% Control Condition not being fulfilled or possible suspension of trading — liquidity may be reduced

In order for the Offers to become unconditional, the SCA Group has to acquire more than 50% of the issued Shares, from its present level of below 30%. If such Condition is not fulfilled, the Offers would not become unconditional and the market price of the Shares may fall, at least in the short run, and may not sustain at the current level of a small discount to the Share Offer Price.

On the other hand, the Offeror has said it wishes to maintain the listing of Vinda and on the assumption that Fu An will keep more than 10%, it will be impossible for the Offeror to privatise Vinda in any case at this juncture. However, there may be certain difficulties in satisfying the Stock Exchange’s requirements for listing as regards the minimum prescribed percentage, being 25%, of the Shares held by the public at all times. A holding of over 10% is not counted as the “public” as defined in the Listing Rules. Assuming Fu An retains approximately 21.67%, the maximum holding for the SCA Group is approximately 53.33%, if 25% is to remain in public hands. As the SCA Group needs to control over 50% to satisfy the 50% Control Condition, the range of holding by the SCA Group is over 50% but below 53.33%, an

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unusually narrow range which may be difficult to achieve in the short term. The Stock Exchange may suspend trading in the Shares if less than 25% of the issued Shares is held by the public upon the close of the Offers.

(vii) Position of Fu An, the present largest shareholder

In April 2012, Vinda announced a placing of 42 million Shares to independent investors at HK\$11.68 per Share and Fu An agreed to sell 46.9 million Shares (approximately 4.90% of the then total issued share capital of Vinda) to the SCA Group at a price of HK\$15.00 per share. After the placing and Fu An's disposal, Fu An and its concert parties remained the largest shareholder, with approximately 25.65% equity interest, whereas the SCA Group had approximately 21.66%. Now Fu An has agreed to accept the Offer at HK\$11.00 per Share, but only in respect of an approximately 2.10% shareholding. The SCA Group will become the majority shareholder if the Share Offer becomes unconditional, while Fu An will still retain a substantial holding of over 20%, if Fu An does not accept the Share Offer in respect of more than the 2.10% now committed.

B. Option Offer

The cancellation prices for the Options are determined by reference to the Share Offer Price of HK\$11.00 and the respective exercise prices of the Options of HK\$2.98, HK\$5.42, HK\$8.648, HK\$10.34 and HK\$14.06. This is the "see-through" principle which is a common market practice adopted in Hong Kong in such circumstances but which does not explicitly recognise any time value for the Options. Options which are not tendered under the Option Offer will not be cancelled or renounced on the Closing Date and therefore still retain a time value. Optionholders of such Options may exercise such Options in accordance with the Share Option Scheme until their expiry dates.

OPINION AND RECOMMENDATIONS

Whether the Offers are fair and reasonable

A. Share Offer

Certain aspects of the principal factors and reasons summarised above tend to different conclusions as regards fairness and reasonableness of the Share Offer from the point of view of Independent Shareholders.

Factors in favor include the significant uplift in value of in the range of 33.06% to 38.36% over recent market prices, which we consider attractive particularly for Independent Shareholders who have bought cheaply this year. In our view, the P/E of approximately 19.54 times represents a fair rating for the Shares, bearing in mind Vinda's arguably flat first half results, Vinda Directors' comments on material changes set out in full in paragraph 5 headed "No Material Change" of Appendix II of the Composite Document and the indications of excess capacity and pressure on margins for Vinda and the sector as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

On the other hand, the market price of the Shares was above HK\$11.00 for considerable periods of 2012 (highest price: HK\$14.06 and lowest price: \$9.32), although market conditions and Vinda's own financial and trading position were different then. Looking beyond 2013, as mentioned in the Industry Report, the sector, in which Vinda operates, is generally considered to be positive in the long run but to face short-term problems of over-capacity.

We have also considered whether the Share Offer Price of HK\$11.00 per Share includes an element of premium for control. We have concluded on the basis of the premium over recent market prices which is similar to the average of the Offer Precedents that the Share Offer Price of HK\$11.00 per Share does include some premium over fundamental value. This is despite noting that the Share Offer Price compares unfavorably with the price of HK\$15.00 per Share paid by the SCA Group to Fu An for a 4.90% stake in April 2012.

The factors in favour tend, in our opinion, to relate to current and more specific developments, whereas the factors against are longer term and more general in nature. In reaching our view, in the interests of prudence we have placed greater weight on the more recent, more specific factors.

Consequently, on balance of the factors, we consider the Share Offer is fair and reasonable.

B. Option Offer

Taking into account that (i) we consider that the Share Offer Price of HK\$11.00 is fair and reasonable, and (ii) the Option Offer Prices will be paid in cash in accordance with the "see-through" principal which is a common market practice in Hong Kong, we consider the terms of the Option Offer to be fair and reasonable so far as the holders of In-the-money Options generally are concerned, but please see the comments below on the Out-of-money Options and the In-the-money Option with an exercise price of HK\$10.34 per Share.

Recommendations

A. Share Offer

As we consider the Share Offer is fair and reasonable, we advise the Independent Board Committee to recommend Independent Shareholders to accept the Share Offer. Independent Shareholders who are attracted to the long-term prospects of Vinda under the leadership of SCA as set out in the Composite Document may consider retaining some or all of their Shares. Independent Shareholders should note that the Shares have traded at a small discount of below 2% to the Share Offer Price since the Announcement. Should the market price of the Shares continue to be close to the Share Offer Price, Independent Shareholders may consider mitigating the risks (i) of the 50% Control Condition not being fulfilled and (ii) of a possible suspension of trading upon the close of the Offers, by selling their Shares in the market. Independent Shareholders should also consider selling their Shares in the market if the market price exceeds the Share Offer Price during the course of the Offers and the sales proceeds, net of transaction costs, exceed the net amount receivable under the Share Offer.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

B. Option Offer

We recommend Optionholders holding Options up to an exercise price of HK\$8.648 to accept the Option Offer. Holders of Options with an exercise price of HK\$10.34 and HK\$14.06 would receive relatively small amounts of cash on acceptance; since it is the Offeror's preference to maintain the listing of the Shares and the Options will not lapse if the Share Offer becomes unconditional, such Optionholders should consider retaining their Options, depending in part on the particular exercise dates.

Yours faithfully,
for and on behalf of
SOMERLEY LIMITED
Martin Sabine **David Ching**
Chairman *Director*

1. PROCEDURES FOR ACCEPTANCE OF THE OFFERS

1.1 The Share Offer

- (a) To accept the Share Offer, you should complete and sign the accompanying **WHITE** Form of Share Offer Acceptance in accordance with the instructions printed thereon, which instructions form part of the terms of the Share Offer.
- (b) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Offer Shares is/are in your name, and you wish to accept the Share Offer, you must send the accompanying **WHITE** Form of Share Offer Acceptance duly completed together with the relevant share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, by post or by hand, marked “**Vinda Share Offer**” on the envelope, as soon as possible and in any event no later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and announce in compliance with the requirements of the Takeovers Code.
- (c) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Offer Share(s) is/are in the name of a nominee company or a name other than your own, and you wish to accept the Share Offer, you must either:
 - (i) lodge your share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) with the nominee company, or other nominee, with instructions authorising it to accept the Share Offer on your behalf and requesting it to deliver the accompanying **WHITE** Form of Share Offer Acceptance duly completed together with the relevant share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) for the number of Offer Shares in respect of which you intend to accept the Share Offer to the Registrar in an envelope marked “**Vinda Share Offer**”;
 - (ii) arrange for the Offer Share(s) to be registered in your name by Vinda through the Registrar and send the accompanying **WHITE** Form of Share Offer Acceptance duly completed together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar in an envelope marked “**Vinda Share Offer**”;

- (iii) if your Offer Share(s) have been lodged with your licensed securities dealer (or other registered dealer in securities)/custodian bank through CCASS, instruct your licensed securities dealer (or other registered dealer in securities or custodian bank) to authorise HKSCC Nominees Limited to accept the Share Offer on your behalf on or before the deadline set out by HKSCC Nominees Limited. In order to meet the deadline set out by HKSCC Nominees Limited, you should check with your licensed securities dealer (or other registered dealer in securities or custodian bank) for the timing on the processing of your instruction, and submit your instruction to your licensed securities dealer (or other registered dealer in securities or custodian bank) as required by them; or
 - (iv) if your Offer Share(s) have been lodged with your investor participant's account maintained with CCASS, authorise your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set out by HKSCC Nominees Limited.
- (d) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Offer Share(s) is/are not readily available and/or is/are lost, as the case may be, and you wish to accept the Share Offer, the **WHITE** Form of Share Offer Acceptance should nevertheless be completed and delivered in an envelope marked "**Vinda Share Offer**" to the Registrar together with a letter stating that you have lost one or more of your share certificate(s) and/or transfer receipts and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) or that it/they is/are not readily available. If you find such document(s) or if it/they become(s) available, the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any indemnity or indemnities required in respect thereof) should be forwarded to the Registrar as soon as possible thereafter. If you have lost your share certificate(s), you should also write to the Registrar for a form of letter of indemnity which, when completed in accordance with the instructions given therein, should be returned to the Registrar.
- (e) If you have lodged transfer(s) of any of your Offer Shares for registration in your name and have not yet received your share certificate(s) and you wish to accept the Share Offer, you should nevertheless complete and sign the **WHITE** Form of Share Offer Acceptance and deliver it in an envelope marked "**Vinda Share Offer**" to the Registrar together with the transfer receipt(s) duly signed by you. Such action will be deemed to be an irrevocable instruction and authority to each of J.P. Morgan and/or the Offeror and/or any of their respective agent(s) to collect from Vinda or the Registrar on your behalf the relevant share certificate(s) when issued and to deliver such share certificate(s) to the Registrar and to authorise and instruct the Registrar to hold such share certificate(s), subject to the terms and conditions to the Share Offer, as if it/they were delivered to the Registrar with the **WHITE** Form of Share Offer Acceptance.

- (f) Acceptance of the Share Offer will be treated as valid only if the duly completed and signed **WHITE** Form of Share Offer Acceptance is received by the Registrar by no later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and announce in compliance with the requirements of the Takeovers Code, and is:
- (i) accompanied by the relevant share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and, if that/those share certificate(s) is/are not in your name, such other documents (for example a duly stamped transfer of the relevant Offer Share(s) in blank or in your favour executed by the registered holder) in order to establish your right to become the registered holder of the relevant Offer Share(s); or
 - (ii) from a registered Shareholder or his personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to Offer Share(s) which are not taken into account under another sub-paragraph of this paragraph (f)); or
 - (iii) certified by the Registrar or the Stock Exchange.

If the **WHITE** Form of Share Offer Acceptance is executed by a person other than the registered Shareholder, appropriate documentary evidence of authority (for example grant of probate or certified copy of a power of attorney) to the satisfaction of the Registrar must be produced.

- (g) No acknowledgement of receipt for any **WHITE** Form(s) of Share Offer Acceptance, share certificate(s), transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

1.2 The Option Offer

- (a) To accept the Option Offer, you should complete the **PINK** Form of Option Offer Acceptance in accordance with the instructions printed thereon, which instructions form part of the terms of the Option Offer. The Options will be categorised in different categories, each called an “**Option Class**” by virtue of the exercise price of each Option.
- (b) The completed **PINK** Form of Option Offer Acceptance should be forwarded, together with the relevant certificate(s) of the Options (if applicable) under the Option Class you intend to tender, stating the number of Options in respect of which you intend to accept the Option Offer under such Option Class, by post or by hand, marked “**Vinda Option Offer**” on the envelope, to the Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, as soon as possible and in any

event no later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and announce in compliance with the requirements of the Takeovers Code.

- (c) If the certificate(s) in respect of your Options (if applicable) is/are not readily available and/or is/are lost, as the case may be, and you wish to accept the Option Offer, the **PINK** Form of Option Offer Acceptance should nevertheless be completed and delivered in an envelope marked "**Vinda Option Offer**" to the Registrar together with a letter stating that you have lost one or more of your option certificate(s) (if applicable) or that it/they is/are not readily available. If you find such document(s) or if it/they become(s) available, it/they should be forwarded to the Registrar as soon as possible thereafter. If you have lost your option certificate(s) (if applicable), you should also write to the Registrar requesting a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Registrar.
- (d) If the certificate(s) in respect of your Options (if applicable) is/are not readily available and/or is/are lost, as the case may be, and you wish to accept the Share Offer, you must exercise the Options to the extent exercisable as indicated in section 3 of this Appendix below, but the relevant exercise notice, cheque for the subscription monies and the **WHITE** Form of Share Offer Acceptance must reach the Registrar on or before the first Closing Date. You should also write to the Registrar requesting a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Registrar.
- (e) No stamp duty will be deducted from the amount paid or payable to Optionholders who accept the Option Offer.
- (f) No acknowledgment of receipt of any **PINK** Form(s) of Option Offer Acceptance and/or certificate(s) of the Options (if applicable) will be given.

2. SETTLEMENT

2.1 The Share Offer

- (a) If you accept the Share Offer, settlement of the consideration (less seller's ad valorem stamp duty) will be made by cheque as soon as possible, but in any event within seven (7) Business Days of the date of receipt of a complete and valid acceptance of the Share Offer, or of the date on which the Offers become or are declared unconditional in all respects, whichever is the later. Each cheque will be despatched by ordinary post to the address specified on the relevant Shareholder's **WHITE** Form of Share Offer Acceptance at his/her own risk.
- (b) No fractions of a cent will be payable and the amount of cash consideration payable to a Shareholder who accepts the Share Offer will be rounded up to the nearest cent.

2.2 The Option Offer

- (a) If you accept the Option Offer, settlement of the consideration will be made by cheque as soon as possible, but in any event within seven (7) Business Days of the date of receipt of a complete and valid acceptance of the Option Offer, or of the date on which the Offers become or are declared unconditional in all respects, whichever is the later. Each cheque will be despatched by ordinary post to the office of Vinda in Hong Kong at Room 506, Tower 1, South Seas Centre, 75 Mody Road, Tsimshatsui East, Kowloon, Hong Kong for collection.
- (b) No fractions of a cent will be payable and the amount of cash consideration payable to an Optionholder who accepts the Option Offer will be rounded up to the nearest cent.

3. EXERCISE OF OPTIONS

An Optionholder who wishes to accept the Share Offer may exercise his/her Options (to the extent exercisable) by completing, signing and delivering a notice for exercising the Options together with a cheque for payment of the subscription monies and the related certificates (if applicable) for the Options to Vinda at Room 506, Tower 1, South Seas Centre, 75 Mody Road, Tsimshatsui East, Kowloon, Hong Kong on or before the first Closing Date, or such other time and/or date as the Offeror may, subject to the Takeovers Code, decide and announce. An Optionholder should at the same time complete and sign the **WHITE** Form of Share Offer Acceptance and deliver it to the Registrar together with a copy of the set of documents delivered to Vinda for exercising the Options. Exercise of the Options is subject to the terms and conditions of the Share Option Scheme and the terms attaching to the grant of the relevant Options. Delivery of the completed and signed **WHITE** Form of Share Offer Acceptance to the Registrar will not serve to complete the exercise of the Options but will only be deemed to be an irrevocable authority to the Offeror and/or J.P. Morgan and/or any of their respective agent(s) or such other person(s) as they may direct to collect from Vinda or the Registrar on his/her behalf the relevant share certificate(s) when issued on exercise of the Options as if it/they were delivered to the Registrar with the **WHITE** Form of Share Offer Acceptance. If an Optionholder fails to exercise his/her Options as aforesaid, there is no guarantee that Vinda may issue the relevant share certificate in respect of the Offer Shares allotted pursuant to his/her exercise of the Option(s) to such Optionholder in time for him/her to accept the Share Offer as a Shareholder of such Offer Shares under the terms of the Share Offer.

4. LAPSE OF OPTIONS

Nothing in this Composite Document or the Option Offer will serve to extend the life of any Option which lapses under the Share Option Scheme. No exercise of Options or acceptance of the Option Offer may be made in relation to any Option that has lapsed.

5. ACCEPTANCE PERIOD AND REVISIONS

- (a) Unless the Offers have previously been revised or extended with the consent of the Executive, to be valid, the **WHITE** Form of Share Offer Acceptance and the **PINK** Form of Option Offer Acceptance must be received by the Registrar in accordance with the instructions printed thereon by 4:00 p.m. on the Closing Date.
- (b) If the Offers are extended, the announcement of such extension will state the next Closing Date or a statement that the Offers will remain open until further notice. In the latter case, at least 14 days' notice in writing must be given to Shareholders and Optionholders before the Offers are closed. If, during the course of the Offers, the Offeror revises the terms of the Offers, all Shareholders and Optionholders, whether or not they have already accepted the Share Offer and the Option Offer, respectively, will be entitled to accept the revised Share Offer and the revised Option Offer, respectively, under the revised terms. The revised Offers must be kept open for at least 14 days following the date on which the revised offer document is posted and shall not be closed earlier than the Closing Date.
- (c) If the Closing Date is extended, any reference in this Composite Document and in the Forms of Acceptance to the Closing Date shall, except where the context otherwise requires, be deemed to refer to the subsequent Closing Date.

6. ANNOUNCEMENTS

- (a) By 6:00 p.m. on the Closing Date (or such later time and/or date as the Executive may in exceptional circumstances permit), the Offeror must inform the Executive and the Stock Exchange of its decision in relation to the revision and extension of the Offers. The Offeror must publish an announcement in accordance with the Listing Rules on the Stock Exchange's website by 7:00 p.m. on the Closing Date stating the results of the Offers and whether the Offers have been revised, extended or expired. The announcement will state the following:
 - (i) the total number of Shares and rights over Shares for which acceptances of the Offers have been received;
 - (ii) the total number of Shares and rights over Shares held, controlled or directed by the Offeror or parties acting in concert with it before the Offer Period;
 - (iii) the total number of Shares and rights over Shares acquired or agreed to be acquired during the Offer Period by the Offeror or any parties acting in concert with it; and
 - (iv) details of any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in Vinda which the Offeror or any party acting in concert with it has borrowed or lent, save for any borrowed Shares which have been either on-lent or sold.
- (b) The announcement must specify the percentages of the relevant classes of issued share capital of Vinda and the percentages of voting rights represented by these numbers. In computing the total number of Offer Shares and Options represented

by acceptances, for announcement purposes, acceptances which are in all respects in complete and good order and fulfil the acceptance conditions set out in this Appendix I, and that have been received by the Registrar no later than 4:00 p.m. on the Closing Date, being the latest time and date for acceptance of the Offers, shall be included.

- (c) As required under the Takeovers Code and the Listing Rules, all announcements in relation to the Offers must be made in accordance with the requirements of the Listing Rules.

7. NOMINEE REGISTRATION

- (a) To ensure the equality of treatment of all Independent Shareholders, registered Independent Shareholders who hold the Offer Share(s) as nominees on behalf of more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. In order for beneficial owners of Share(s) whose investments are registered in the names of nominees to accept the Share Offer, it is essential that they provide instructions of their intentions to the Share Offer to their respective nominees.
- (b) All documents and remittances to be sent to Independent Shareholders and Optionholders will be sent to them by ordinary post at their own risk. Such documents and remittances will be sent, in the case of Independent Shareholders, at their addresses as they appear in the register of members of Vinda or, in the case of joint Independent Shareholders, to the Independent Shareholder whose name appears first in the register of members of Vinda or, in the case of Optionholders, to the office of Vinda in Hong Kong at Room 506, Tower 1, South Seas Centre, 75 Mody Road, Tsimshatsui East, Kowloon, Hong Kong. None of the Offeror, Vinda, J.P. Morgan, BofA Merrill Lynch, HSBC, the Registrar or any of their respective directors or agents or any other person involved in the Offers will be responsible for any loss or delay in transmission or any other liability that may arise as a result thereof.

8. RIGHT OF WITHDRAWAL

- (a) The Share Offer is conditional upon fulfilment of the Conditions set out in the “Letter from J.P. Morgan” in this Composite Document and the Option Offer is conditional upon the Share Offer becoming and being declared unconditional in all respects. Acceptance of the Share Offer and the Option Offer tendered by Independent Shareholders and Optionholders shall be irrevocable and cannot be withdrawn, except in the circumstances set out in the following paragraph or in compliance with Rule 17 of the Takeovers Code, which provides that an acceptor of the Share Offer or the Option Offer shall be entitled to withdraw his/her/its acceptance within 21 days from the first Closing Date if the Offers have not by then become unconditional as to acceptances. An acceptor of the Share Offer or the Option Offer may withdraw his/her/its acceptance by lodging a notice in writing signed by the acceptor (or his/her/its agent duly appointed in writing and evidence of whose appointment is produced together with the notice) to the Registrar.

- (b) Under Rule 19.2 of the Takeovers Code, if the Offeror is unable to comply with any of the requirements of making announcements relating to the Offers set out in section 6 of this Appendix above, the Executive may require that the Independent Shareholders and Optionholders who have tendered acceptances to the Offers be granted a right of withdrawal on terms that are acceptable to the Executive until the requirements set out in that paragraph are met.
- (c) Upon the withdrawal of acceptance by an Independent Shareholder or an Optionholder, the Offeror shall, as soon as possible but in any event within 10 days thereof, return by ordinary post, in the case of Independent Shareholder, the share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the Offer Share(s) lodged with the **WHITE** Form of Share Offer Acceptance to such Independent Shareholder or, in the case of Optionholder, the certificate(s) in respect of the Options (if applicable) in respect of the Option(s) lodged with the **PINK** Form of Option Offer Acceptance to such Optionholder.

9. SHARES

Acceptance of the Share Offer or the Option Offer by any Independent Shareholder or Optionholder, respectively, will be deemed to constitute a warranty by such Independent Shareholder or Optionholder that:

- (a) the Offer Shares or Options sold or tendered by such Independent Shareholder or Optionholder (as the case may be) are free from all Encumbrances of any nature and together with all rights attaching to them as at the Closing Date or subsequently becoming attached to them, including but without limitation, in the case of the Offer Shares, the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after the Closing Date;
- (b) acceptance of the Share Offer or Option Offer (as the case may be) tendered shall be irrevocable and cannot be withdrawn, except in the circumstances as set out the Takeovers Code; and
- (c) such Independent Shareholder or Optionholder (as the case may be) is permitted under all applicable laws and regulations to receive and accept the Share Offer or Option Offer (as the case may be), and any revision thereof, and such acceptances shall be valid and binding in accordance with all applicable laws and regulations. Any such Independent Shareholder or Optionholder will be responsible for any such issue, transfer and other applicable taxes or other governmental payments payable by him/her/it.

10. HONG KONG STAMP DUTY

In Hong Kong, seller's ad valorem stamp duty arising in connection with acceptances of the Share Offer will be payable by each relevant Independent Shareholder at a rate of HK\$1.00 for every HK\$1,000 or part thereof of (i) the market value of the Offer Shares or (ii) the consideration payable by the Offeror for such Independent Shareholder's Offer Shares, whichever is higher, and will be deducted from the cash amount payable by the

Offeror to the relevant Independent Shareholders accepting the Share Offer. The Offeror will pay the buyer's ad valorem stamp duty on its own behalf and, subject to such deduction aforesaid will be responsible to account to the Stamp Office of Hong Kong for all the stamp duty payable for the sale and purchase of the Offer Shares which are validly tendered for acceptance under the Share Offer.

11. GENERAL

- (a) All communications, notices, Forms of Acceptance, share certificate(s), transfer receipts, other documents of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and remittances to settle the consideration payable under the Offers to be delivered by or sent to or from the Independent Shareholders will be delivered by or sent to or from them, or their designated agents, by post at their own risk, and none of the Offeror, Vinda, J.P. Morgan, BofA Merrill Lynch, HSBC, the Registrar or any of their respective directors or agents or any other person involved in the Offers accepts any liability for any loss or delay in postage or any other liabilities that may arise as a result thereof.
- (b) The provisions set out in the **WHITE** Form of Share Offer Acceptance and the **PINK** Form of Option Offer Acceptance form part of the terms of the Share Offer and the Option Offer, respectively.
- (c) The accidental omission to despatch this Composite Document and/or the Forms of Acceptance or any of them to any person to whom the Offers are made will not invalidate either the Share Offer or the Option Offer in any way.
- (d) The Share Offer and the Option Offer and all acceptances thereof will be governed by and construed in accordance with the laws of Hong Kong. Execution of a Form of Acceptance by or on behalf of an Independent Shareholder or Optionholder will constitute such Independent Shareholder's or Optionholder's (as the case may be) agreement that the courts of Hong Kong shall have exclusive jurisdiction to settle any dispute which may arise in connection with the Share Offer or Option Offer (as the case may be).
- (e) Due execution of a **WHITE** Form of Share Offer Acceptance will constitute an authority to the Offeror, any Offeror Director, J.P. Morgan or such person or persons as the Offeror may direct to complete, amend and execute any document on behalf of the person or persons accepting the Share Offer and to do any other act that may be necessary or expedient for the purposes of vesting in the Offeror, or such person or persons as it may direct, the Offer Share(s) in respect of which such person or persons has/have accepted the Share Offer.
- (f) The settlement of the consideration to which any Independent Shareholder or Optionholder is entitled under the Share Offer and the Option Offer, respectively, will be implemented in full in accordance with the terms of the Share Offer and the Option Offer, respectively, without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Independent Shareholder or Optionholder.

- (g) Any Independent Shareholders or Optionholders accepting the Share Offer or the Option Offer, respectively, will be responsible for payment of any transfer or cancellation or other taxes or duties payable in respect of the relevant jurisdiction due by such persons.
- (h) In making their decision, Independent Shareholders and Optionholders must rely on their own examination of the Vinda Group and the terms of the Share Offer and the Option Offer, respectively, including the merits and risks involved. The contents of this Composite Document, including any general advice or recommendation contained herein together with the Forms of Acceptance, shall not be construed as any legal or business advice on the part of the Offeror, Vinda, J.P. Morgan, BofA Merrill Lynch, HSBC, or their respective professional advisers. Shareholders and Optionholders should consult their own professional advisers for professional advice.
- (i) References to the Share Offer or the Option Offer in this Composite Document and in the Forms of Acceptance shall include any extension and/or revision thereof.
- (j) The making of the Offers to the overseas Independent Shareholders or Optionholders may be prohibited or affected by the laws of the relevant jurisdictions. The overseas Independent Shareholders and Optionholders should inform themselves about and observe any applicable legal or regulatory requirements. It is the responsibility of each overseas Independent Shareholder and Optionholder who wishes to accept the Share Offer and Option Offer, respectively, to satisfy himself/herself/itself as to the full observance of the laws and regulations of all relevant jurisdictions in connection therewith, including but not limited to the obtaining of any governmental, exchange control or other consents and any registration or filing which may be required and the compliance with all necessary formalities, regulatory and/or legal requirements. Such overseas Independent Shareholders and Optionholders shall be fully responsible for the payment of any transfer or other taxes and duties due by such overseas Independent Shareholders and Optionholders in respect of the relevant jurisdictions. The overseas Independent Shareholders and Optionholders are recommended to seek professional advice on deciding whether or not to accept the Share Offer and Option Offer, respectively.
- (k) This Composite Document and the Forms of Acceptance have been prepared for the purposes of compliance with the legislative and regulatory requirements applicable in respect of the Share Offer and the Option Offer in Hong Kong and the operating rules of the Stock Exchange.

1. THREE-YEAR FINANCIAL SUMMARY

The following is a summary of the financial results of Vinda Group for each of the three years ended 31 December 2012 as extracted from the annual reports of Vinda for the years ended 31 December 2012 and 2011, respectively, and for the six months ended 30 June 2013 as extracted from the 2013 interim report of Vinda. The auditors of Vinda for the three years ended 31 December 2012, PricewaterhouseCoopers, did not issue any qualified opinion on the financial statement of Vinda Group for any of the three years ended 31 December 2012.

Vinda Group had no profit or loss attributable to minority interest or exceptional or extraordinary items for the three years ended 31 December 2012 and the six months ended 30 June 2013.

(I) Consolidated Statement of Comprehensive Income

	Six months ended 30 June,		Year ended 31 December,		
	2013	2012	2012	2011	2010
	HK\$	HK\$	HK\$	HK\$	HK\$
	(unaudited)	(unaudited)			
Revenue	3,313,654,946	2,887,493,324	6,024,046,812	4,765,299,413	3,602,168,770
Cost of sales	<u>(2,355,839,774)</u>	<u>(1,984,449,497)</u>	<u>(4,169,104,798)</u>	<u>(3,468,791,744)</u>	<u>(2,540,131,315)</u>
Gross profit	957,815,172	903,043,827	1,854,942,014	1,296,507,669	1,062,037,455
Selling and marketing costs	(438,366,882)	(358,625,693)	(770,366,428)	(574,773,574)	(444,985,005)
Administrative expenses	(165,362,575)	(163,374,933)	(367,866,260)	(238,878,433)	(181,352,062)
Other income and gains — net	<u>29,745,333</u>	<u>422,262</u>	<u>58,407,732</u>	<u>22,786,442</u>	<u>27,769,484</u>
Operating profit	<u>383,831,048</u>	<u>381,465,463</u>	<u>775,117,058</u>	<u>505,642,104</u>	<u>463,469,872</u>
Interest income	2,130,709	3,759,257	7,402,715	4,816,589	2,700,957
Foreign exchange gain, net	22,122,622	(4,505,803)	208,243	57,812,949	21,664,322
Finance costs	<u>(25,365,169)</u>	<u>(26,802,383)</u>	<u>(48,322,993)</u>	<u>(43,982,615)</u>	<u>(27,653,957)</u>
Finance income/(costs), net	(1,111,838)	(27,548,929)	(40,712,035)	18,646,923	(3,288,678)
Share of post-tax loss of an associate	<u>(15,800,143)</u>	<u>(3,136,224)</u>	<u>(15,934,119)</u>	<u>(2,358,175)</u>	<u>—</u>
Profit before income tax	366,919,067	350,780,310	718,470,904	521,930,852	460,181,194
Income tax expense	<u>(82,934,711)</u>	<u>(92,735,281)</u>	<u>(181,909,149)</u>	<u>(116,216,462)</u>	<u>(91,235,087)</u>
Profit attributable to equity holders of the Company	<u>283,984,356</u>	<u>258,045,029</u>	<u>536,561,755</u>	<u>405,714,390</u>	<u>368,946,107</u>
Other comprehensive income:					
Currency translation differences	77,108,126	(20,536,247)	(357,577)	137,951,695	80,850,222
Hedging reserve	<u>2,705,248</u>	<u>(4,607,295)</u>	<u>(2,808,603)</u>	<u>(3,586,084)</u>	<u>—</u>
Total comprehensive income attributable to equity holders of the Company	<u>363,797,730</u>	<u>232,901,487</u>	<u>533,395,575</u>	<u>540,080,001</u>	<u>449,796,329</u>
Dividends per share (expressed in HK\$ per share)	0.048	0.043	0.156	0.120	0.120
Earnings per share (expressed in HK\$ per share)					
— basic	<u>0.284</u>	<u>0.267</u>	<u>0.546</u>	<u>0.433</u>	<u>0.404</u>
— diluted	<u>0.283</u>	<u>0.264</u>	<u>0.541</u>	<u>0.426</u>	<u>0.398</u>

(II) Consolidated Balance Sheet

	As at 30 June, 2013 HK\$ (Unaudited)	2012 HK\$	As at 31 December, 2011 HK\$		2010 HK\$
ASSETS					
Non-current assets					
Property, plant and equipment	4,664,507,233	3,987,486,971	3,022,040,685		2,272,640,034
Leasehold land and land use rights	288,222,296	185,167,942	184,797,092		160,496,665
Intangible assets	13,959,152	12,954,724	10,445,847		11,085,320
Deferred income tax assets	193,398,346	175,685,073	115,700,768		87,688,594
Investment properties	32,511,065	32,435,570	—		—
Investment in an associate	69,773,475	64,357,657	59,800,509		—
	<u>5,262,371,567</u>	<u>4,458,087,937</u>	<u>3,392,784,901</u>		<u>2,531,910,613</u>
Current assets					
Inventories	1,655,520,325	1,446,576,241	1,372,221,620		1,321,689,469
Trade receivables, other receivables and prepayments	1,266,783,846	1,115,984,965	939,353,259		647,011,913
Prepayments to and receivables from related parties	47,439,715	42,303,573	43,273,883		1,100,830
Restricted bank deposits	2,461,943	6,101,567	1,292,449		45,689
Cash and cash equivalents	774,935,678	753,586,651	714,611,721		389,551,782
	<u>3,747,141,507</u>	<u>3,364,552,997</u>	<u>3,070,752,932</u>		<u>2,359,399,683</u>
Total assets	<u>9,009,513,074</u>	<u>7,822,640,934</u>	<u>6,463,537,833</u>		<u>4,891,310,296</u>
EQUITY					
Capital and reserves attributable to the Company's equity holders					
Share capital	99,968,269	99,938,269	93,818,369		93,673,169
Share premium	1,670,413,032	1,668,318,024	1,119,423,427		1,113,265,875
Other reserves					
— Proposed final dividend	47,984,769	112,930,244	81,621,981		81,495,657
— Others	2,566,816,345	2,237,731,131	1,843,730,722		1,399,720,969
Total equity	<u>4,385,182,415</u>	<u>4,118,917,668</u>	<u>3,138,594,499</u>		<u>2,688,155,670</u>

	As at 30 June, 2013 HK\$ (Unaudited)	2012 HK\$	As at 31 December, 2011 HK\$	2010 HK\$
LIABILITIES				
Non-current liabilities				
Borrowings	1,812,450,336	850,317,747	1,151,334,272	530,262,883
Deferred government grants	102,735,405	100,597,180	74,289,746	69,980,811
Derivative financial instruments	19,570,343	15,070,503	17,424,745	—
Deferred income tax liabilities	<u>6,163,082</u>	<u>4,491,714</u>	<u>1,662,617</u>	<u>1,713,636</u>
	<u>1,940,919,166</u>	<u>970,477,144</u>	<u>1,244,711,380</u>	<u>601,957,330</u>
Current liabilities				
Trade payables, other payables and accrued expenses				
	1,589,072,288	1,423,017,885	1,209,944,172	980,263,434
Borrowings	976,927,694	1,218,900,525	801,144,261	557,414,488
Due to related parties	1,710,348	2,144,516	1,779,362	—
Current income tax liabilities	<u>115,701,163</u>	<u>89,183,196</u>	<u>67,364,159</u>	<u>63,519,374</u>
	<u>2,683,411,493</u>	<u>2,733,246,122</u>	<u>2,080,231,954</u>	<u>1,601,197,296</u>
Total liabilities	<u>4,624,330,659</u>	<u>3,703,723,266</u>	<u>3,324,943,334</u>	<u>2,203,154,626</u>
Total equity and liabilities	<u>9,009,513,074</u>	<u>7,822,640,934</u>	<u>6,463,537,833</u>	<u>4,891,310,296</u>
Net current assets	<u>1,063,730,014</u>	<u>631,306,875</u>	<u>990,520,978</u>	<u>758,202,387</u>
Total assets less current liabilities	<u>6,326,101,581</u>	<u>5,089,394,812</u>	<u>4,383,305,879</u>	<u>3,290,113,000</u>

2. AUDITED FINANCIAL INFORMATION

The following financial information has been extracted from the annual report of Vinda for the year ended 31 December 2012.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	<i>Note</i>	For the year ended 31 December	
		2012	2011
		<i>HK\$</i>	<i>HK\$</i>
Revenue	5	6,024,046,812	4,765,299,413
Cost of sales	25	<u>(4,169,104,798)</u>	<u>(3,468,791,744)</u>
Gross profit		1,854,942,014	1,296,507,669
Selling and marketing costs	25	(770,366,428)	(574,773,574)
Administrative expenses	25	(367,866,260)	(238,878,433)
Other income and gains — net	24	<u>58,407,732</u>	<u>22,786,442</u>
Operating profit		775,117,058	505,642,104
Interest income	27	7,402,715	4,816,589
Foreign exchange gain, net	27	208,243	57,812,949
Finance costs	27	<u>(48,322,993)</u>	<u>(43,982,615)</u>
Finance (costs)/income, net	27	(40,712,035)	18,646,923
Share of post-tax loss of an associate	10	<u>(15,934,119)</u>	<u>(2,358,175)</u>
Profit before income tax		718,470,904	521,930,852
Income tax expense	28(a)	<u>(181,909,149)</u>	<u>(116,216,462)</u>
Profit attributable to equity holders of the Company		<u>536,561,755</u>	<u>405,714,390</u>
Other comprehensive income:			
Currency translation differences		(357,577)	137,951,695
Hedging reserve	18	<u>(2,808,603)</u>	<u>(3,586,084)</u>
Total comprehensive income attributable to equity holders of the Company		<u>533,395,575</u>	<u>540,080,001</u>

CONSOLIDATED BALANCE SHEET

As at 31 December 2012

		As at 31 December	
	Note	2012 HK\$	2011 HK\$
ASSETS			
Non-current assets			
Property, plant and equipment	7	3,987,486,971	3,022,040,685
Leasehold land and land use rights	6	185,167,942	184,797,092
Intangible assets	8	12,954,724	10,445,847
Deferred income tax assets	21	175,685,073	115,700,768
Investment properties	9	32,435,570	—
Investment in an associate	10	<u>64,357,657</u>	<u>59,800,509</u>
		<u>4,458,087,937</u>	<u>3,392,784,901</u>
Current assets			
Inventories	12	1,446,576,241	1,372,221,620
Trade receivables, other receivables and prepayments	13	1,115,984,965	939,353,259
Prepayments to and receivables from related parties	35(c)	42,303,573	43,273,883
Restricted bank deposits	14	6,101,567	1,292,449
Cash and cash equivalents	15	<u>753,586,651</u>	<u>714,611,721</u>
		<u>3,364,552,997</u>	<u>3,070,752,932</u>
Total assets		<u><u>7,822,640,934</u></u>	<u><u>6,463,537,833</u></u>
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	16	99,938,269	93,818,369
Share premium	16	1,668,318,024	1,119,423,427
Other reserves	18		
— Proposed final dividend		112,930,244	81,621,981
— Others		<u>2,237,731,131</u>	<u>1,843,730,722</u>
Total equity		<u><u>4,118,917,668</u></u>	<u><u>3,138,594,499</u></u>

		As at 31 December	
		2012	2011
	Note	HK\$	HK\$
LIABILITIES			
Non-current liabilities			
Borrowings	20	850,317,747	1,151,334,272
Deferred government grants	22	100,597,180	74,289,746
Derivative financial instruments	23	15,070,503	17,424,745
Deferred income tax liabilities	21	<u>4,491,714</u>	<u>1,662,617</u>
		<u>970,477,144</u>	<u>1,244,711,380</u>
Current liabilities			
Trade payables, other payables and accrued expenses			
	19	1,423,017,885	1,209,944,172
Borrowings	20	1,218,900,525	801,144,261
Due to related parties	35(c)	2,144,516	1,779,362
Current income tax liabilities		<u>89,183,196</u>	<u>67,364,159</u>
		<u>2,733,246,122</u>	<u>2,080,231,954</u>
Total liabilities		<u>3,703,723,266</u>	<u>3,324,943,334</u>
Total equity and liabilities		<u>7,822,640,934</u>	<u>6,463,537,833</u>
Net current assets		<u>631,306,875</u>	<u>990,520,978</u>
Total assets less current liabilities		<u>5,089,394,812</u>	<u>4,383,305,879</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012

	Note	Attributable to equity holders of the Company			Total HK\$
		Share capital HK\$	Share premium HK\$	Other reserves HK\$	
Balance at 1 January 2011		93,673,169	1,113,265,875	1,481,216,626	2,688,155,670
Profit for the year		—	—	405,714,390	405,714,390
Other comprehensive income					
— Currency translation differences		—	—	137,951,695	137,951,695
— Hedging reserve		—	—	(3,586,084)	(3,586,084)
Total comprehensive income for 2011		—	—	540,080,001	540,080,001
Transaction with owners					
Employees share option scheme					
— Value of employee services	17	—	—	18,183,000	18,183,000
— Exercise of share options	16	145,200	6,157,552	(1,635,712)	4,667,040
Dividends	32	—	—	(112,491,212)	(112,491,212)
Transaction with owners		145,200	6,157,552	(95,943,924)	(89,641,172)
Balance at 31 December 2011		<u>93,818,369</u>	<u>1,119,423,427</u>	<u>1,925,352,703</u>	<u>3,138,594,499</u>
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	17	—	—	46,225,333	46,225,333
— Exercise of share options	16	1,986,000	88,099,125	(24,350,117)	65,735,008
Allotment of shares	16	4,200,000	468,712,479	—	472,912,479
Repurchases and cancellation of shares	16	(66,100)	(7,917,007)	—	(7,983,107)
Dividends	32	—	—	(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		<u>99,938,269</u>	<u>1,668,318,024</u>	<u>2,350,661,375</u>	<u>4,118,917,668</u>

CONSOLIDATED CASH FLOW STATEMENT*For the year ended 31 December 2012*

	<i>Note</i>	For the year ended 31 December	
		2012	2011
		<i>HK\$</i>	<i>HK\$</i>
Cash flows from operating activities			
Cash generated from operations	33(a)	1,020,976,359	489,872,661
Interest paid		(63,739,339)	(36,272,218)
Income tax paid		<u>(217,100,035)</u>	<u>(131,759,793)</u>
Net cash generated from operating activities		<u>740,136,985</u>	<u>321,840,650</u>
Cash flows from investing activities			
Additional investment in an unlisted associate		(20,500,000)	(61,500,000)
Purchase of property, plant and equipment		(1,216,880,570)	(748,840,772)
Proceeds from disposal of property, plant and equipment	33(b)	657,435	7,468,948
Proceeds from sales of land use rights	6	34,977,264	—
Payment for leasehold land and land use rights	6	(20,902,852)	(20,791,090)
Purchase of intangible assets		(5,814,312)	(2,056,201)
Interest received		<u>7,402,715</u>	<u>4,816,589</u>
Net cash used in investing activities		<u>(1,221,060,320)</u>	<u>(820,902,526)</u>
Cash flows from financing activities			
Proceeds from shares issued		538,647,487	4,667,040
Proceeds from borrowings		1,604,439,718	2,304,597,210
Repayments of borrowings		(1,487,240,556)	(1,383,974,240)
Repurchase and cancellation of shares	16	(7,983,107)	—
Dividends paid		<u>(129,962,119)</u>	<u>(112,491,212)</u>
Net cash generated from financing activities		<u>517,901,423</u>	<u>812,798,798</u>
Net increase in cash and cash equivalents		<u>36,978,088</u>	<u>313,736,922</u>
Effect of foreign exchange rate changes		<u>1,996,842</u>	<u>11,323,017</u>
Cash and cash equivalents, beginning of the year	15	<u>714,611,721</u>	<u>389,551,782</u>
Cash and cash equivalents, end of the year	15	<u>753,586,651</u>	<u>714,611,721</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

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.

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 26 March 2013.

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.

2.1.1 Changes in accounting policy and disclosures*(a) Amended standards adopted by the Group*

The following amendments to standards are mandatory for the first time for the financial year beginning 1 January 2012.

Amendment to HKFRS 7 “Financial instruments: Disclosures — Transfers of financial assets” is effective for annual periods beginning on or after 1 July 2011. This amendment will promote transparency in the reporting of transfer transactions and improve users’ understanding of the risk exposures relating to transfers of financial assets and the effect of

those risks on an entity's financial position, particularly those involving securitisation of financial assets. The adoption of this amendment will result in additional disclosures where necessary.

(b) *New standards, amendments and interpretations have been issued but are not effective for the financial year beginning 1 January 2012 and have not been early adopted.*

		Effective for annual periods beginning on or after
HKAS 1 (Amendment)	Financial statements presentation	1 July 2012
HKFRS 1 (Amendment)	'First time adoption', on government loans	1 January 2013
HKFRSs 10, 11 and 12 (Amendment)	Transition guidance	1 January 2013
HKFRS 10	Consolidated financial statements	1 January 2013
HKAS 27 (Revised 2011)	Separate financial statements	1 January 2013
HKFRS 11	Joint arrangements	1 January 2013
HKAS 28 (Revised 2011)	Associates and joint ventures	1 January 2013
HKFRS 12	Disclosure of interests in other entities	1 January 2013
HKFRS 13	Fair value measurements	1 January 2013
HKAS 19 (Amendment)	Employee benefits	1 January 2013
HKFRS 7 (Amendment)	'Financial instruments: Disclosures' on asset and liability offsetting	1 January 2013
HKIFRIC 20	Stripping costs in the production phase of a surface mine	1 January 2013
HKAS 32 (Amendment)	'Financial instruments: Presentation' on asset and liability offsetting	1 January 2014
HKFRS 9	Financial Instruments	1 January 2015
HKFRS 7 and HKFRS 9 (Amendments)	Mandatory effective date and transition disclosures	1 January 2015

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 statement. The Group intends to adopt the amendments no later than the respective effective dates of the amendments.

Apart from the above, the HKICPA has issued the annual improvements project (2011) which addresses several issues in the 2009–2011 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 January 2013
HKAS 1	Financial statement presentation	1 January 2013
HKAS 16	Property plant and equipment	1 January 2013
HKAS 32	Financial instruments: Presentation	1 January 2013
HKAS 34	Interim financial reporting	1 January 2013

2.2 Subsidiaries

2.2.1 Consolidation

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

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

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

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 acquire 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.

Acquisition-related costs are expensed as incurred.

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

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in

consolidated statement of comprehensive income or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in consolidated statement of comprehensive income. (Note 2.8(a)).

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.

2.3 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.

2.4 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;
- (ii) income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (iii) all resulting exchange differences are recognised in other comprehensive income.

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

2.6 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.

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 2.9).

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.

2.8 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 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.

2.10 Financial assets

2.10.1 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 2.13 and 2.14).

2.10.2 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.

2.10.3 Impairment of financial assets

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

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

For loans and receivables 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.

2.11 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 23.

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'.

2.12 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.

2.13 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.

2.14 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.

2.15 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.

2.16 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.

2.17 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.

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.

2.18 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.

(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.

2.19 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.

(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.

2.20 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. 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.

2.21 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.

2.22 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.

2.23 Revenue recognition

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

The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates 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.

(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.

2.24 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.

2.25 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.

2.26 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.

2.27 Earnings per share

Basic earnings per share

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

Diluted earnings per share

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

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

*(a) Market risk**(i) Foreign exchange risk*

The Company and most of its subsidiaries' functional currency is RMB, since majority of the companies' revenues are derived from operations in mainland China. Foreign exchange risk arises when the future commercial transactions of sales to and purchases from overseas recognised assets or liabilities, such as cash and cash equivalents (Note 15), restricted bank deposits (Note 14), trade and other receivables (Note 13), trade and other payables (Note 19), borrowings (Note 20) and due from/to related parties (Note 35(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 2012 and 2011, if RMB had strengthened/weakened by 10% against US\$ with all other variables held constant, the post-tax profit for each year would have changed mainly as a result of foreign exchange gains/losses on translation of US\$ denominated cash and cash equivalents, trade and other receivables, trade and other payables and borrowings. Details of the changes are as follows:

	2012 HK\$	2011 HK\$
For the year ended:		
Post-tax profit increase/(decrease)		
— Strengthened by 10%	<u>54,411,603</u>	<u>48,534,472</u>
— Weakened by 10%	<u>(54,411,603)</u>	<u>(48,534,472)</u>
As at:		
Owners' equity increase/(decrease)		
— Strengthened by 10%	<u>54,411,603</u>	<u>48,534,472</u>
— Weakened by 10%	<u>(54,411,603)</u>	<u>(48,534,472)</u>

As at 31 December 2012 and 2011, if RMB had strengthened/weakened by 10% against HK\$ with all other variables held constant, the post-tax profit for each year would have changed mainly as a result of foreign exchange gains/losses on translation of HK\$ denominated cash and cash equivalents, restricted bank deposits, trade and other receivables, trade and other payables, borrowings and due from/to related parties. Details of the changes are as follows:

	2012	2011
	<i>HK\$</i>	<i>HK\$</i>
For the year ended:		
Post-tax profit increase/(decrease)		
— Strengthened by 10%	<u>92,050,953</u>	<u>104,571,787</u>
— Weakened by 10%	<u>(92,050,953)</u>	<u>(104,571,787)</u>
As at:		
Owners' equity increase/(decrease)		
— Strengthened by 10%	<u>92,050,953</u>	<u>104,571,787</u>
— Weakened by 10%	<u>(92,050,953)</u>	<u>(104,571,787)</u>

As at 31 December 2012, the Group hedged the foreign exchange risk on bank borrowings denominated in AU\$ to HK\$ with cross currency swap (Note 23(a)). After taking the effect of this hedge instrument into consideration, if RMB had strengthened/weakened by 10% against HK\$ with all other variables held constant, the post-tax profit for each year would have changed as follows:

	2012	2011
	<i>HK\$</i>	<i>HK\$</i>
For the year ended:		
Post-tax profit increase/(decrease)		
— Strengthened by 10%	<u>10,959,375</u>	<u>12,525,000</u>
— Weakened by 10%	<u>(10,959,375)</u>	<u>(12,525,000)</u>
As at:		
Owners' equity increase/(decrease)		
— Strengthened by 10%	<u>10,959,375</u>	<u>12,525,000</u>
— Weakened by 10%	<u>(10,959,375)</u>	<u>(12,525,000)</u>

(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 20.

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 2012 and 2011, if interest rates on bank borrowings had been 10 basis points higher/lower with all other variables held constant, the post-tax profit for each year would have changed mainly as a result of higher/lower interest expense on floating rate borrowings. Details of the changes are as follows:

	2012 HK\$	2011 HK\$
For the year ended:		
Post-tax profit (decrease)/increase		
— 10 basis points higher	<u>(966,526)</u>	<u>(461,335)</u>
— 10 basis points lower	<u>966,526</u>	<u>461,335</u>
As at:		
Owners' equity (decrease)/increase		
— 10 basis points higher	<u>(966,526)</u>	<u>(461,335)</u>
— 10 basis points lower	<u>966,526</u>	<u>461,335</u>

(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 2012 and 2011, all restricted bank deposits and cash and cash equivalents were deposited in state-owned banks and reputable financial institutions and were hence without significant credit risk. Management does not expect any losses from non-performance by these counterparties.

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

(c) Liquidity risk

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

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. For term loans which contain a repayment on demand clause which can be exercised at the bank's sole discretion, the analysis shows the cash outflow based on the earliest period in which the entity can be required to

pay, that is if the lenders were to invoke their unconditional rights to call the loans with immediate effect. The maturity analysis for other bank borrowings is prepared based on the scheduled repayment dates.

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

	On demand <i>HK\$</i>	Less than 1 year <i>HK\$</i>	Between 1 and 2 years <i>HK\$</i>	Between 2 and 5 years <i>HK\$</i>
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	—	—
Notes payable and other payables	—	308,415,053	—	—
As at 31 December 2011				
Term loans subject to a repayment on demand clause	155,250,000	—	—	—
Other bank loans	—	645,400,860	444,336,704	685,392,924
Other borrowings	—	493,401	536,431	21,068,213
Interests payable on borrowings (i)	3,252,227	48,781,313	25,199,605	15,061,230
Trade payables	—	702,658,382	—	—
Other payables	—	209,612,929	—	—

- (i) The interest on borrowings is calculated based on borrowings held as at 31 December 2012 and 2011 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 23), 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 2012 and 2011 respectively.

3.2 Capital risk management

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

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

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

The gearing ratios at 31 December 2011 and 2012 were as follows:

	As at 31 December	
	2012 HK\$	2011 HK\$
Total borrowings (<i>Note 20</i>)	2,069,218,272	1,952,478,533
Less: Cash and cash equivalents (<i>Note 15</i>)	(753,586,651)	(714,611,721)
Restricted bank deposits (<i>Note 14</i>)	<u>(6,101,567)</u>	<u>(1,292,449)</u>
Net debt	1,309,530,054	1,236,574,363
Total equity	<u>4,118,917,668</u>	<u>3,138,594,499</u>
Total capital	<u>5,428,447,722</u>	<u>4,375,168,862</u>
Gearing ratio	<u>24.12%</u>	<u>28.26%</u>

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 2012.

	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$	Total HK\$
Liabilities				
Derivatives financial instruments	<u>—</u>	<u>—</u>	<u>15,070,503</u>	<u>15,070,503</u>

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

	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$	Total HK\$
Liabilities				
Derivatives financial instruments	<u>—</u>	<u>—</u>	<u>17,424,745</u>	<u>17,424,745</u>

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.

(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 re-assesses the useful lives on a regular basis. Management will increase the depreciation charge where useful lives are shorter than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(b) Current tax and deferred tax

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

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

(c) Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market (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.

(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 achieving 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	
	2012	2011
	<i>HK\$</i>	<i>HK\$</i>
Sales of goods	5,913,271,100	4,599,009,257
Sales of semi-finished goods and other materials	104,375,973	161,117,318
Processing trade	5,721,610	3,913,466
Sales commission	<u>678,129</u>	<u>1,259,372</u>
Total revenue	<u><u>6,024,046,812</u></u>	<u><u>4,765,299,413</u></u>

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 90% of the Group's sales are derived within Mainland China and over 90% 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\$ 5,502,930,034 (2011: HK\$4,315,161,411), HK\$499,181,176 (2011: HK\$418,420,353), HK\$21,935,602 (2011: HK\$31,717,649) respectively.

The total non-current assets are analysed as follows:

	As at 31 December	
	2012	2011
	HK\$	HK\$
Total non-current assets other than deferred tax assets and investment in an associate		
— Mainland China	4,208,186,522	3,209,148,713
— Hong Kong and overseas	9,858,685	10,134,911
Deferred tax assets	175,685,073	115,700,768
Investment in an associate	<u>64,357,657</u>	<u>57,800,509</u>
Total non-current assets	<u>4,458,087,937</u>	<u>3,392,784,901</u>

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	
	2012	2011
	HK\$	HK\$
Outside Hong Kong, held on:		
Lease of between 10 and 50 years	<u>185,167,942</u>	<u>184,797,092</u>
	For the year ended 31 December	
	2012	2011
	HK\$	HK\$
At 1 January	184,797,092	160,496,665
Additions	20,902,852	20,791,090
Amortisation (Note 25)	(4,526,495)	(4,595,187)
Disposal (a)	(15,740,099)	—
Exchange differences	<u>(265,408)</u>	<u>8,104,524</u>
	<u>185,167,942</u>	<u>184,797,092</u>

- (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 by the end of 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 2011							
Opening net book amount	763,271,988	—	1,178,328,611	16,483,489	6,883,068	307,672,878	2,272,640,034
Additions	20,807,488	—	75,513,329	1,965,291	8,502,468	678,474,723	785,263,299
Disposals	—	—	(7,779,404)	(241,885)	(863,504)	—	(8,884,793)
Reclassification	265,462,284	—	523,886,654	—	—	(789,348,938)	—
Depreciation (Note 25)	(31,958,271)	—	(114,814,385)	(2,873,012)	(2,678,319)	—	(152,323,987)
Exchange differences	42,545,098	—	68,861,242	498,901	536,718	12,904,173	125,346,132
Closing net book amount	<u>1,060,128,587</u>	<u>—</u>	<u>1,723,996,047</u>	<u>15,832,784</u>	<u>12,380,431</u>	<u>209,702,836</u>	<u>3,022,040,685</u>
At 31 December 2011							
Cost	1,232,435,192	1,141,916	2,494,114,668	32,022,877	27,454,277	209,702,836	3,996,871,766
Accumulated depreciation	<u>(172,306,605)</u>	<u>(1,141,916)</u>	<u>(770,118,621)</u>	<u>(16,190,093)</u>	<u>(15,073,846)</u>	<u>—</u>	<u>(974,831,081)</u>
Net book amount	<u>1,060,128,587</u>	<u>—</u>	<u>1,723,996,047</u>	<u>15,832,784</u>	<u>12,380,431</u>	<u>209,702,836</u>	<u>3,022,040,685</u>
	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	1,060,128,587	—	1,723,996,047	15,832,784	12,380,431	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	78,689,839	—	308,231,496	20,895	84,724	(387,026,954)	—
Transfer to investment property (Note 9)	—	—	—	—	—	(33,015,552)	(33,015,552)
Depreciation (Note 25)	(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	<u>1,108,326,443</u>	<u>8,977,891</u>	<u>1,888,058,907</u>	<u>16,020,345</u>	<u>20,845,988</u>	<u>945,257,397</u>	<u>3,987,486,971</u>
At 31 December 2012							
Cost	1,316,356,645	10,119,807	2,805,242,096	35,745,970	41,301,332	945,257,397	5,154,023,247
Accumulated depreciation	<u>(208,030,202)</u>	<u>(1,141,916)</u>	<u>(917,183,189)</u>	<u>(19,725,625)</u>	<u>(20,455,344)</u>	<u>—</u>	<u>(1,166,536,276)</u>
Net book amount	<u>1,108,326,443</u>	<u>8,977,891</u>	<u>1,888,058,907</u>	<u>16,020,345</u>	<u>20,845,988</u>	<u>945,257,397</u>	<u>3,987,486,971</u>

During the year, the Group has capitalized borrowing costs amounting to HK\$13,952,054 (2011: HK\$1,418,684) on qualifying assets. Borrowing costs were capitalized at the weighted average rate of its general borrowings of 3.34% (2011: 3.26%).

During the year ended 31 December 2012 and 2011, depreciation expenses have been charged to the consolidated statement of comprehensive income as follows:

	For the year ended 31 December	
	2012	2011
	HK\$	HK\$
Cost of sales	174,021,303	137,646,403
Administrative expenses	<u>18,269,369</u>	<u>14,677,584</u>
	<u>192,290,672</u>	<u>152,323,987</u>

8 INTANGIBLE ASSETS — GROUP

	Goodwill	Computer software	Total
	HK\$	HK\$	HK\$
At 1 January 2011			
Cost	2,293,653	15,391,734	17,685,387
Accumulated amortisation and impairment	<u>(2,293,653)</u>	<u>(4,306,414)</u>	<u>(6,600,067)</u>
Net book amount	<u>—</u>	<u>11,085,320</u>	<u>11,085,320</u>
Year ended 31 December 2011			
Opening net book amount	—	11,085,320	11,085,320
Additions	—	2,056,201	2,056,201
Amortisation expense (Note 25)	—	(3,201,389)	(3,201,389)
Exchange differences	—	505,715	505,715
Closing net book amount	<u>—</u>	<u>10,445,847</u>	<u>10,445,847</u>
At 31 December 2011			
Cost	2,293,653	17,447,935	19,741,588
Accumulated amortisation and impairment	<u>(2,293,653)</u>	<u>(7,002,088)</u>	<u>(9,295,741)</u>
Net book amount	<u>—</u>	<u>10,445,847</u>	<u>10,445,847</u>
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 25)	—	(3,443,122)	(3,443,122)
Exchange differences	—	137,687	137,687
Closing net book amount	<u>—</u>	<u>12,954,724</u>	<u>12,954,724</u>
At 31 December 2012			
Cost	2,293,653	23,262,247	25,555,900
Accumulated amortisation and impairment	<u>(2,293,653)</u>	<u>(10,307,523)</u>	<u>(12,601,176)</u>
Net book amount	<u>—</u>	<u>12,954,724</u>	<u>12,954,724</u>

During the year ended 31 December 2012, amortisation of intangible assets charged to the consolidated statement of comprehensive income is as follow:

	For the year ended 31 December	
	2012	2011
	HK\$	HK\$
Administrative expenses	<u>3,443,122</u>	<u>3,201,389</u>

9 INVESTMENT PROPERTIES

	For the year ended 31 December	
	2012	2011
	HK\$	HK\$
Opening net book amount	—	—
Additions	33,015,552	—
Amortisation expense (<i>Note 24</i>)	(689,911)	—
Exchange differences	<u>109,929</u>	<u>—</u>
Investment Properties	<u>32,435,570</u>	<u>—</u>

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 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 leased plant from property, plant and equipment to investment property and has accounted for that investment property with cost method.

10 INVESTMENT IN AN ASSOCIATE

	2012	2011
	HK\$	HK\$
1 January	59,800,509	—
Share of post-tax loss of an associate	(15,934,119)	(2,358,175)
Additional investment in an unlisted associate (i)	20,500,000	61,500,000
Exchange differences	<u>(8,733)</u>	<u>658,684</u>
31 December	<u>64,357,657</u>	<u>59,800,509</u>

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

Up to 31 December 2011, the Company paid HK\$61,500,000 in cash for the subscription of the new shares issued by V-Care.

On 16 November 2012, the Company paid HK\$20,500,000 in cash for the subscription of the new shares issued by V-Care.

Up to 31 December 2012, the Company has paid capital of HK\$82,000,000, representing 41% of V-Care's share capital then outstanding.

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

Name	Place of incorporation	Percentage of equity interest attributable to the Group	Assets	Liabilities	Revenue	Net loss
			HK\$	HK\$	HK\$	HK\$
V-Care	British Virgin Islands	41%	261,392,915	104,223,497	68,312,403	(38,863,705)

11 INVESTMENTS IN AND BALANCES WITH SUBSIDIARIES — COMPANY

(a) Investments in and balances with subsidiaries

	As at 31 December	
	2012	2011
	HK\$	HK\$
Unlisted investments, at cost	133,650,015	100,204,682
Due from subsidiaries (<i>Note(i)</i>)	<u>1,193,768,679</u>	<u>1,194,046,239</u>
	<u>1,327,418,694</u>	<u>1,294,250,921</u>

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

(b) Details of subsidiaries

As at 31 December 2012, 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)	(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%	—

Name	Place of incorporation/ operation and kind of legal entity	Principal activities	Issued and fully paid capital	Interest held	
				(directly)	(indirectly)
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 (Guangdong) Company Limited ("Vinda Paper (Guangdong)")	The PRC, limited liability company	Manufacturing and sale of household consumable paper	US\$34,550,000	—	100%
Vinda Paper (Sichuan) Company Limited ("Vinda Paper (Sichuan)")	The PRC, limited liability company	Manufacturing and sale of household consumable paper	HK\$183,900,000	—	100%
Vinda Paper (Hubei) Company Limited ("Vinda Paper (Hubei)")	The PRC, limited liability company	Manufacturing and sale of household consumable paper	HK\$53,030,000	—	100%
Vinda Paper (Beijing) Company Limited ("Vinda Paper (Beijing)")	The PRC, limited liability company	Trading of household consumable paper	US\$350,000	—	100%
Vinda North Paper (Beijing) Company Limited ("Vinda Northern Paper")	The PRC, limited liability company	Manufacturing and sale of household consumable paper	HK\$75,000,000	—	100%
Vinda Paper (Jiangmen) Company Limited ("Vinda Paper (Jiangmen)")	The PRC, limited liability company	Manufacturing and sale of household consumable paper	US\$75,000,000	—	100%
Vinda Paper (Xiaogan) Company Limited ("Vinda Paper (Xiaogan)")	The PRC, limited liability company	Manufacturing and sale of household consumable paper	US\$48,211,657 Note (i)	—	100%
Vinda Paper (Zhejiang) Company Limited ("Vinda Paper (Zhejiang)")	The PRC, limited liability company	Manufacturing and sale of household consumable paper	HK\$350,000,000	—	100%
Vinda Personal Care (Hong Kong) Limited ("Vinda Personal Care")	Hong Kong, limited liability company	Investment holding and trading of household consumable paper	HK\$1	100%	—

Name	Place of incorporation/ operation and kind of legal entity	Principal activities	Issued and fully paid capital	Interest held	
				(directly)	(indirectly)
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 Note (ii)	—	100%
Vinda Investment Group Limited ("Vinda Investment Group", the former name "Green Lane Investment Limited")	Hong Kong, limited liability company	Investment holding and trading of household consumable paper	HK\$1	—	100%
Vinda Paper (China) Company Limited ("Vinda Paper (China)", the former name "Vinda Paper (Xinhui) Limited")	The PRC, limited liability company	Trading of household consumable paper	HK\$300,000,000 Note (iii)	—	100%
Vinda Paper (Shandong) Company Limited ("Vinda Paper (Shandong)")	The PRC, limited liability company	Manufacturing and sale of household consumable paper	US\$16,743,030 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\$38,410,000 to US\$48,211,657 in 2012.
- (ii) The paid in capital of Vinda Paper (Liaoning) was increased from HK\$110,000,000 to HK\$200,000,000 in 2012.
- (iii) The registered capital of Vinda Paper (China) was increased from HK\$50,000,000 to HK\$300,000,000 in 2012.
- (iv) The paid in capital of Vinda Paper (Shandong) was increased from US\$5,138,517 to US\$16,743,030 in 2012.

12 INVENTORIES — GROUP

	As at 31 December	
	2012 HK\$	2011 HK\$
Raw materials	1,032,319,447	1,009,075,964
Finished goods	<u>414,256,794</u>	<u>363,145,656</u>
	<u><u>1,446,576,241</u></u>	<u><u>1,372,221,620</u></u>

The cost of inventories recognized as expenses and included in cost of sales amounted to HK\$ 3,430,418,983 (2011: HK\$2,729,260,066) for the year ended 31 December 2012.

13 TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS — GROUP

	As at 31 December	
	2012	2011
	<i>HK\$</i>	<i>HK\$</i>
Trade receivables	872,928,805	734,369,313
Less: Provision for impairment of trade receivables	<u>(11,321,967)</u>	<u>(10,834,431)</u>
Trade receivables, net	<u>861,606,838</u>	<u>723,534,882</u>
Other receivables		
— creditable input VAT	197,972,301	143,966,986
— prepaid income tax recoverable	2,484,832	8,715,640
— purchase rebates	11,701,929	15,631,760
— others	<u>24,170,858</u>	<u>13,625,006</u>
Other receivables	<u>236,329,920</u>	<u>181,939,392</u>
Trade and other receivables, net	1,097,936,758	905,474,274
Notes receivable	4,485,197	902,002
Prepayments		
— purchase of raw materials	5,686,579	7,277,991
— prepayment of utility fee	—	18,883,572
— others	<u>1,641,828</u>	<u>2,599,867</u>
	<u>7,328,407</u>	<u>28,761,430</u>
Prepaid expenses	<u>6,234,603</u>	<u>4,215,553</u>
	<u>1,115,984,965</u>	<u>939,353,259</u>

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

	As at 31 December	
	2012	2011
	<i>HK\$</i>	<i>HK\$</i>
RMB	1,006,953,848	845,793,189
HK\$	85,176,449	73,305,682
US\$	21,393,059	15,628,860
Other currencies	<u>2,461,609</u>	<u>4,625,528</u>
	<u>1,115,984,965</u>	<u>939,353,259</u>

As at 31 December 2012 and 2011, the carrying amounts of the Group's trade and other receivables approximated their fair values due to short duration.

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

Ageing analyses of trade receivables of the Group based on invoice date as at 31 December 2012 and 2011 are as below:

	As at 31 December	
	2012	2011
	HK\$	HK\$
Within 3 months	823,478,886	686,762,019
4 months to 6 months	37,906,658	37,079,956
7 months to 12 months	6,972,542	6,215,517
Over 1 year	<u>4,570,719</u>	<u>4,311,821</u>
	<u>872,928,805</u>	<u>734,369,313</u>

As of 31 December 2012, trade receivables of HK\$38,127,952 (2011: HK\$36,772,863) 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	
	2012	2011
	HK\$	HK\$
4 months to 6 months	34,293,054	33,382,581
7 months to 12 months	<u>3,834,898</u>	<u>3,390,282</u>
	<u>38,127,952</u>	<u>36,772,863</u>

As at 31 December 2012, trade receivables of HK\$11,321,967 (2011: HK\$10,834,431) 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	
	2012	2011
	HK\$	HK\$
4 months to 6 months	3,613,604	3,697,375
7 months to 12 months	3,137,644	2,825,235
Over 1 year	<u>4,570,719</u>	<u>4,311,821</u>
	<u>11,321,967</u>	<u>10,834,431</u>

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	
	2012	2011
	<i>HK\$</i>	<i>HK\$</i>
As at 1 January	(10,834,431)	(8,646,148)
Provision for impairment of receivables (<i>Note 25</i>)	(490,496)	(2,787,019)
Receivables written off as uncollectible during the year	—	1,085,750
Exchange differences	<u>2,960</u>	<u>(487,014)</u>
As at 31 December	<u><u>(11,321,967)</u></u>	<u><u>(10,834,431)</u></u>

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

14 RESTRICTED BANK DEPOSITS — GROUP

	As at 31 December	
	2012	2011
	<i>HK\$</i>	<i>HK\$</i>
Restricted bank deposits	<u><u>6,101,567</u></u>	<u><u>1,292,449</u></u>

As at 31 December 2012, bank deposits of HK\$6,101,567(2011: HK\$1,292,449) were restricted as deposits for the issuance of letters of credit.

The effective annual interest rate on restricted bank deposits was 0.35% (2011: 0.36%) as at 31 December 2012. These deposits mainly have a maturity ranging from 0 to 90 days.

All the restricted bank deposits are denominated in RMB.

15 CASH AND CASH EQUIVALENTS

	Group	
	As at 31 December	
	2012	2011
	<i>HK\$</i>	<i>HK\$</i>
Cash in hand	75,637	148,290
Cash at bank	<u>753,511,014</u>	<u>714,463,431</u>
	<u><u>753,586,651</u></u>	<u><u>714,611,721</u></u>

The effective weighted average annual interest rate on cash at bank was 0.85% (2011: 0.87%) for the year ended 31 December 2012.

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

	Group	
	As at 31 December	
	2012	2011
	<i>HK\$</i>	<i>HK\$</i>
RMB	490,373,656	609,454,636
US\$	156,884,224	46,519,207
HK\$	101,769,108	51,330,096
Other currencies	<u>4,559,663</u>	<u>7,307,782</u>
	<u>753,586,651</u>	<u>714,611,721</u>
	Company	
	As at 31 December	
	2012	2011
	<i>HK\$</i>	<i>HK\$</i>
Cash at bank — denominated in HK\$	<u>2,737,595</u>	<u>1,630,628</u>

The effective weighted average annual interest rates on cash at bank were 0.19% (2011: 0.21%) for the year ended 31 December 2012.

16 SHARE CAPITAL AND SHARE PREMIUM

	Group & Company				
	Number of	Number of	Ordinary	Amount	Total
	authorised	issued and fully	shares	Share	Total
	shares	paid shares	HK\$	premium	HK\$
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
At 1 January 2011	80,000,000,000	936,731,686	93,673,169	1,113,265,875	1,206,939,044
Employee share option scheme (<i>Note 17</i>)					
— Exercise of share options	<u>—</u>	<u>1,452,000</u>	<u>145,200</u>	<u>6,157,552</u>	<u>6,302,752</u>
At 31 December 2011	<u>80,000,000,000</u>	<u>938,183,686</u>	<u>93,818,369</u>	<u>1,119,423,427</u>	<u>1,213,241,796</u>
Employee share option scheme (<i>Note 17</i>)					
— 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	<u>—</u>	<u>(661,000)</u>	<u>(66,100)</u>	<u>(7,917,007)</u>	<u>(7,983,107)</u>
At 31 December 2012	<u>80,000,000,000</u>	<u>999,382,686</u>	<u>99,938,269</u>	<u>1,668,318,024</u>	<u>1,768,256,293</u>

- (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.

During the year ended 31 December 2012, the Company repurchased its own shares of 661,000 shares in aggregate with the price range from HK\$12.00 to HK\$12.04 per share, together with related expenses, the total consideration is HK\$7,983,107. Those repurchased shares were subsequently cancelled and the issued share capital of the Company was reduced by nominal value of these shares accordingly.

As at 31 December 2012 and 2011, the par value of authorised and issued ordinary shares is HK\$0.1 per share.

17 SHARE-BASED PAYMENT

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

- (i) in respect of the options granted to directors, on or after 24 February 2009;
 - (ii) in respect of the options granted to employees,
 - (a) up to 20% on or after 24 February 2010;
 - (b) up to 50% on or after 24 February 2011;
 - (c) all the remaining options on or after 24 February 2012;
- and in each case, not later than 23 February 2019.

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

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

- (a) up to 33% on or after 15 April 2010;
- (b) up to 67% on or after 15 April 2011;
- (c) all the remaining options on or after 15 April 2012;

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

In April 2010, the director accepted the share options.

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

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

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 period when the company meet certain performance conditions as set by the board of director.

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

Movements in the number of share options outstanding and their related weighted average exercise prices for the year ended 31 December 2012 and 2011 were as follows:

	For the year ended 31 December			
	2012		2011	
	<i>Weighted average exercise price in HK\$</i>	<i>Number of options</i>	<i>Weighted average exercise price in HK\$</i>	<i>Number of options</i>
At 1 January	4.15	29,427,000	3.26	26,042,000
Granted	14.06	16,771,000	8.648	4,837,000
Exercised (<i>Note (a)</i>)	3.31	(19,860,000)	3.21	(1,452,000)
Forfeited (<i>Note (b)</i>)	14.06	<u>(495,600)</u>	—	<u>—</u>
At 31 December	11.04	<u>25,843,000</u>	4.15	<u>29,427,000</u>

- (a) Options exercised during the year ended 31 December 2012 resulted in 19,860,000 shares (2011: 1,452,000 shares) being issued with net proceeds of HK\$65,735,008 (2011: HK\$4,667,040). The related weighted average share price at the time of exercise was HK\$11.53 (2011: HK\$8.94) per share.
- (b) Options were forfeited during the year ended 31 December 2012 due to employee resignation.

Share options outstanding at 31 December 2012 have the following expiry dates and exercise prices:

Expiry date	Exercise price HK\$ per share	Number of options
23 February 2019	2.98	2,946,000
14 April 2020	5.42	3,000,000
14 April 2021	8.648	3,621,000
01 May 2022	14.06	<u>16,276,000</u>

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

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

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.

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 two years and other comparable companies over the last five years.

18 OTHER RESERVES

	Group					Total HK\$
	Statutory reserves (Note (a)) HK\$	Translation reserve HK\$	Retained earnings HK\$	Employee option reserve HK\$	Hedging reserve HK\$	
At 1 January 2011	185,885,576	279,615,534	987,436,656	28,278,860	—	1,481,216,626
Employee share options scheme:						
— Value of employee services	—	—	—	18,183,000	—	18,183,000
— Exercise of options	—	—	—	(1,635,712)	—	(1,635,712)
Profit for the year	—	—	405,714,390	—	—	405,714,390
Appropriation of reserves	62,089,178	—	(62,089,178)	—	—	—
Dividends	—	—	(112,491,212)	—	—	(112,491,212)
Currency translation differences	—	137,951,695	—	—	—	137,951,695
Hedging reserve	—	—	—	—	(3,586,084)	(3,586,084)
At 31 December 2011	<u>247,974,754</u>	<u>417,567,229</u>	<u>1,218,570,656</u>	<u>44,826,148</u>	<u>(3,586,084)</u>	<u>1,925,352,703</u>
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	<u>342,257,885</u>	<u>417,209,652</u>	<u>1,530,887,161</u>	<u>66,701,364</u>	<u>(6,394,687)</u>	<u>2,350,661,375</u>

	Translation reserve <i>HK\$</i>	Retained earnings <i>HK\$</i>	Company Employee option reserve <i>HK\$</i>	Hedging reserve <i>HK\$</i>	Total <i>HK\$</i>
At 1 January 2011	140,849,279	97,289,003	28,278,860	—	266,417,142
Employee share options scheme:					
— Value of employee services	—	—	18,183,000	—	18,183,000
— Exercise of options	—	—	(1,635,712)	—	(1,635,712)
Dividends	—	(112,491,212)	—	—	(112,491,212)
Profit for the year	—	152,278,266	—	—	152,278,266
Currency translation differences	74,237,767	—	—	—	74,237,767
Hedging reserve	—	—	—	(3,423,823)	(3,423,823)
At 31 December 2011	<u>215,087,046</u>	<u>137,076,057</u>	<u>44,826,148</u>	<u>(3,423,823)</u>	<u>393,565,428</u>
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	<u>214,909,335</u>	<u>119,802,762</u>	<u>66,701,364</u>	<u>(5,616,124)</u>	<u>395,797,337</u>

(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 2012, the appropriation for the Reserve Fund is 15% (2011:15%) of the statutory net profits of the year for the subsidiaries in the PRC.

19 TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES

	Group	
	As at 31 December	
	2012	2011
	<i>HK\$</i>	<i>HK\$</i>
Trade payables	731,309,628	702,658,382
Notes payable	25,289,873	18,048,167
Other payables		
— salaries payable	64,599,665	52,156,181
— taxes payable other than income tax	39,761,089	24,651,661
— advances from customers	37,164,241	46,254,981
— payables for property, plant and equipment	154,135,195	99,291,083
— others	128,989,985	92,273,679
Accrued expenses		
— promotion fees	130,468,811	88,936,554
— utility charges	31,409,261	23,236,311
— transportation fees	46,435,257	34,254,343
— advertising fee	6,971,406	5,169,777
— accrued interest	11,004,129	10,417,535
— others	15,479,345	12,595,518
	<u>1,423,017,885</u>	<u>1,209,944,172</u>

As at 31 December 2012 and 2011, the carrying amounts of the Group's trade payables, notes payables 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	
	2012	2011
	<i>HK\$</i>	<i>HK\$</i>
RMB	808,028,996	556,162,513
US\$	369,952,270	465,551,451
HK\$	1,429,089	10,075,582
Other currencies	1,839,321	3,544,588
	<u>1,181,249,676</u>	<u>1,035,334,134</u>

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 2012 and 2011 are as follows:

	Group	
	As at 31 December	
	2012	2011
	<i>HK\$</i>	<i>HK\$</i>
Within 3 months	688,507,764	702,436,164
4 months to 6 months	57,299,553	11,652,403
7 months to 12 months	9,748,523	3,059,233
1 year to 2 years	985,431	2,988,304
2 years to 3 years	55,908	570,445
Over 3 years	<u>2,322</u>	<u>—</u>
	<u>756,599,501</u>	<u>720,706,549</u>
	Company	
	As at 31 December	
	2012	2011
	<i>HK\$</i>	<i>HK\$</i>
Other payables and accrued expenses — denominated in HK\$	<u>3,317,962</u>	<u>12,569,048</u>

As at 31 December 2012 and 2011, the carrying amount of the Company's other payables and accrued expenses approximated their fair values.

20 BORROWINGS

	Group	
	As at 31 December	
	2012	2011
	<i>HK\$</i>	<i>HK\$</i>
Non-current		
Unsecured bank borrowings	843,234,694	1,129,729,628
Unsecured other borrowings (<i>Note (a)</i>)	<u>7,083,053</u>	<u>21,604,644</u>
Total non-current borrowings	<u>850,317,747</u>	<u>1,151,334,272</u>
Current		
Portion of loans from banks due for repayment within one year — Unsecured	1,141,650,525	645,400,860
Portion of loans from banks due for repayment after one year which contain a repayment on demand clause — Unsecured	77,250,000	155,250,000
Unsecured other borrowings (<i>Note (a)</i>)	<u>—</u>	<u>493,401</u>
Total current borrowings	<u>1,218,900,525</u>	<u>801,144,261</u>
Total borrowings	<u>2,069,218,272</u>	<u>1,952,478,533</u>

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

(b) The maturity of borrowings is as follows:

	Bank borrowings		Other borrowings	
	As at 31 December		As at 31 December	
	2012	2011	2012	2011
	HK\$	HK\$	HK\$	HK\$
Portion of loans due for repayment within 1 year:	1,141,650,525	645,400,860	—	493,401
Loans due for repayment after 1 year (<i>Note 1</i>):				
Between 1 and 2 years	761,954,776	522,336,704	—	536,431
Between 2 and 5 years	<u>158,529,918</u>	<u>762,642,924</u>	<u>7,083,053</u>	<u>21,068,213</u>
	<u>2,062,135,219</u>	<u>1,930,380,488</u>	<u>7,083,053</u>	<u>22,098,045</u>

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.

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

	Bank borrowings		Other borrowings	
	As at 31 December		As at 31 December	
	2012	2011	2012	2011
HK\$	0.48%~2.90%	1.70~2.78%	—	—
US\$	1.31%~3.57%	1.11~3.49%	—	—
RMB	3.50%~6.90%	4.86~6.65%	—	—
AU\$	1.71%~3.08%	1.70~2.78%	—	—
EU€	<u>1.51%~1.65%</u>	<u>—</u>	<u>—</u>	<u>—</u>

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

	Bank borrowings	
	As at 31 December	
	2012	2011
HK\$	2.32%	2.24%
US\$	2.81%	2.07%
RMB	5.41%	4.95%
AU\$	2.23%	2.24%
EU€	<u>1.56%</u>	<u>—</u>

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

	As at 31 December	
	2012	2011
	HK\$	HK\$
HK\$	1,251,301,737	1,366,916,926
US\$	459,960,978	176,208,700
RMB	225,248,206	271,462,792
AUS	123,014,254	137,890,115
EU€	9,693,097	—
	<u>2,069,218,272</u>	<u>1,952,478,533</u>

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

	Company	
	As at 31 December	
	2012	2011
	HK\$	HK\$
Non-current		
Bank borrowings		
— Unsecured	<u>447,029,840</u>	<u>697,475,756</u>
Current		
Portion of loans from banks due for repayment within one year		
— Unsecured	<u>253,329,285</u>	<u>44,519,729</u>
Total borrowings	<u>700,359,125</u>	<u>741,995,485</u>

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

	As at 31 December	
	2012	2011
	HK\$	HK\$
Portion of loans due for repayment within 1 year	253,329,285	44,519,729
Loans due for repayment after 1 year:		
Between 1 and 2 years	447,029,840	255,000,000
Between 2 and 5 years	<u>—</u>	<u>442,475,756</u>
	<u>700,359,125</u>	<u>741,995,485</u>

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

	Bank borrowings	
	As at 31 December	
HK\$	2012	2011
	<u>2.65% ~ 3.32%</u>	<u>2.55% ~ 2.62%</u>

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

21 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	
	2012	2011
	HK\$	HK\$
Deferred tax assets		
— Deferred income tax assets to be recovered after 12 months	33,963,364	33,302,224
— Deferred income tax assets to be recovered within 12 months	<u>141,721,709</u>	<u>82,398,544</u>
	<u>175,685,073</u>	<u>115,700,768</u>
Deferred tax liabilities		
— Deferred income tax liability to be settled after 12 months	(4,491,714)	(1,662,617)
— Deferred income tax liability to be settled within 12 months	<u>—</u>	<u>—</u>
	<u>(4,491,714)</u>	<u>(1,662,617)</u>
Deferred income tax assets, net	<u>171,193,359</u>	<u>114,038,151</u>

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

	For the year ended 31 December	
	2012	2011
	HK\$	HK\$
Beginning of the year	114,038,151	85,974,958
Credited to the consolidated statement of comprehensive income (<i>Note 28</i>)	57,009,923	23,248,780
Exchange differences	<u>145,285</u>	<u>4,814,413</u>
End of the year	<u>171,193,359</u>	<u>114,038,151</u>

The movement of the deferred tax assets is as follows:

	Impairment of assets HK\$	Deferred government grants HK\$	Unrealised profits-sales of inventories HK\$	Unrealised profits-sales of property, plant and equipment HK\$	Accrued expenses HK\$	Taxable loss carried forward HK\$	Share option expenses HK\$	Others HK\$	Total HK\$
At 31 December 2010 and 1 January 2011	4,721,903	17,495,203	14,822,329	17,366,651	29,027,226	1,207,734	—	3,047,548	87,688,594
Credited/(charged) to the consolidated statement of comprehensive income	884,250	(277,813)	(863,242)	(1,365,885)	12,962,431	14,630,978	—	(2,928,370)	23,042,349
Exchange differences	252,904	861,636	716,677	832,177	1,847,139	399,948	—	59,344	4,969,825
At 31 December 2011	<u>5,859,057</u>	<u>18,079,026</u>	<u>14,675,764</u>	<u>16,832,943</u>	<u>43,836,796</u>	<u>16,238,660</u>	<u>—</u>	<u>178,522</u>	<u>115,700,768</u>
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	<u>6,184,600</u>	<u>24,607,705</u>	<u>28,344,124</u>	<u>17,614,406</u>	<u>63,792,778</u>	<u>31,719,394</u>	<u>1,684,527</u>	<u>1,737,539</u>	<u>175,685,073</u>

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\$19,575 (2011: HK\$896,938) in respect of losses amounting to HK\$118,638 (2011: HK\$5,435,987) that can be carried forward against future taxable income.

The movement of the deferred tax liabilities is as follows:

	Accelerated depreciation HK\$	Borrowing costs HK\$	Interest capitalized HK\$	Total HK\$
1 January 2011	1,647,219	66,417	—	1,713,636
Credited to the consolidated statement of comprehensive income	(138,169)	(68,262)	—	(206,431)
Exchange differences	153,567	1,845	—	155,412
At 31 December 2011	<u>1,662,617</u>	<u>—</u>	<u>—</u>	<u>1,662,617</u>
At 31 December 2011 and 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	<u>1,680,410</u>	<u>—</u>	<u>2,811,304</u>	<u>4,491,714</u>

Deferred income tax liabilities of HK\$76,752,923 (2011: HK\$74,985,175) 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\$1,535,058,451 as at 31 December 2012 (2011: HK\$1,135,871,684).

22 DEFERRED GOVERNMENT GRANTS — GROUP

	HK\$
At 1 January 2011	
Cost	84,311,880
Accumulated amortisation	<u>(14,331,069)</u>
Net book amount	<u>69,980,811</u>
Year ended 31 December 2011	
Opening net book amount	69,980,811
Additions	5,262,713
Amortisation (<i>Note 24</i>)	(4,421,515)
Exchange differences	<u>3,467,737</u>
Closing net book amount	<u>74,289,746</u>
At 31 December 2011	
Cost	93,867,003
Accumulated amortisation	<u>(19,577,257)</u>
Net book amount	<u>74,289,746</u>
Year ended 31 December 2012	
Opening net book amount	74,289,746
Additions	29,075,917
Amortisation (<i>Note 24</i>)	(2,888,808)
Exchange differences	<u>120,325</u>
Closing net book amount	<u>100,597,180</u>
At 31 December 2012	
Cost	122,449,641
Accumulated amortisation	<u>(21,852,461)</u>
Net book amount	<u>100,597,180</u>

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

In 2012, Vinda Paper (Sichuan), Vinda Paper (Xiaogang) 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.

The balance of deferred government grants as at 31 December 2012 mainly includes the grants from local government related to the land use rights purchased:

	As at 31 December	
	2012	2011
	HK\$	HK\$
Vinda Paper (Liaoning)	40,046,062	40,546,820
Vinda Paper (Hubei)	5,517,365	6,674,751
Vinda Paper (Sichuan)	18,143,032	10,673,412
Vinda Paper (Xiaogan)	16,108,317	8,822,589
Vinda Paper (Shangdong)	19,540,119	—
	<u>99,354,895</u>	<u>66,717,572</u>
Others	<u>1,242,285</u>	<u>7,572,174</u>
	<u>100,597,180</u>	<u>74,289,746</u>

23 DERIVATIVE FINANCIAL INSTRUMENTS

	Group	
	As at 31 December	
	2012	2011
	HK\$	HK\$
Cross currency swap (<i>Note(a)</i>)	8,675,816	13,762,577
Interest rate swap (<i>Note(b)</i>) — cash flow hedge	<u>6,394,687</u>	<u>3,662,168</u>
	<u>15,070,503</u>	<u>17,424,745</u>

	Company	
	As at 31 December	
	2012	2011
	HK\$	HK\$
Interest rate swap (<i>Note(c)</i>) — cash flow hedge	<u>5,616,124</u>	<u>3,423,823</u>

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\$15,261,273 (2011:AU\$17,441,455) while the aggregate principal payable by the Group amounts to HK\$131,250,000 (2011:HK\$150,000,000). The swap also entitles the Group to receive AU\$ floating interest rate at 3 month Bank Bill Swap Rates of Australia plus a certain spread while the Group is obligated to pay interest at 3 month HIBOR plus a certain spread, respectively by reference to initial notional principal amounts of AU\$15,261,273 (2011:AU\$17,441,455) and HK\$131,250,000 (2011:HK\$150,000,000), both

declining over the term of three years. The schedule of principal and interest exchanges are synchronized with the AU\$ 3-year term loan include under non-current bank borrowing described under Note 20 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 2012 was HK\$924,000,000 (2011: HK\$1,017,000,000). At 31 December 2012, the fixed interest rate was from 0.58% to 1.28% per annum and the floating rate was with reference to the 1 month/3 month HIBOR.
- (c) The notional principal amount of the outstanding interest rate swap contract at 31 December 2012 was HK\$705,000,000 (2011: HK\$750,000,000). At 31 December 2012, the fixed interest rate was from 0.74% to 1.28% per annum and the floating rate was with reference to the 1 month/3 month HIBOR.

24 OTHER INCOME AND GAINS, NET — GROUP

	For the year ended 31 December	
	2012	2011
	HK\$	HK\$
Subsidy income received from local government (<i>Note (a)</i>)	32,303,815	15,615,468
Amortisation of deferred government grants (<i>Note 22</i>)	2,888,808	4,421,515
Loss on disposal of property, plant and equipment	(2,012,377)	(1,415,845)
Foreign exchange gains, net (<i>Note 29</i>)	3,434,145	4,298,605
Gain from disposal of land use right (<i>Note 6</i>)	19,237,164	—
Rent income	1,696,165	—
Depreciation of investment property	(689,911)	—
Others	<u>1,549,923</u>	<u>(133,301)</u>
	<u>58,407,732</u>	<u>22,786,442</u>

- (a) In 2012, certain subsidiaries of the Group in the PRC have received subsidy income from government authorities amounting to RMB26,282,382 (equivalent to HK\$32,303,815) (2011: RMB12,928,124 (equivalent to HK\$15,615,468)).

25 EXPENSES BY NATURE — GROUP

	For the year ended 31 December	
	2012	2011
	HK\$	HK\$
Material costs	3,160,364,438	2,729,260,066
Staff costs (<i>Note 26</i>)	560,611,450	398,843,794
Utilities	469,775,992	346,041,168
Transportation expenses	248,635,433	198,781,200
Promotion expenses	277,334,981	213,927,598
Depreciation of property, plant and equipment (<i>Note 7</i>)	192,290,672	152,323,987
Advertising costs	58,894,380	29,906,962
Travel and office expenses	33,527,811	29,679,166
Real estate tax, stamp duty and other taxes	22,504,357	17,291,351
Operating lease rent	46,975,882	16,470,468
Bank charges	10,106,637	6,946,156
Provision for impairment of receivables (<i>Note 13</i>)	490,496	2,787,019
Auditor's remuneration	6,145,526	6,039,377
Amortisation of leasehold land and land use rights (<i>Note 6</i>)	4,526,495	4,595,187
Amortisation of intangible assets (<i>Note 8</i>)	3,443,122	3,201,389
Provision for/(reversal of) write-down of inventories	1,141,009	(119,746)
Other expenses	<u>210,568,805</u>	<u>126,468,609</u>
Total cost of sales, selling and marketing costs and administrative expenses	<u><u>5,307,337,486</u></u>	<u><u>4,282,443,751</u></u>

26 EMPLOYEE BENEFIT EXPENSES — GROUP

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

	For the year ended 31 December	
	2012	2011
	HK\$	HK\$
Defined contribution for Hong Kong employees — MPF	221,706	369,133
Social security and benefits for the PRC employees	<u>67,526,395</u>	<u>38,754,598</u>
	67,748,101	39,123,731
Amortization of fair value costs of employee share options granted	46,225,333	18,183,000
Wages, salaries and bonus	411,689,491	319,134,274
Staff welfare	<u>34,948,525</u>	<u>22,402,789</u>
	<u><u>560,611,450</u></u>	<u><u>398,843,794</u></u>

(a) Directors' emoluments

	For the year ended 31 December	
	2012	2011
	HK\$	HK\$
Directors		
— Basic salaries, housing allowances, other allowances and benefits-in-kind	14,862,694	12,575,786
— Contributions to retirement plans	80,496	78,971
— Fair value of share options granted	<u>19,970,667</u>	<u>9,627,005</u>
	<u>34,913,857</u>	<u>22,281,762</u>

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

(i) For the year ended 31 December 2012:

	Basic salaries, housing allowances, other allowances, and benefits-in-kind	Contributions to pension plans	Fair value of share options granted	Total
	HK\$	HK\$	HK\$	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
— Mr. Chiu Bun	—	—	—	—
	<u>14,862,694</u>	<u>80,496</u>	<u>19,970,667</u>	<u>34,913,857</u>

(ii) For the year ended 31 December 2011:

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

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

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

For the year ended 31 December 2012 and 2011, 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 2012 include four directors (2011: four directors) whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining one individual (2011: one individual) for the year ended 31 December 2012 is as follows:

	For the year ended 31 December	
	2012	2011
	<i>HK\$</i>	<i>HK\$</i>
— Basic salaries, housing allowances, other allowances and benefits-in-kind	2,438,542	2,291,297
— Contributions to retirement plans	13,750	12,000
— Fair value of employee share options granted	<u>1,485,727</u>	<u>404,280</u>
	<u>3,938,019</u>	<u>2,707,577</u>

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 2011.

27 FINANCE (COSTS)/INCOME — GROUP

	For the year ended 31 December	
	2012	2011
	HK\$	HK\$
Interest expense		
— bank borrowings(a)	(48,322,993)	(43,982,615)
Foreign exchange gain, net (<i>Note 29</i>)	208,243	57,812,949
Interest income		
— bank deposits	<u>7,402,715</u>	<u>4,816,589</u>
Net finance (costs)/income	<u>(40,712,035)</u>	<u>18,646,923</u>

- (a) During the year, the Group has capitalized borrowing costs amounting to HK\$13,952,054 (2011: HK\$1,418,684) on qualifying assets. Borrowing costs were capitalized at the weighted average rate of its general borrowings of 3.34% (2011: 3.26%).

28 TAXATION — GROUP

(a) Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profit for the year. Taxation on profits outside Hong Kong has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries or cities in which the Group operates.

	For the year ended 31 December	
	2012	2011
	HK\$	HK\$
Current income tax		
— Hong Kong profits tax	19,128,001	9,306,262
— PRC enterprise income tax	217,053,108	130,158,980
— Under provision of income tax for prior year	2,737,963	—
Deferred income tax (<i>Note 21</i>)	<u>(57,009,923)</u>	<u>(23,248,780)</u>
	<u>181,909,149</u>	<u>116,216,462</u>

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	
	2012	2011
	<i>HK\$</i>	<i>HK\$</i>
Profit before income tax	<u>718,470,904</u>	<u>521,930,852</u>
Applicable tax rates	22.98%	23.22%
Tax calculated at weighted average tax rate	165,104,614	121,205,147
Income not subject to tax	(1,653,142)	(13,784,770)
Expenses not deductible for tax purposes	17,563,994	7,832,310
Unrecognised tax losses	11,135	963,775
Under provision of income tax for prior year	2,737,963	—
Utilisation of prior years unrecognized tax losses	<u>(1,855,415)</u>	<u>—</u>
Income tax expense	<u>181,909,149</u>	<u>116,216,462</u>

(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 (Guangdong) and Vinda Paper (Jiangmen) have received approval to use the "exempt, credit, refund" method on goods exported. The tax refund rate is 5%.

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

29 NET FOREIGN EXCHANGE GAINS

	For the year ended 31 December	
	2012	2011
	<i>HK\$</i>	<i>HK\$</i>
Other income and gains — net (<i>Note 24</i>)	3,434,145	4,298,605
Finance income — exchange gain (<i>Note 27</i>)	<u>208,243</u>	<u>57,812,949</u>
	<u>3,642,388</u>	<u>62,111,554</u>

30 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\$112,688,824 (2011: HK\$152,278,266).

31 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	
	2012	2011
	HK\$	HK\$
Profit attributable to equity holders of the Company (HK\$)	<u>536,561,755</u>	<u>405,714,390</u>
Weighted average number of ordinary shares in issue	<u>983,101,828</u>	<u>937,275,733</u>
Basic earnings per share (HK\$ per share)	<u>0.546</u>	<u>0.433</u>

(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	
	2012	2011
	HK\$	HK\$
Profit attributable to equity holders of the Company (HK\$)	<u>536,561,755</u>	<u>405,714,390</u>
Weighted average number of ordinary shares in issue	983,101,828	937,275,733
Adjustments for share options	<u>8,459,554</u>	<u>15,769,809</u>
Weighted average number of ordinary shares for diluted earnings per share	<u>991,561,382</u>	<u>953,045,542</u>
Diluted earnings per share (HK\$ per share)	<u>0.541</u>	<u>0.426</u>

32 DIVIDENDS

	2012	2011
	HK\$	HK\$
Interim dividend paid of HK\$0.043 (2011: HK\$0.033) per ordinary share	<u>42,973,457</u>	<u>30,937,787</u>
Proposed final dividend of HK\$0.113 (2011: HK\$0.087) per ordinary share	<u>112,930,244</u>	<u>81,621,981</u>

On 26 March 2013, the Board of Directors proposed a final dividend in respect of the year ended 31 December 2012 of HK\$112,930,244, representing HK\$0.113 per ordinary share based on the 999,382,686 (31 December 2011: 938,183,686) issued shares outstanding as at 31 December 2012. 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 2011 was HK\$86,988,662 based on the 999,869,686 issued shares outstanding at that time.

The dividends actually paid in 2012 and 2011 were HK\$129,962,119 and HK\$112,491,212 respectively based on the number of issued shares outstanding at relevant time.

33 CASH GENERATED FROM OPERATIONS

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

	For the year ended 31 December	
	2012	2011
	HK\$	HK\$
Profit before income tax	718,470,904	521,930,852
Adjustments for:		
— Depreciation of property, plant and equipment	192,290,672	152,323,987
— Depreciation of investment property	689,911	—
— Amortisation of intangible assets	3,443,122	3,201,389
— Gain on disposal of land use rights	(19,237,164)	—
— Amortisation of leasehold land and land use rights	4,526,495	4,595,187
— Amortisation of deferred government grants	(2,888,808)	(4,421,515)
— Loss on disposals of property, plant and equipment	2,012,377	1,415,845
— Share-based payment	46,225,333	18,183,000
— Provision for impairment of receivables	490,496	2,787,019
— Provision for (reversal of)/write-down of inventories	1,141,009	(119,746)
— Net finance costs/(income) (<i>Note 27</i>)	40,712,035	(18,646,923)
— Share of post-tax loss of an associate (<i>Note 10</i>)	15,934,119	2,358,175
	<u>1,003,810,501</u>	<u>683,607,270</u>
Changes in working capital (excluding the effect of exchange differences on consolidation):		
— Increase in inventories	(75,495,630)	(50,127,069)
— Increase in trade receivables, other receivables and prepayments	(176,141,211)	(291,094,586)
— Increase in restricted bank deposits	(4,809,118)	(1,246,760)
— Decrease/(Increase) in amount due from related parties	970,310	(42,173,053)
— Increase in trade payables, other payables and accrued expenses	272,276,353	189,127,497
— (Decrease)/Increase in amount due to a related party	365,154	1,779,362
Cash generated from operations	<u>1,020,976,359</u>	<u>489,872,661</u>

(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	
	2012	2011
	HK\$	HK\$
Net book amount (<i>Note 7</i>)	2,669,812	8,884,793
Loss on disposal of property, plant and equipment	<u>(2,012,377)</u>	<u>(1,415,845)</u>
Proceeds from disposal of property, plant and equipment	<u>657,435</u>	<u>7,468,948</u>

34 COMMITMENTS

(a) Capital commitments

	As at 31 December	
	2012	2011
	HK\$	HK\$
Property, plant and equipment and intangible assets	549,451,691	488,722,501
Investment in an associate (<i>Note 10</i>)	<u>41,000,000</u>	<u>61,500,000</u>
	<u>590,451,691</u>	<u>550,222,501</u>

(b) Commitments under operating leases

As at 31 December 2012, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	As at 31 December	
	2012	2011
	HK\$	HK\$
Not later than one year	51,561,971	1,669,909
Later than one year but not later than two years	57,335,035	364,201
Later than two years but not later than five years	169,608,866	107,314,666
Later than five years	<u>458,947,886</u>	<u>357,715,554</u>
	<u>737,453,758</u>	<u>467,064,330</u>

35 RELATED PARTY TRANSACTIONS

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

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

(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 2012 also include:

	For the year ended 31 December	
	2012	2011
	<i>HK\$</i>	<i>HK\$</i>
(1) Sales of products to related parties:		
— SCA HA	9,382,418	42,888,828
— SCA (Shanghai)	2,270,072	2,936,532
— V-Care (China)	<u>5,198,036</u>	<u>1,690,305</u>
	<u>16,850,526</u>	<u>47,515,665</u>
(2) Processing trade to related parties:		
— SCA HK	<u>5,721,610</u>	<u>3,913,466</u>
(3) Purchase of products from related parties:		
— V-Care (China)	<u>3,196,759</u>	<u>1,973,143</u>
(4) Sales commission from related parties:		
— V-Care (China)	<u>678,129</u>	<u>1,259,372</u>
(5) Rent income from related parties:		
— V-Care (China)	<u>1,696,165</u>	<u>—</u>
(6) Rent expense paid to related parties:		
— Taiyuan Paper (<i>Note</i>)	<u>10,324,484</u>	<u>—</u>

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 (HK\$35,771,555).

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.

During the year ended 31 December 2012, total rental paid to Taiyuan paper was HK\$10,324,484. For accounting purpose, as there is a rent-free period under the above lease agreements, the rental expense recorded in the consolidated statement of comprehensive income, after taking into consideration of the rent-free period, is HK\$17,726,835 for the year ended 31 December 2012.

	For the year ended 31 December	
	2012	2011
	<i>HK\$</i>	<i>HK\$</i>
(7) Key management compensation:		
Directors		
— Basic salaries, housing allowances, other allowances, benefits-in-kind, pensions and other benefits	14,943,190	12,654,757
— Share-based payments	19,970,667	9,627,005
Senior management		
— Basic salaries, housing allowances, other allowances, benefits-in-kind, pensions and other benefits	10,088,230	5,440,188
— Share-based payments	<u>7,054,740</u>	<u>1,886,352</u>
	<u>52,056,827</u>	<u>29,608,302</u>

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

	Number of individuals	
	2012	2011
— HK\$1,000,000 to HK\$1,500,000	2	—
— HK\$1,500,000 to HK\$2,000,000	2	—
— Above HK\$2,000,000	<u>1</u>	<u>1</u>

No emoluments have been paid to these individuals as an inducement to join or upon joining the Group or as compensation for loss of office for the year ended 31 December 2011 and 2012.

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

	As at 31 December	
	2012	2011
	<i>HK\$</i>	<i>HK\$</i>
(1) Receivables from related parties		
— SCA HA	1,869,910	3,465,914
— SCA (Hong Kong)	990,084	816,989
— SCA (Shanghai)	110,223	360,195
— V-Care (China)	<u>638,798</u>	<u>2,859,230</u>
	<u>3,609,015</u>	<u>7,502,328</u>

All the above receivables are aged within 3 months as at 31 December 2012 and 2011.

	As at 31 December	
	2012	2011
	HK\$	HK\$
(2) Prepayments to related parties		
— Taiyuan Paper	<u>38,694,558</u>	<u>35,771,555</u>

	As at 31 December	
	2012	2011
	HK\$	HK\$
(3) Trade payables to related parties		
— V-Care (China)	<u>2,144,516</u>	<u>1,779,362</u>

Aging analyses of trade payable to related parties of the Group based on invoice date as at 31 December 2012 and 2011 are as below:

	As at 31 December	
	2012	2011
	HK\$	HK\$
Within 3 months	<u>2,144,516</u>	<u>1,779,362</u>

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

	As at 31 December	
	2012	2011
	HK\$	HK\$
(1) Other receivables due from subsidiaries		
— Forton Enterprises	1,013,901,553	225,000,000
— Vinda Household Paper (China)	170,604,781	407,437,032
— Vinda Household Paper (Hong Kong)	72,453,404	—
— Vinda Investment	70,379,825	50,000,000
— Vinda Investment Group	41,178,937	—
— Vinda Industrial HK	<u>34,799,536</u>	<u>30,700,000</u>
	<u>1,403,318,036</u>	<u>713,137,032</u>

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

3. UNAUDITED FINANCIAL INFORMATION

The following financial information has been extracted from the interim report of Vinda for the six months ended 30 June 2013.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2013

	Note	Unaudited	
		Six months ended 30 June	
		2013	2012
		HK\$	HK\$
Revenue	6	3,313,654,946	2,887,493,324
Cost of sales		<u>(2,355,839,774)</u>	<u>(1,984,449,497)</u>
Gross profit		957,815,172	903,043,827
Selling and marketing costs		(438,366,882)	(358,625,693)
Administrative expenses		(165,362,575)	(163,374,933)
Other income and gains — net		<u>29,745,333</u>	<u>422,262</u>
Operating profit	15	<u>383,831,048</u>	<u>381,465,463</u>
Interest expense		(25,365,169)	(26,802,383)
Net foreign exchange transaction gain/(loss)		22,122,622	(4,505,803)
Interest income		<u>2,130,709</u>	<u>3,759,257</u>
Finance costs, net		(1,111,838)	(27,548,929)
Share of post-tax loss of an associate	8	<u>(15,800,143)</u>	<u>(3,136,224)</u>
Profit before income tax		366,919,067	350,780,310
Income tax expense	16	<u>(82,934,711)</u>	<u>(92,735,281)</u>
Profit attributable to equity holders of the Company		<u><u>283,984,356</u></u>	<u><u>258,045,029</u></u>
Other comprehensive income:			
Items that may be reclassified to profit or loss			
— Currency translation differences		77,108,126	(20,536,247)
— Hedging reserve		<u>2,705,248</u>	<u>(4,607,295)</u>
Total comprehensive income attributable to equity holders of the Company		<u><u>363,797,730</u></u>	<u><u>232,901,487</u></u>

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2013

		30 June 2013 Unaudited HK\$	31 December 2012 Audited HK\$
	<i>Note</i>		
ASSETS			
Non-current assets			
Property, plant and equipment	7	4,664,507,233	3,987,486,971
Investment properties	7	32,511,065	32,435,570
Leasehold land and land use rights	7	288,222,296	185,167,942
Intangible assets	7	13,959,152	12,954,724
Deferred income tax assets		193,398,346	175,685,073
Investment in an associate	8	<u>69,773,475</u>	<u>64,357,657</u>
Total non-current assets		<u>5,262,371,567</u>	<u>4,458,087,937</u>
Current assets			
Inventories		1,655,520,325	1,446,576,241
Trade receivables, other receivables and prepayments	9	1,266,783,846	1,115,984,965
Prepayments to and receivables from related parties	21	47,439,715	42,303,573
Restricted bank deposits		2,461,943	6,101,567
Cash and cash equivalents		<u>774,935,678</u>	<u>753,586,651</u>
Total current assets		<u>3,747,141,507</u>	<u>3,364,552,997</u>
Total assets		<u>9,009,513,074</u>	<u>7,822,640,934</u>
EQUITY			
Share capital	10	99,968,269	99,938,269
Share premium	10	1,670,413,032	1,668,318,024
Other reserves			
— Proposed dividend		47,984,769	112,930,244
— Others		<u>2,566,816,345</u>	<u>2,237,731,131</u>
Total equity		<u>4,385,182,415</u>	<u>4,118,917,668</u>

		30 June 2013 Unaudited HK\$	31 December 2012 Audited HK\$
	<i>Note</i>		
LIABILITIES			
Non-current liabilities			
Borrowings	12	1,812,450,336	850,317,747
Deferred government grants		102,735,405	100,597,180
Derivative financial instruments	13	19,570,343	15,070,503
Deferred income tax liabilities		<u>6,163,082</u>	<u>4,491,714</u>
Total non-current liabilities		<u>1,940,919,166</u>	<u>970,477,144</u>
Current liabilities			
Trade payables, other payables and accrued expenses	14	1,589,072,288	1,423,017,885
Due to a related party	21	1,710,348	2,144,516
Borrowings	12	976,927,694	1,218,900,525
Current income tax liabilities		<u>115,701,163</u>	<u>89,183,196</u>
Total current liabilities		<u>2,683,411,493</u>	<u>2,733,246,122</u>
Total liabilities		<u>4,624,330,659</u>	<u>3,703,723,266</u>
Total equity and liabilities		<u>9,009,513,074</u>	<u>7,822,640,934</u>
Net current assets		<u>1,063,730,014</u>	<u>631,306,875</u>
Total assets less current liabilities		<u>6,326,101,581</u>	<u>5,089,394,812</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 June 2013

	Note	Unaudited			Total HK\$
		Attributable to equity holders of the Company			
		Share capital HK\$	Share premium HK\$	Other reserves HK\$	
Balance as at 1 January 2012		93,818,369	1,119,423,427	1,925,352,703	3,138,594,499
Profit for the period		—	—	258,045,029	258,045,029
Other comprehensive income					
— Currency translation differences		—	—	(20,536,247)	(20,536,247)
— Hedging reserve		—	—	(4,607,295)	(4,607,295)
Total comprehensive income for the six months ended 30 June 2012		—	—	232,901,487	232,901,487
Transaction with owners					
Employees share option scheme					
— Value of employee services		—	—	32,006,667	32,006,667
— Exercise of options	11	1,968,600	87,073,794	(24,080,966)	64,961,428
Allotment of shares	10	4,200,000	468,712,479	—	472,912,479
Dividends	18	—	—	(86,988,663)	(86,988,663)
Transaction with owners		<u>6,168,600</u>	<u>555,786,273</u>	<u>(79,062,962)</u>	<u>482,891,911</u>
Balance as at 30 June 2012		<u>99,986,969</u>	<u>1,675,209,700</u>	<u>2,079,191,228</u>	<u>3,854,387,897</u>
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					
— 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		<u>30,000</u>	<u>2,095,008</u>	<u>(99,657,991)</u>	<u>(97,532,983)</u>
Balance as at 30 June 2013		<u>99,968,269</u>	<u>1,670,413,032</u>	<u>2,614,801,114</u>	<u>4,385,182,415</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2013

		Unaudited	
		Six months ended 30 June	
		2013	2012
	<i>Note</i>	<i>HK\$</i>	<i>HK\$</i>
Cash flows from operating activities:			
— continuing operations		<u>268,056,271</u>	<u>303,239,144</u>
Cash flows from investing activities:			
— purchases of property, plant and equipment		(742,427,259)	(331,171,051)
— purchases of intangible assets		(3,427,855)	(1,250,437)
— purchases of leasehold land and land use rights		(92,097,788)	(20,921,268)
— proceeds on disposal of property, plant and equipment	8	2,736,060	2,833,442
— investment in an unlisted associate		(20,500,000)	—
— interest received		<u>2,130,709</u>	<u>3,759,257</u>
Cash flows used in investing activities		<u>(853,586,133)</u>	<u>(346,750,057)</u>
Cash flows from financing activities:			
— dividends paid	18	(112,964,143)	(86,988,663)
— repayments of borrowings	12	(1,095,760,829)	(410,029,982)
— proceeds from borrowings	12	1,808,029,007	627,015,618
— proceeds from shares issued	11	<u>1,574,160</u>	<u>537,873,907</u>
Cash flows generated from financing activities		<u>600,878,195</u>	<u>667,870,880</u>
Net increase in cash and cash equivalents		15,348,333	624,359,967
Cash and cash equivalents at beginning of the period		753,586,651	714,611,721
Exchange differences		<u>6,000,694</u>	<u>(3,125,359)</u>
Cash and cash equivalents at end of the period		<u><u>774,935,678</u></u>	<u><u>1,335,846,329</u></u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 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 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.

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 HK dollars, unless otherwise stated. This condensed consolidated interim financial information was approved for issue on 28 August 2013.

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 2013 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 2012, 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 2012, 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 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 1 (Amendment) “Government loans” is effective for annual periods beginning on or after 1 January 2013. The amendments require that a first-time adopter shall classify all government loans received as a financial liability or an equity instrument in accordance with HKAS 32 Financial Instruments: Presentation.

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 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. The requirements, which are largely aligned between HKFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRSs or US GAAP.

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

(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 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
HKFRS 7 (Amendment)	Financial instruments: Disclosures — Offsetting financial assets and financial liabilities	1 January 2013
HKFRSs 11 and 12 (Amendment)	Transition guidance	1 January 2013
HKFRS 11	Joint arrangements	1 January 2013
HKFRS 12	Disclosure of interests in other entities	1 January 2013
HKFRIC 20	Stripping costs in the production phase of a surface mine	1 January 2013

Apart from the above, the HKICPA has issued the annual improvements project (2011) which addresses several issues in the 2009-2011 reporting cycle, and includes changes to the following standards.

		Effective for annual periods beginning on or after
HKFRS 1	First time adoption	1 January 2013
HKAS 1	Financial statement presentation	1 January 2013
HKAS 16	Property plant and equipment	1 January 2013
HKAS 32	Financial instruments: Presentation	1 January 2013
HKAS 34	Interim financial reporting	1 January 2013

- (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:

The Group has not applied the following new and revised HKFRSs that have been issued but are not yet effective:

		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	Recoverable amount disclosures for non-financial assets	1 January 2014
Amendments to HKAS 39	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
HKFRS 9	Financial Instruments	1 January 2015
HKFRS 7 and HKFRS 9 (Amendments)	Mandatory effective date and transition disclosures	1 January 2015

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 2012.

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 2012.

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

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 2013, the contractual maturities of the Group's non-derivative financial liabilities were as follows:

	On demand <i>HK\$</i>	Less than 1 year <i>HK\$</i>	Between 1 and 2 years <i>HK\$</i>	Between 2 and 5 years <i>HK\$</i>	Total Amount <i>HK\$</i>
As at 30 June 2013					
Term loans subject to a repayment on demand clause	112,096,000	—	—	—	112,096,000
Other bank loans	—	864,831,694	728,754,527	1,076,500,228	2,670,086,449
Other borrowings	—	—	7,195,581	—	7,195,581
Interests payable on borrowings	1,428,118	71,230,013	45,226,892	20,022,616	137,907,638
Trade payables	—	942,367,739	—	—	942,367,739
Other payables	—	282,010,211	—	—	282,010,211
As at 31 December 2012					
Term loans subject to a repayment on demand clause	190,082,000	—	—	—	190,082,000
Other bank loans	—	1,028,818,525	707,704,776	135,529,918	1,872,053,219
Other borrowings	—	—	—	7,083,053	7,083,053
Interests payable on borrowings	3,400,505	48,736,569	28,764,416	3,920,859	84,822,349
Trade payables	—	731,309,628	—	2,284,031	733,593,659
Other payables	—	308,415,053	—	—	308,415,053

5.3 Fair value estimation

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities that are measured at fair value at 30 June 2013.

	Level 1 <i>HK\$</i>	Level 2 <i>HK\$</i>	Level 3 <i>HK\$</i>	Total <i>HK\$</i>
Liabilities				
Derivative financial instruments	—	—	19,570,343	19,570,343

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	
	2013 <i>HK\$</i>	2012 <i>HK\$</i>
Sales of goods	3,268,457,086	2,831,958,459
Sales of semi-finished goods and other materials	41,968,552	51,816,336
Processing trade	3,229,308	3,039,566
Sales commission	—	678,963
Total revenue	<u>3,313,654,946</u>	<u>2,887,493,324</u>

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 2013 is HK\$3,044,055,807 (for the six months ended 30 June 2012: HK\$2,640,414,634), HK\$260,471,351 (for the six months ended 30 June 2012: HK\$237,090,446), HK\$9,127,788 (for the six months ended 30 June 2012: HK\$9,988,244).

The total non-current assets are analysed as follows:

	As at	
	30 June 2013 Unaudited HK\$	31 December 2012 Audited HK\$
Total non-current assets other than deferred tax assets and investment in an associate		
— Mainland China	4,971,335,524	4,189,012,110
— Hong Kong and overseas	27,864,222	29,033,097
Deferred tax assets	193,398,346	175,685,073
Investment in an associate	<u>69,773,475</u>	<u>64,357,657</u>
Total non-current assets	<u><u>5,262,371,567</u></u>	<u><u>4,458,087,937</u></u>

7 PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTIES, LEASEHOLD LAND AND LAND USE RIGHTS AND INTANGIBLE ASSETS

	Unaudited			
	Property, plant and equipment HK\$	Investment properties HK\$	Leasehold land and land use rights HK\$	Intangible assets HK\$
Six months ended 30 June 2012				
Opening net book amount as at 1 January 2012	3,022,040,685	—	184,797,092	10,445,847
Additions	330,944,949	—	20,921,268	1,250,437
Reclassification	(30,522,319)	30,522,319	(15,914,409)	—
Disposals	(4,213,395)	—	—	—
Depreciation and amortisation (Note 15)	(95,351,317)	(206,834)	(2,014,247)	(1,751,006)
Exchange differences	<u>(17,701,996)</u>	<u>(96,690)</u>	<u>(1,075,380)</u>	<u>(56,198)</u>
Closing net book amount as at 30 June 2012	<u><u>3,205,196,607</u></u>	<u><u>30,218,795</u></u>	<u><u>186,714,324</u></u>	<u><u>9,889,080</u></u>
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	<u>72,309,737</u>	<u>577,972</u>	<u>3,354,307</u>	<u>114,616</u>
Closing net book amount as at 30 June 2013	<u><u>4,664,507,233</u></u>	<u><u>32,511,065</u></u>	<u><u>288,222,296</u></u>	<u><u>13,959,152</u></u>

During the period, the Group has capitalized borrowing costs, including interest expenses and related foreign exchange gain/(loss), amounting to HK\$3,295,472 (2012: HK\$4,548,232) on qualifying assets. Borrowing costs were capitalized at the weighted average rate of its general borrowings of 0.69%.

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) for the lease of a plant premises. The lease term is 3 years starting from 1 March 2012 to 28 February 2015 with a monthly rental of RMB138,000. Accordingly, the Group transferred the leased plant premises from property, plant and equipment to investment property and has accounted for that investment property using cost method.

8 INVESTMENT IN AN ASSOCIATE

	30 June 2013 Unaudited HK\$	31 December 2012 Audited HK\$
Beginning of the period	64,357,657	59,800,509
Additional investment in an unlisted associate (i)	20,500,000	20,500,000
Share of post-tax results of an associate	(15,800,143)	(15,934,119)
Exchange differences	<u>715,961</u>	<u>(8,733)</u>
	<u><u>69,773,475</u></u>	<u><u>64,357,657</u></u>

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

On 3 June 2013, the Company paid HK\$20,500,000 in cash for the subscription of the new shares issued by V-Care.

Up to 30 June 2013, the Company has paid capital of HK\$102,500,000, representing 41% of V-Care's share capital then outstanding.

The information of the unlisted associated company as at 30 June 2013 is as follows:

Name	Place of incorporation	Percentage of equity interest attributable to the Group	Assets	Liabilities	Revenues	Net loss
			HK\$	HK\$	HK\$	HK\$
V-Care	British Virgin Islands	41%	192,060,711	21,881,503	61,971,108	(38,536,934)

9 TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

	As at	
	30 June 2013 Unaudited HK\$	31 December 2012 Audited HK\$
Trade receivables	908,469,885	872,928,805
Other receivables (<i>Note(a)</i>)	340,774,909	236,329,920
Notes receivable	3,960,722	4,485,197
Prepayments	<u>25,087,932</u>	<u>13,563,010</u>
Less: Provision for impairment of trade receivables	<u>(11,509,602)</u>	<u>(11,321,967)</u>
	<u>1,266,783,846</u>	<u>1,115,984,965</u>

(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 2013 and 31 December 2012, the ageing analysis of the trade receivables based on invoice date was as follows:

	As at	
	30 June 2013 Unaudited HK\$	31 December 2012 Audited HK\$
Within 3 months	823,341,075	823,478,886
4 months to 6 months	64,062,765	37,906,658
7 months to 12 months	14,125,342	6,972,542
Over 1 year	<u>6,940,703</u>	<u>4,570,719</u>
	<u>908,469,885</u>	<u>872,928,805</u>

10 SHARE CAPITAL AND SHARE PREMIUM

	Number of authorised shares	Number of issued and fully paid shares	Ordinary shares HK\$	Unaudited Amount Share premium HK\$	Total HK\$
Opening balance as at 1 January 2012	80,000,000,000	938,183,686	93,818,369	1,119,423,427	1,213,241,796
Allotment of shares	—	42,000,000	4,200,000	468,712,479	472,912,479
Employee share option scheme (<i>Note 11</i>)					
— Exercise of options	—	19,686,000	1,968,600	87,073,794	89,042,394
As at 30 June 2012	<u>80,000,000,000</u>	<u>999,869,686</u>	<u>99,986,969</u>	<u>1,675,209,700</u>	<u>1,775,196,669</u>
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
Employee share option scheme (<i>Note 11</i>)					
— Exercise of options	—	300,000	30,000	2,095,008	2,125,008
As at 30 June 2013	<u>80,000,000,000</u>	<u>999,682,686</u>	<u>99,968,269</u>	<u>1,670,413,032</u>	<u>1,770,381,301</u>

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.

As at 30 June 2013 and 2012, the par value of authorised and issued ordinary shares is HK\$0.1 per share.

11 SHARE-BASED PAYMENT

(a) 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,
 - up to 20% on or after 24 February 2010;
 - up to 50% on or after 24 February 2011;
 - 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.

- (b) 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:
- up to 33% on or after 15 April 2010;
 - up to 67% on or after 15 April 2011;
 - 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.

- (c) On 15 April 2011, 4,837,000 share options were granted to certain directors and certain employees at an exercise price of HK\$8.648 per share. The Group has no legal or constructive obligation to repurchase or settle the options in cash. The options are exercisable on or after 15 April 2011 and no later than 14 April 2021. In April 2011, all the directors and employees accepted the share options.
- (d) On 2 May 2012, 16,771,000 share options were granted to certain 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 period when the company meet certain performance conditions as set by the board of director.

The options are exercisable during the following periods:

- The first tranche of 5,313,000 options are exercisable during the period from 2 May 2012 to 1 May 2022.
 - The second tranche of 5,729,000 options are exercisable during the period from 2 May 2013 to 1 May 2022.
 - The third tranche of 5,729,000 options are exercisable during the period from 2 May 2014 to 1 May 2022, subject to vesting.
- (e) 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 directors and employees accepted the share options. The options are exercisable during the following periods:
- The first tranche of 1,134,000 options are exercisable during the period from 2 May 2013 to 1 May 2023.
 - The second tranche of 225,000 options are exercisable during the period from 2 May 2014 to 1 May 2023, subject to vesting.

Movements in the number of share options outstanding and their related weighted average exercise prices for the six months period ended 30 June 2013 and 2012 were as follows:

	For the six months period ended 30 June			
	2013		2012	
	Unaudited		Unaudited	
	<i>Average exercise price in HK\$</i>	<i>Number of options</i>	<i>Average exercise price in HK\$</i>	<i>Number of options</i>
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	5.25	(300,000)	3.30	(19,686,000)
Forfeited	11.29	<u>(60,000)</u>	—	<u>—</u>
At 30 June	11.07	<u>26,842,000</u>	11.05	<u>26,512,000</u>

Options exercised during the six months ended 30 June 2013 resulted in 300,000 shares (2012: 19,686,000 shares) being issued with net proceeds of HK\$1,574,160 (2012: HK\$64,961,428).

Share options outstanding at 30 June 2013 have the following expiry dates and exercise prices:

Expiry date	Exercise price HK\$ per share	Number of options
23 February 2019	2.98	2,751,000
14 April 2020	5.42	3,000,000
14 April 2021	8.648	3,501,000
1 May 2022	14.06	16,231,000
1 May 2023	10.34	<u>1,359,000</u>

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 as the standard deviation of expected share price returns is based on statistical analysis of daily share prices of the Company over the last two years and other comparable companies over the last five years.

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

The weighted average fair value of options granted in 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 as 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.

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

from 0.84% to 0.95%. The volatility measured as the standard deviation of expected share price returns is based on statistical analysis of daily share prices of the Company over the last two years and other comparable companies over the last five years.

The weighted average fair value of options granted in 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 from 0.47% to 0.68%. The volatility measured as 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.

12 BORROWINGS

	As at	
	30 June 2013 Unaudited HK\$	31 December 2012 Audited HK\$
Non-current	1,812,450,336	850,317,747
Current	<u>976,927,694</u>	<u>1,218,900,525</u>
	<u><u>2,789,378,030</u></u>	<u><u>2,069,218,272</u></u>

Movements in borrowings are analysed as follows:

	Unaudited HK\$
Six months ended 30 June 2012	
Opening amount as at 1 January 2012	1,952,478,533
New borrowings	627,015,618
Repayments of borrowings	(410,029,982)
• Exchange differences, net	<u>(3,491,805)</u>
Closing amount as at 30 June 2012	<u><u>2,165,972,364</u></u>
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	<u>7,891,580</u>
Closing amount as at 30 June 2013	<u><u>2,789,378,030</u></u>

Interest expenses on borrowings for the six months ended 30 June 2013 were HK\$41,495,704 (six months ended 30 June 2012: HK\$30,696,044) including HK\$16,130,535 capitalized in the construction-in-progress (six months ended 30 June 2012: HK\$3,893,661).

13 DERIVATIVE FINANCIAL INSTRUMENTS

	As at	
	30 June 2013 Unaudited HK\$	31 December 2012 Audited HK\$
Cross currency swap (<i>Note(a)</i>)	15,882,294	8,675,816
Interest rate swap (<i>Note(b)</i>) — cash flow hedge	<u>3,688,049</u>	<u>6,394,687</u>
	<u>19,570,343</u>	<u>15,070,503</u>

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 2013 amounted to AUD10,900,909 and HK\$93,750,000 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 2013 was HK\$752,250,000 (31 December 2012: HK\$924,000,000). As at 30 June 2013, the fixed interest rate was from 0.58% to 1.28% per annum and the floating rate was with reference to the 1 month/3 month HIBOR.

14 TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES

	As at	
	30 June 2013 Unaudited HK\$	31 December 2012 Audited HK\$
Trade payables	942,367,739	731,309,628
Notes payables	10,621,124	25,289,873
Other payables	374,254,018	424,650,175
Accrued expenses	<u>261,829,407</u>	<u>241,768,209</u>
	<u>1,589,072,288</u>	<u>1,423,017,885</u>

Ageing analysis of trade payables and notes payables as at 30 June 2013 and 31 December 2012 were as follows:

	As at	
	30 June 2013 Unaudited HK\$	31 December 2012 Audited HK\$
Within 3 months	930,147,057	688,507,764
4 months to 6 months	13,728,930	57,299,553
7 months to 12 months	7,588,537	9,748,523
1 year to 2 years	1,524,339	985,431
2 years to 3 years	—	55,908
Over 3 years	—	2,322
	<u>952,988,863</u>	<u>756,599,501</u>

15 OPERATING PROFIT

The following items have been (credited)/charged to the operating profit during the six months ended 30 June 2013 and 2012:

	Unaudited Six months ended 30 June	
	2013 HK\$	2012 HK\$
Amortisation of deferred government grants	(1,699,549)	(1,323,175)
Foreign exchange (gain)/loss, net	(31,366,483)	4,044,988
Provision/(write-back) for impairment of receivables	10,135	(585,866)
Write-back for impairment of inventories	(484,509)	—
Share option expenses	13,857,000	32,006,667
Depreciation of property, plant and equipment (note 7)	117,159,696	95,351,317
Depreciation of investment properties (note 7)	502,477	206,834
Amortisation of intangible assets (note 7)	2,538,043	1,751,006
Amortisation of leasehold land and land use rights (note 7)	2,263,322	2,014,247
Loss on disposal of property, plant and equipment	<u>442,280</u>	<u>1,379,953</u>

16 INCOME TAXES

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2012: 16.5%) on the estimated assessable profit for the year. Taxation on profits outside Hong Kong has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries or regions in which the Group operates.

	Unaudited	
	Six months ended 30 June	
	2013	2012
	<i>HK\$</i>	<i>HK\$</i>
Current income tax		
— Hong Kong profits tax	15,974,967	9,925,677
— PRC enterprise income tax	81,842,276	106,019,903
Deferred income tax	<u>(14,882,532)</u>	<u>(23,210,299)</u>
	<u>82,934,711</u>	<u>92,735,281</u>

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 2013 is 22.60% (the estimated tax rate for the six months ended 30 June 2012 was 26.44%).

17 EARNINGS PER SHARE

(c) 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	
	2013	2012
Profit attributable to equity holders of the Company (<i>HK\$</i>)	<u>283,984,356</u>	<u>258,045,029</u>
Weighted average number of ordinary shares in issue	<u>999,581,084</u>	<u>966,438,818</u>
Basic earnings per share (<i>HK\$ per share</i>)	<u>0.284</u>	<u>0.267</u>

(b) Diluted

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

	Unaudited	
	Six months ended 30 June	
	2013	2012
Profit attributable to equity holders of the Company (<i>HK\$</i>)	283,984,356	258,045,029
Weighted average number of ordinary shares in issue	999,581,084	966,438,818
Adjustments for share options	3,824,768	11,917,995
Weighted average number of ordinary shares for diluted earnings per share	1,003,405,852	978,356,813
Diluted earnings per share (<i>HK\$ per share</i>)	0.283	0.264

18 DIVIDENDS

On 27 March 2012, the Board of Directors proposed a final dividend in respect of the year ended 31 December 2011 of HK\$81,621,981, representing HK\$0.087 per ordinary share.

The actual final dividends paid for the year ended 31 December 2011 was HK\$86,988,663 based on the 999,869,686 issued shares outstanding at that time.

On 26 March 2013, the Board of Directors proposed a final dividend in respect of the year ended 31 December 2012 of HK\$112,930,244 representing 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 28 August 2013, the Board of Directors has resolved to declare an interim dividend of HK\$0.048 per share (2012: HK\$0.043 per share). This interim dividend, amounting to HK\$47,984,769 (2012: HK\$42,994,396), 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 2013.

19 COMMITMENTS**(a) Capital Commitments**

	As at	
	30 June 2013 Unaudited <i>HK\$</i>	31 December 2012 Audited <i>HK\$</i>
Property, plant and equipment and intangible assets	576,530,484	549,451,691
Investment in an associate	20,500,000	41,000,000
	597,030,484	590,451,691

(b) Commitments under operating leases

As at 30 June 2013, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	As at	
	30 June 2013 Unaudited HK\$	31 December 2012 Audited HK\$
Not later than one year	65,555,025	51,561,971
Later than one year but not later than two years	59,899,953	57,335,035
Later than two years but not later than five years	173,206,635	169,608,866
Later than five years	439,989,304	458,947,886
	<u>738,650,917</u>	<u>737,453,758</u>

20 CONTINGENT LIABILITIES

As at 30 June 2013 and 31 December 2012, 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 Holding AB (“SCA Hygiene”)	A substantial shareholder
SCA Hygiene Australasia Pty Limited (“SCA HA”)	A 50% owned associate of Svenska Cellulosa Aktiebolaget (the ultimate holding company of SCA Hygiene)
SCA Tissue Hong Kong Limited (“SCA (Hong Kong)”)	A subsidiary of Svenska Cellulosa Aktiebolaget (the ultimate holding company of SCA Hygiene)
SCA Trading (Shanghai) Co. Ltd. (“SCA (Shanghai)”)	A subsidiary of Svenska Cellulosa Aktiebolaget (the ultimate holding company of SCA Hygiene)
Fu An International Company Limited (“Fu An”)	A substantial shareholder of the Company
V-Care (China) limited (“V-Care (China)”)	A subsidiary of V-Care
Jiangmen Taiyuan Paper Limited (“Taiyuan Paper”)	Controlled by the three directors of the Group

(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 2013 also include:

	Unaudited	
	Six months ended 30 June	
	2013	2012
	<i>HK\$</i>	<i>HK\$</i>
(1) Sales of products to related parties:		
— SCA HA	4,505,619	4,520,621
— SCA (Shanghai)	708,390	1,406,151
— V-Care (China)	<u>1,801,329</u>	<u>1,196,808</u>
	<u>7,015,338</u>	<u>7,123,580</u>
	Unaudited	
	Six months ended 30 June	
	2013	2012
	<i>HK\$</i>	<i>HK\$</i>
(2) Processing trade to a related party:		
— SCA (Hong Kong)	<u>3,229,308</u>	<u>3,039,566</u>
	Unaudited	
	Six months ended 30 June	
	2013	2012
	<i>HK\$</i>	<i>HK\$</i>
(3) Purchase of products from a related party:		
— V-Care (China)	<u>8,273,968</u>	<u>1,620,175</u>
	Unaudited	
	Six months ended 30 June	
	2013	2012
	<i>HK\$</i>	<i>HK\$</i>
(4) Sales commission from a related party:		
— V-Care (China)	<u>—</u>	<u>678,963</u>
	Unaudited	
	Six months ended 30 June	
	2013	2012
	<i>HK\$</i>	<i>HK\$</i>
(5) Rental from a related party:		
— V-Care (China)	<u>1,039,809</u>	<u>679,301</u>

	Unaudited	
	Six months ended 30 June	
	2013	2012
	<i>HK\$</i>	<i>HK\$</i>
(1) Key management compensation:		
Directors		
— Basic salaries, housing allowances, other allowances, benefits-in-kind and other benefits	5,122,678	4,890,534
— Share-based payments	3,869,000	15,642,667
Senior management		
— Basic salaries, housing allowances, other allowances, benefits-in-kind and other benefits	5,439,521	4,006,689
— Share-based payments	—	5,348,278
	<u>14,431,199</u>	<u>29,888,168</u>
 (e) Period-end/year-end balances with related parties		
	As at	
	30 June	31 December
	2013	2012
	Unaudited	Audited
	<i>HK\$</i>	<i>HK\$</i>
(1) Receivables from related parties		
— SCA HA	1,411,710	1,869,910
— SCA (Hong Kong)	1,175,769	990,084
— SCA (Shanghai)	257,964	110,223
— V-Care (China)	599,610	638,798
	<u>3,445,053</u>	<u>3,609,015</u>
All the above receivables are aged within 3 months as at 30 June 2013 and 31 December 2012.		
(2) Rental prepayments to a related party		
— Taiyuan Paper	<u>43,994,662</u>	<u>38,694,558</u>
	As at	
	30 June	31 December
	2013	2012
	Unaudited	Audited
	<i>HK\$</i>	<i>HK\$</i>
(3) Trade payables to a related party:		
— V-Care (China)	<u>1,710,348</u>	<u>2,144,516</u>

Ageing analyses of trade payables to a related party of the Group based on invoice date as at 30 June 2013 and 31 December 2012 are as below:

	As at	
	30 June 2013 Unaudited HK\$	31 December 2012 Audited HK\$
Within 3 months	<u>1,710,348</u>	<u>2,144,516</u>

4. INDEBTEDNESS STATEMENT

At the close of business on 31 August 2013, Vinda Group has outstanding bank loan of approximately HK\$2,937.9 million. Save for such bank loans and apart from intra-group liabilities and normal trade payables which were incurred in the ordinary course of business of the Vinda Group, Vinda Group had no other outstanding mortgages, charges, debentures or loan capital, bank overdrafts or loans, other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance or acceptance credits, guarantees or other material contingent liabilities.

As at the Latest Practicable Date, the Vinda Directors confirm that there are no material changes in the indebtedness position and contingent liabilities of Vinda Group since 31 August 2013.

5. NO MATERIAL CHANGE

Vinda Directors confirm that there are no material changes in the financial or trading position or outlook of the Vinda Group since 31 December 2012 (being the date to which the latest published audited accounts of the Vinda Group were made up) up to and including the Latest Practicable Date, save as set out in this section below:

(a) Market environment

As disclosed in the 2013 interim report, China's economy decelerated to a moderate growth in the first half of 2013 from rapid expansion in previous years. The slowdown hampered growth in the country's retail market. In contrast, the country's per capita household paper consumption was still rather low, and the stiff demand for the commodity was driving the development of the household paper industry in the long term. However, the bright prospects also attracted more entrants to the market. This, coupled with the launch of existing players' expanded production capacity into operation, increased the supply-side capacity, thus intensifying competition.

(b) Production capacity

As disclosed in the 2013 interim report, new annual production capacity of 80,000 tons were put into production in the first half of 2013. And it is expected a further 140,000 tons of annual production capacity will be added in the second half of 2013. Total designed annual production capacity of Vinda Group at the end of 2013 is expected to reach 760,000 tons.

Due to market changes, Vinda Group will shift the focus of its investment strategy to balancing production and sales in the future. The management anticipates that Vinda Group's total annual production capacity will reach 890,000 tons by the end of 2014. As many investors have joined the industry, more production capacity is expected to spring up in the market. To capitalize on this trend, Vinda Group is now evaluating the viability of implementing a two-pronged development strategy, which

fuses both the current investment-driven growth model and a brand new asset-light model together, starting from 2015 to maintain its flexibility based on the then market environment.

(c) Average selling price and gross profit margin

As disclosed in the 2013 interim report, in view of the weak consumer sentiment, retailers cut back on store network expansion, dampening the sales growth in consumer goods to a certain extent. Furthermore, the expanded household paper production capacity across the industry has caused the market competition to heat up. As a result, Vinda Group has strengthened its marketing and promotion efforts during the period and this adversely affected the average selling prices per ton of its products which weighed on Vinda Group's overall profit margins during the six months ended 30 June 2013.

The unaudited gross profit margin of Vinda Group was approximately 28.9% for the six months ended 30 June 2013, representing a drop of approximately 1.9 percentage points as compared to approximately 30.8% for the year ended 31 December 2012.

(d) Increase in total borrowings and gearing

As disclosed in the 2013 interim report, Vinda Group's financial position remained healthy. In March 2013, Vinda Group concluded a syndicated loan of HK\$1.0 billion with a term of 3 years. The total borrowings were approximately HK\$2,069.2 million (audited) as at 31 December 2012 and approximately HK\$2,789.4 million as at 30 June 2013. Vinda Group's gearing ratio as calculated on the basis of the amount of total borrowings as a percentage of total shareholders' equity increased from 50.2% as at 31 December 2012 to 63.6% as of 30 June 2013.

(e) Share buyback

As disclosed in the Next Day Disclosure Returns dated 19 July 2013, 22 July 2013 and 23 July 2013, Vinda repurchased 1,500,000 shares in July 2013 at a price ranged between HK\$7.27 and HK\$7.82.

(f) Interim dividend in respect of the six months ended 30 June 2013

As disclosed in the 2013 interim report, on 28 August 2013, the Board of Directors has resolved to declare an interim dividend of HK\$0.048 per share (2012: HK\$0.043 per share). This interim dividend, amounting to HK\$47,984,769 has not been recognized as a liability in the 2013 interim financial report. It will be recognized in shareholder's equity in the year ending 31 December 2013.

RESPONSIBILITY STATEMENT

The information contained in this Composite Document relating to the Offeror and the SCA Group has been supplied by the Offeror in compliance with the Takeovers Code and the Listing Rules. The issue of this Composite Document has been approved by the Offeror Directors, who jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document relating to the Offeror (other than the information relating to the Vinda Directors, the Vinda Group, Fu An and the Independent Financial Adviser), and confirms, having made all reasonable enquires, that to the best of their knowledge, opinions expressed in this Composite Document (other than those expressed by the Vinda Board, the Vinda Group, Fu An and the Independent Financial Adviser) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

MARKET PRICES

Set out below are the closing prices of the Shares which are the subject of the Share Offer quoted on the Stock Exchange on (a) the last trading day for each of the calendar months during the Relevant Period on which trading in the Shares took place; (b) the Last Trading Date; and (c) the Latest Practicable Date:

Date	Closing price per Share HK\$
28 March 2013	11.08
30 April 2013	10.14
31 May 2013	10.04
28 June 2013	7.93
31 July 2013	7.69
30 August 2013 (Last Trading Date)	7.95
30 September 2013	10.96
4 October 2013 (Latest Practicable Date)	10.92

During the Relevant Period, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$11.08 on 28 March and 11 April 2013, and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$7.46 on 19 July 2013.

SHAREHOLDINGS AND DEALINGS

As at the Latest Practicable Date:

- (i) save as disclosed in the sections headed “The Share Offer” and “Information of the Offeror” in the “Letter from J.P. Morgan”, and “Disclosure of Interests” in Appendix IV to this Composite Document, the Offeror and the parties acting in concert with it did not own or control any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares;

- (ii) none of the Offeror Directors was interested in any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares;
- (iii) there was no arrangement of the kind referred to in Note 8 of Rule 22 of the Takeovers Code between any person and the Offeror or any party acting in concert with it; and
- (iv) none of the Offeror or any parties acting in concert with it had borrowed or lent any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares.

Other than pursuant to the Irrevocable Undertakings and save as disclosed in the section headed “Dealings in Securities — (a) Dealing in securities of Vinda by the Vinda Directors” in Appendix IV to this Composite Document, none of the Offeror or any parties acting in concert with it (including the Offeror Directors) or the Committed Parties had dealt for value in any Shares or convertible securities, warrants, options and derivatives in respect of any Shares during the Relevant Period.

IRREVOCABLE UNDERTAKINGS

The shareholdings of the Committed Parties are set out in the section headed “Disclosure of Interests” in Appendix IV to this Composite Document.

As at the Latest Practicable Date, other than the Irrevocable Undertakings given by the Committed Parties, no persons had irrevocably committed themselves to accept or reject the Offers.

ARRANGEMENTS IN CONNECTION WITH THE OFFERS

As at the Latest Practicable Date, there was no agreement, arrangement or understanding whereby any securities acquired or to be acquired by the Offeror pursuant to the Offers will be transferred, charged or pledged to any other persons.

MISCELLANEOUS

- (a) None of the existing Vinda Directors will be given any benefit as compensation for loss of office or otherwise in connection with the Offers.
- (b) The emoluments of the Offeror Directors will not be affected by the Offers or by any other associated transaction.
- (c) Other than the Irrevocable Undertakings, there is no agreement, arrangement or understanding (including any compensation arrangement) existed between the Offeror or any party acting in concert with it (on the one hand) and any of the Vinda Directors or recent Vinda Directors or Shareholders (other than the Offeror) or recent Shareholders (on the other hand) which is conditional on or dependent upon the outcome of the Offers or otherwise connected with the Offers.

- (d) There is no agreement or arrangement to which the Offeror is a party, which relates to the circumstances in which it may or may not invoke or seek to invoke a condition to the Offers.
- (e) The registered office of SCA is at PO Box 200, SE-101 23 Stockholm, Sweden.
- (f) The registered office of the Offeror is at Entrada 161, 1096EC Amsterdam, the Netherlands.
- (g) The registered office of SCA Hygiene Holding AB is at SE-405 03 Gothenburg, Sweden.
- (h) The registered office of J.P. Morgan is at 33/F., One Island East, 18 Westlands Road, Quarry Bay, Hong Kong.

RESPONSIBILITY STATEMENT

The information contained in this Composite Document relating to the Vinda Group has been supplied by Vinda in compliance with the Takeovers Code and the Listing Rules. The Vinda Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than the information relating to the Offeror and parties acting in concert with it), and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than the information relating to the Offeror and parties acting in concert with it), have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

SHARE CAPITAL OF VINDA

As at the Latest Practicable Date, the authorised and issued share capital of Vinda were as follows:

<i>Authorised</i>		<i>HK\$</i>
<u>80,000,000,000</u> Shares		<u>8,000,000,000.00</u>
<i>Issued and fully paid</i>		
<u>998,282,686</u> Shares		<u>99,828,268.60</u>

All existing Shares rank equally in all respects, including in particular as to dividend, voting rights and capital.

Since 31 December 2012 (being the date to which the latest published audited consolidated financial statements of Vinda Group were made up) and up to the Latest Practicable Date, Vinda has allotted and issued 400,000 new Shares, out of which 150,000 Shares were allotted and issued as a result of the exercise of 150,000 Options for the month ended 31 January 2013, 120,000 Shares were allotted and issued as a result of exercise of 120,000 Options for the month ended 30 April 2013, 30,000 Shares were allotted and issued as a result of the exercise of 30,000 Options for the month ended 31 May 2013 and 100,000 Shares were allotted and issued as a result of the exercise of 100,000 Options for the month ended 31 July 2013.

As at the date of the Latest Practicable Date, there are outstanding Options in respect of 26,512,000 Shares. The Offeror and its concert parties does not hold any Options. The respective exercise prices of the outstanding Options and the respective periods during which they are exercisable are as follows:

Exercise price (HK\$ per Share)	Number of outstanding Options	Exercisable period
2.98	2,651,000	24 February 2009 to 23 February 2019
5.42	3,000,000	15 April 2010 to 14 April 2020
8.648	3,501,000	15 April 2011 to 14 April 2021
10.34	1,359,000	2 May 2013 to 1 May 2023
14.06	16,001,000	2 May 2012 to 1 May 2022

Save as disclosed above, Vinda has no other outstanding options, warrants, derivatives or other securities that are convertible or exchangeable into Shares or other types of equity interest in Vinda.

DISCLOSURE OF INTERESTS

(a) Interest of Vinda in the Offeror

As at the Latest Practicable Date, Vinda did not have any interest in the shares, warrants, options, derivatives, and securities carrying conversion or subscription rights into shares of the Offeror.

(b) Interest of the Vinda Directors in the Offeror

As at the Latest Practicable Date, the Vinda Directors did not have any interest in the shares, warrants, options, derivatives, and securities carrying conversion or subscription rights into shares of the Offeror.

(c) Interests of the Vinda Directors in Vinda

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives of Vinda in the Shares, underlying Shares and debentures of Vinda 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 Vinda and the Stock Exchange pursuant to the Model Code contained in Appendix 10 of the Listing Rules were as follows:

Name	Company name of associated corporations	Nature of interest	Number of Shares	Number of underlying Shares	Aggregate interest	Approximate percentage of interest
The Chairman ⁽¹⁾	Vinda	Interest of controlled company	237,306,235			
		Personal	<u>936,000</u>			
				238,242,235	1,998,000	240,240,235
	Fu An	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⁾	Vinda	Interest of controlled company	237,306,235			
		Personal	<u>9,088,000</u>			
				246,394,235	360,000	246,754,235
	Fu An	Interest of controlled company	60 shares of US\$1.00 each	—	—	15.79%

Name	Company name of associated corporations	Nature of interest	Number of Shares	Number of underlying Shares	Aggregate interest	Approximate percentage of interest
	Join Pride International Limited	Interest of controlled company	10 shares of US\$1.00 each	—	—	100%
Dong Yi Ping ⁽³⁾	Vinda	Interest of controlled company Personal	237,306,235 <u>9,038,000</u>			
			246,344,235	360,000	246,704,235	24.71%
	Fu An	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%
Ms. Zhang ⁽⁴⁾	Vinda	Personal	—	6,933,000	6,933,000	0.69%
Johann Christoph Michalski ⁽⁵⁾	Vinda	Personal	—	290,000	290,000	0.03%
Ulf Olof Lennart Soderstrom ⁽⁵⁾	Vinda	Personal	—	290,000	290,000	0.03%
Cao Zhen Lei	Vinda	Personal	—	290,000	290,000	0.03%
Kam Robert	Vinda	Personal	—	290,000	290,000	0.03%
Hui Chin Tong, Godfrey	Vinda	Personal	100,000	290,000	390,000	0.04%
Tsui King Fai	Vinda	Personal	—	290,000	290,000	0.03%

Notes:

1. The Shares are registered in the name of Fu An, 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 the Chairman.

Pursuant to the Fu An Irrevocable Undertaking, Fu An has irrevocably undertaken to the Offeror to accept, or procure the acceptance of the Share Offer in respect of the Relevant Shares, representing approximately 2.10% of the issued share capital of Vinda as at the Latest Practicable Date.

2. The Shares are registered in the name of Fu An, 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.

Pursuant to the Fu An Irrevocable Undertaking, Fu An has irrevocably undertaken to the Offeror to accept, or procure the acceptance of the Share Offer in respect of the Relevant Shares, representing approximately 2.10% of the issued share capital of Vinda as at the Latest Practicable Date.

3. The Shares are registered in the name of Fu An, 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.

Pursuant to the Fu An Irrevocable Undertaking, Fu An has irrevocably undertaken to the Offeror to accept, or procure the acceptance of the Share Offer in respect of the Relevant Shares, representing approximately 2.10% of the issued share capital of Vinda as at the Latest Practicable Date.

4. Pursuant to the Zhang Irrevocable Undertaking, Ms. Zhang has irrevocably undertaken to the Offeror to accept the Option Offer in respect of the Relevant Options owned by her.
5. CHIU Bun, the alternate director to each of Johann Christoph MICHALSKI and Ulf Olof Lennart SODERSTROM, is the beneficial owner of 400,000 Shares registered in his name.

Save as disclosed above, none of the Directors or chief executives of Vinda had any interests or short positions in the Shares, underlying shares or debentures of Vinda 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 Vinda and the Stock Exchange pursuant to the Model Code and disclosed in this Composite Document pursuant to the requirements of the Takeovers Code.

As at the date of the Composite Document,

- (i) Mr. CHIU Bun has confirmed that it is his intention to accept the Share Offer in respect of the 400,000 Shares owned by him;
- (ii) other than the Fu An Irrevocable Undertaking, each of the Chairman, Ms. YU Yi Fang and Mr. DONG Yi Ping has confirmed that he/she does not intend to accept the Share Offer or the Option Offer;
- (iii) other than the Zhang Irrevocable Undertaking, Ms. ZHANG has confirmed that she does not intend to accept the Share Offer or the Option Offer;
- (iv) each of Mr. TSUI King Fai and Dr. CAO Zhen Lei has confirmed that he intends to accept the Option Offer in respect of the 80,000 Options with an exercise price of HK\$8.648. Other than that, each of them has no intention to accept the Option Offer;
- (v) each of Mr. HUI Chin Tong, Godfrey and Mr. KAM Robert has confirmed that he does not intend to accept the Share Offer or the Option Offer; and
- (vi) each of Mr. Ulf Olof Lennart SODERSTROM and Mr. Johann Christoph MICHALSKI has confirmed that he does not intend to accept the Option Offer.

(d) Interests of the substantial shareholders in Vinda

As at the Latest Practicable Date, other persons' interests and short positions in the Shares (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 336 of the SFO, or as otherwise notified to Vinda and the Stock Exchange are set out below:

Name of substantial shareholder	Capacity	Number of Shares	Approximately percentage of total interest to the total issued share capital of Vinda
Fu An	Beneficial owner	237,306,235	23.77%
Sentential Holding Limited ⁽¹⁾	Interest of controlled company	237,306,235	23.77%
The Chairman ^(1&2)	Interest of controlled company/Personal	240,240,235	24.07%
SCA Hygiene Holding AB	Beneficial owner	216,431,897	21.68%
SCA Group Holding BV ⁽³⁾	Interest of controlled company	216,431,897	21.68%
Svenska Cellulosa Aktiebolaget ⁽³⁾	Interest of controlled company	216,431,897	21.68%
Value Partners Limited	Beneficial owner	60,453,000	6.06%
Value Partners Hong Kong Limited ⁽⁴⁾	Interest of controlled company	60,453,000	6.06%
Value Partners Group Limited ⁽⁴⁾	Interest of controlled company	60,453,000	6.06%
Cheah Capital Management Limited ⁽⁴⁾	Interest of controlled company	60,453,000	6.06%
Cheah Company Limited ⁽⁴⁾	Interest of controlled company	60,453,000	6.06%
Hang Seng Bank Trustee International Limited ⁽⁴⁾	Trustee of the CH Cheah Family Trust	60,453,000	6.06%
Cheah Cheng Hye ⁽⁴⁾	Founder of a discretionary trust	60,453,000	6.06%
To Hau Yiu ⁽⁴⁾	Interest of spouse	60,453,000	6.06%

Notes:

- (1) The Shares are registered in the name of Fu An, 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 the Chairman. Under the SFO, Sentential Holdings Limited and the Chairman are all deemed to be interested in the Shares held by Fu An.

Pursuant to the Fu An Irrevocable Undertaking, Fu An has irrevocably undertaken to the Offeror to accept, or procure the acceptance of the Share Offer in respect of the Relevant Shares, representing approximately 2.10% of the issued share capital of Vinda as at the Latest Practicable Date.

- (2) The Chairman is the beneficial owner of 936,000 Shares and holds 1,998,000 Options.
- (3) The Shares are registered in the name of SCA Hygiene Holding AB, which is indirectly wholly-owned by Svenska Cellulosa Aktiebolaget. Under the SFO, Svenska Cellulosa Aktiebolaget is deemed to be interested in the Shares held by SCA Hygiene Holding AB.

SCA Hygiene Holding AB is a direct wholly-owned subsidiary of the Offeror.

Pursuant to the Fu An Irrevocable Undertaking, Fu An has irrevocably undertaken to the Offeror to accept, or procure the acceptance of the Share Offer in respect of the Relevant Shares, representing approximately 2.10% of the issued share capital of Vinda as at the Latest Practicable Date.

- (4) The Shares are registered in the name of Value Partners Limited which is indirectly wholly-owned by Value Partners Group Limited via Value Partners Hong Kong Limited which in turn is held as to 28.74% by Cheah Capital Management Limited. The entire issued share capital of Cheah Capital Management Limited is held by Cheah Company Limited, whose entire issued share capital is held by Hang Seng Bank Trustee International Limited in its capacity as trustee of The C H Cheah Family Trust with Cheah Cheng Hye as the founder of the trust. Under the SFO, Value Partners Hong Kong Limited, Value Partners Group Limited, Cheah Capital Management Limited, Cheah Company Limited, Hang Seng Bank Trustee International Limited, Cheah Cheng Hye and To Hau Yin (as spouse of Cheah Cheng Hye) are all deemed to be interested in the Shares held by Value Partners Limited.

Save as disclosed in the table above, as at the Latest Practicable Date, no other persons had any interest or short position in the Shares as recorded in the register required to be kept under Section 336 of the SFO, or as otherwise notified to Vinda and the Stock Exchange or to be disclosed in this Composite Document pursuant to the requirements of the Takeovers Code.

(e) Other interests in Vinda

As at the Latest Practicable Date,

- (i) HSBC Bank plc, a person under the same control as HSBC and therefore an associate of Vinda as specified in class (2) of the definition under the Takeovers Code, had a beneficial interest in 210 Shares;
- (ii) other than as disclosed in (i) above, none of the subsidiaries of Vinda, nor pensions fund of Vinda or any of Vinda's subsidiaries, nor any advisers to Vinda as specified in class (2) of the definition of "associate" under the Takeovers Code (excluding exempt principal traders) had any interest in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of Vinda; and

- (iii) neither Vinda nor any Vinda Directors had borrowed or lent any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares.

DEALINGS IN SECURITIES

(a) Dealing in securities of Vinda by the Vinda Directors

Other than the undertakings given under the Irrevocable Undertakings and the grant of 999,000 Options to the Chairman with an exercise price of HK\$10.34 on 2 May 2013 which are exercisable for the period from 2 May 2013 to 1 May 2023 in accordance with the Share Option Scheme, none of the Vinda Directors had dealt for value in any shares or convertible securities, warrants, options and derivatives in respect of any Shares during the Relevant Period.

(b) Dealing in securities of the Offeror by Vinda

Vinda had not dealt for value in any shares of the Offeror, convertible securities, warrants, options and derivatives in respect of any shares of the Offeror during the Relevant Period.

(c) Dealing in securities of the Offeror by the Vinda Directors

The Vinda Directors had not dealt for value in any shares of the Offeror, convertible securities, warrants, options and derivatives in respect of any shares of the Offeror during the Relevant Period.

(d) Dealing in securities of Vinda by an associate and connected fund manager of Vinda

On 25 September 2013, Managed Account Advisors LLC, a person under the same control as BofA Merrill Lynch and therefore an associate of Vinda as specified in class (2) of the definition under the Takeovers Code and a connected fund manager of Vinda (as defined under the Takeovers Code), disposed of 381 depositary receipts of Vinda representing 3,810 Shares at US\$13.91 per depositary receipt (or US\$1.391 per Share).

(e) Others

Other than as disclosed at (d) above, during the Offer Period (or, in respect of the joint financial advisers to Vinda (and persons controlling, controlled by or under the same control as either of them), from the date of their respective appointments) up to and including the Latest Practicable Date,

- (i) none of the subsidiaries of Vinda, nor pension funds of Vinda or any of Vinda's subsidiaries, nor any advisers to Vinda as specified in class (2) of the definition of "associate" under the Takeovers Code (excluding exempt principal traders) had dealt for value in any Shares or other convertible securities, warrants, options or derivatives in respect of any Shares;
- (ii) no fund managers (other than exempt fund managers) connected with Vinda who managed funds on a discretionary basis had dealt for value in any Shares or any other convertible securities, warrants, options or derivatives in respect of any Shares; and

- (iii) there was no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code between any person and any member of the Vinda Group, or with any person who was an associate of Vinda by virtue of classes (1), (2), (3) and (4) of the definition of “associate” in the Takeovers Code.

OTHER ARRANGEMENTS RELATING TO THE OFFERS

As at the Latest Practicable Date,

- (i) there was no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code which existed between Vinda, or any person who was an associate of Vinda by virtue of classes (1), (2), (3) and (4) of the definition of “associate” any other associates of Vinda in the Takeovers Code, and any other person; and
- (ii) no fund managers (other than exempt fund managers) connected with Vinda managed any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares on a discretionary basis.

ARRANGEMENTS AFFECTING AND RELATING TO DIRECTORS

As at the Latest Practicable Date:

- (a) no benefit was or would be given to any Vinda Director as compensation for loss of office or otherwise in connection with the Offers;
- (b) other than the Irrevocable Undertakings, no agreement or arrangement existed between any Vinda Director and any other person which was conditional or dependent upon the outcome of the Offers or otherwise connected with the Offers; and
- (c) other than the Irrevocable Undertakings, no material contract had been entered into by the Offeror in which any Vinda Director had a material personal interest.

Pursuant to the Fu An Irrevocable Undertaking, Fu An has undertaken to accept or procure the acceptance of the Share Offer in respect of 20,964,654 Offer Shares held by it representing approximately 2.10% of the issued share capital of Vinda as at the Latest Practicable Date.

Pursuant to the Zhang Irrevocable Undertaking, Ms. Zhang has undertaken to accept or procure the acceptance of the Option Offer in respect of 3,936,000 Options held by her.

SERVICE AGREEMENTS OF DIRECTORS

As at the Latest Practicable Date, none of the Vinda Directors had any existing or proposed service contract with Vinda or any of its subsidiaries or associated companies which (i) (including both continuous and fixed term contracts) had been entered into or amended within 6 months before the date of the commencement of the Offer Period; or (ii) was a continuous contract with a notice period of 12 months or more; or (iii) was a fixed

term contract with more than 12 months to run irrespective of the notice period; or (iv) was not determinable by the employer within one year without payment of compensation (other than statutory compensation).

MATERIAL CONTRACTS

The following contracts, not being contracts entered into in the ordinary course of business carried on or intended to be carried on by Vinda or any of its subsidiaries, had been entered into by any member of the Vinda Group after the date falling two years before the commencement of the Offer Period up to and including the Latest Practicable Date:

- (a) a placing agreement dated 10 April 2012 (the “**Placing Agreement**”) entered into among Fu An, Vinda and Merrill Lynch Far East Limited as the placing agent (the “**Placing Agent**”) pursuant to which Fu An engaged the Placing Agent to procure, on a best effort basis and upon the terms and subject to the conditions set out in the Placing Agreement, purchasers for up to 42,000,000 Shares (the “**Placing Shares**”) owned by Fu An at the price of HK\$11.68 per Placing Share and
- (b) a subscription agreement dated 10 April 2012 (the “**Subscription Agreement**”) entered into Fu An and Vinda pursuant to which Fu An conditionally agreed to subscribe for and Vinda conditionally agreed to allot and issue up to 42,000,000 Shares (the “**Subscription Shares**”) at the price of HK\$11.68 per Subscription Share.

MATERIAL LITIGATION

As at the Latest Practicable Date, none of Vinda or any of its subsidiaries were engaged in any litigation or arbitration or claim of material importance and no litigation or claim of material importance is pending or threatened by or against Vinda or any member of the Vinda Group.

EXPERTS AND CONSENTS

The following are the qualifications of the experts who have given their opinions and advices which are included in this Composite Document:

Name	Qualification
J.P. Morgan	a registered institution under the SFO licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 7 (providing automated trading services) regulated activities
Somerley	a corporation licensed to carry on Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, the independent financial adviser to the Independent Board Committee and the Independent Shareholders and Optionholders

Each of J.P. Morgan and Somerley has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion of its opinion or letter and/or the reference to its name in the form and context in which they are respectively included.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection (i) during normal business hours from 9:00 a.m. to 5:00 p.m. (other than Saturdays, Sundays and public holidays) from the date of this Composite Document until the end of the Offer Period at the office of Vinda in Hong Kong at Room 506, Tower 1, South Seas Centre, 75 Mody Road, Tsimshatsui East, Kowloon, Hong Kong; (ii) on the website of the SFC (www.sfc.hk); and (iii) on Vinda's website (www.vindapaper.com):

- (a) the memorandum and articles of association of Vinda;
- (b) the articles of association of the Offeror;
- (c) the annual reports of Vinda for the two years ended 31 December 2011 and 31 December 2012 and the interim report of Vinda for the six months ended 30 June 2013;
- (d) the letter from J.P. Morgan as set out in this Composite Document;
- (e) the letter from the Vinda Board as set out in this Composite Document;
- (f) the letter from the Independent Board Committee as set out in this Composite Document;
- (g) the letter from the Independent Financial Adviser as set out in this Composite Document;
- (h) the written consents referred to in the section headed "Experts and Consents" in this appendix;
- (i) the Irrevocable Undertakings; and
- (j) the material contracts referred to in the section headed "Material Contracts" in this appendix.