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

Annual Report 09

Healthy lifestyle starts from Vinda

To Become a

Global Top Brand

Contents

Corporate Information

Directors

Executive Directors

Mr. LI Chao Wang (Chairman)
Ms. YU Yi Fang (Vice Chairman)
Ms. ZHANG Dong Fang (Chief Executive Officer)
(Appointed on 22 February 2010)
Mr. DONG Yi Ping (Chief Technology Officer)

Non-Executive Directors

Mr. LEUNG Ping Chung, Hermann
Mr. Johann Christoph MICHALSKI
Mr. CHIU Bun

Independent Non-Executive Directors

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

Audit Committee

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

Remuneration Committee

Dr. CAO Zhen Lei (Chairman)
Mr. LEUNG Ping Chung, Hermann
Mr. TSUI King Fai

Nomination Committee

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

Authorised Representatives

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

Company Secretary

Mr. TSANG Zee Ho, Paul, CPA, FCCA

Auditors

PricewaterhouseCoopers

Legal Advisers to the Company

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

Registered Office

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

Principal Place of Business in Hong Kong

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

Place of Listing and Stock Code

The Stock Exchange of Hong Kong Limited
Stock Code: 3331

Corporate Information

Principal Share Registrar and Transfer Office

Butterfield Fulcrum Group (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 705
Grand Cayman KY1-1107
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

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

Principal Bankers

Bank of China (Hong Kong) Limited
China Construction Bank Limited
CITIC Ka Wah Bank Limited
Hang Seng Bank Limited
Industrial and Commercial Bank of China Limited
Agricultural Bank of China Limited
Bank of China Limited

Website

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

Financial Highlights

	2009	2008
Gross profit margin (%)	34.2%	21.2%
Net profit margin (%)	14.3%	6.8%
Earnings per share (HK$)	44.0 cents	18.4 cents
Dividend per share (HK$)	12.0 cents	4.6 cents
– interim dividend (paid) (HK$)	3.0 cents	Nil
– final dividend (proposed) (HK$)	9.0 cents	4.6 cents
Finished goods turnover	36 days	32 days
Debtors turnover	39 days	32 days
Creditors turnover	60 days	34 days
Current ratio (times)	1.67	1.26
Gearing ratio (%)[1]	41.7%	43.5%
Net gearing ratio (%)[2]	24.9%	33.5%

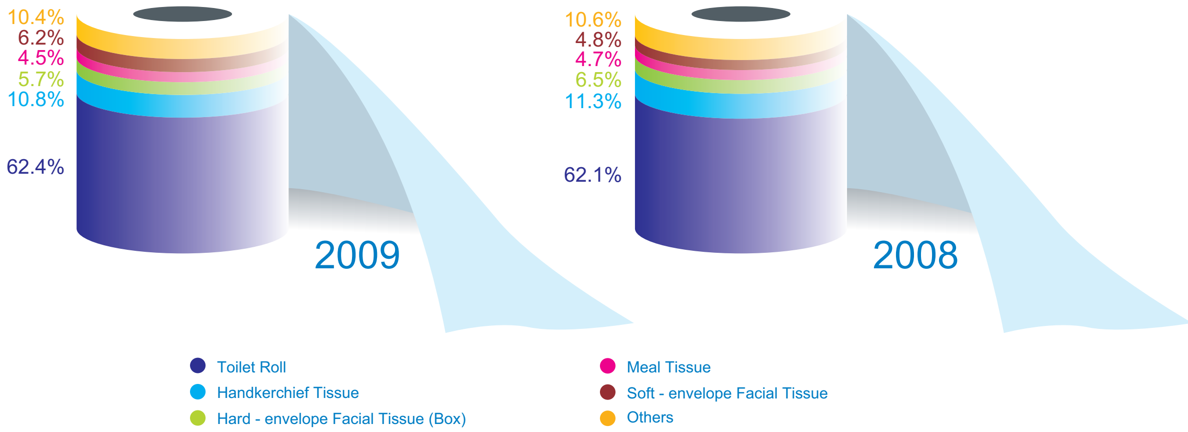
Notes:

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

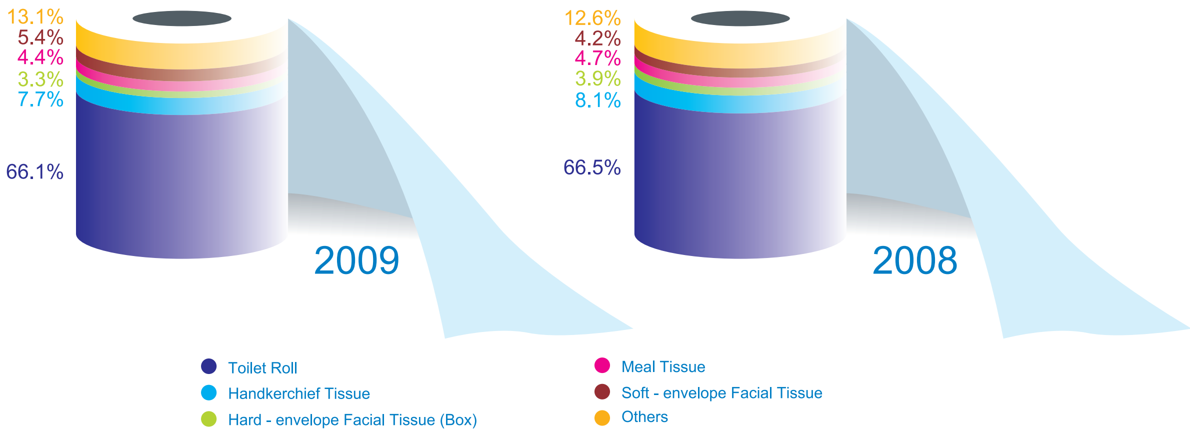
2. Calculated on the basis of the amount of total borrowings less bank balances and cash as a percentage of the total shareholders' equity.

Financial Highlights

Turnover by Product Categories



Sales Volume by Product Categories



Chairman's Statement

Mr. LI Chao Wang
Chairman

On behalf of the Board of Directors (the "Board") of Vinda International Holdings Limited ("Vinda International" or the "Company", together with its subsidiaries, the "Group"), I am pleased to present the annual report of the Group for the year ended 31 December 2009.

During the year under review, the lingering impact of the financial crisis had resulted in uncertain economic outlook as seen in the first half of 2009. Nevertheless, China's economy began to pick up after the PRC Government launched a multitude of economic stimulus measures. According to The National Bureau of Statistics' preliminary calculation, China's gross domestic product (GDP) increased by an annual rate of 8.7% in 2009, and the consumer price index began to go north at the end of 2009 after months of decline during the year. The rural and urban income showed stable growth, and the employment situation was better than expected, all these factors are indispensable to the improvement in people's purchasing power.

Chairman's Statement

Sales of Vinda International is relatively resilient to economic cycle as we are engaged in the fast moving consumer goods industry, producing daily necessities for customers. Nonetheless, with consumer sentiment picking up in the second half of the year, sales of the Group's new products and high-ended product series will enjoy bigger room for development. During the year under review, the Group boosted sales by expanding production capacity and broadening market coverage of our products. Gross profit margin increased as the Group had stored up wood pulp purchased at a low price during the economic downturn. In 2009, the Group's turnover was HK$2,776,116,529, representing a growth of 14.5% over the previous year (2008: HK$2,424,044,090). Gross profit amounted to HK$ 950,798,608, up 85.3%. Profit attributable to shareholders was HK$ 397,799,707, representing an increase of 139.8% over the previous year (2008: HK$165,911,568). Basic earnings per share were 44.0 Hong Kong cents, up 139.1% year on year (2008: 18.4 Hong Kong cents).

In return for our shareholders' long-standing support for the Group, the Board proposes to declare a final dividend of 9.0 Hong Kong cents per share for the financial year ended 31 December 2009.

Strong brand recognition and successful marketing & pricing strategy

The Group endeavors to enhance and upgrade the "Vinda" brand, and strives to bring the brand value to its fullest. The Group adopted a "Dual Brand" marketing strategy at the beginning of the year and successfully differentiated the consumer clusters with adoption of primary-brand and secondary-brand. This strategy, on one hand, underpins the continuous growth of our primary-brand products in first-tier cities, and escalates the development of our secondary-brand products' in second- and third-tier cities on the other hand.

The year 2009 was the "Year of Innovation". With acute market insight, the Group launched a variety of new products to boost sales. The Group's personal care products made their sales debut in the first half of the year. In light of the threats of H1N1 Influenza A, the Group launched the Cooling Wet Tissue and Hand Sanitizer Wipes in a timely manner and filled the void of the wet tissue paper market. In the second half of the year, the Group obtained the copyright of the "Pleasant Goat", a popular cartoon icon in the PRC, and launched the "Pleasant Goat "packaged household paper products. With this distinctive package, the Group has tapped into more markets and consumer clusters, thus enhancing the profitability. Riding on the success of the new pilot products, the Group is formulating specific strategies to diversify the "Pleasant Goat" product line and enrich its product portfolio.

Production capacity expansion in line with marketing strategies

On the marketing front, the Group continued to adopt a "Asterisk Layout and Regional Development Strategy" so as to strengthen its distribution network and nationwide coverage of its products and enlarge its market share. Meanwhile, the Group has improved the market penetration and uplifted the brand equity by establishing eye-catching display modules of "Ten Thousand Shops Over Hundred Cities" Project.

As for production capacity expansion, the Group maximized its economies of scale, reduced costs and increased production efficiency in line with its "Asterisk Layout" production strategies. As at 31 December 2009, the annual production capacity of the Group amounted to 320,000 tons. The Group plans to increase the annual production capacity by 100,000 tons in 2011. At present, the Hubei plant already has an annual production capacity of 50,000 tons. The Group has started to set up a new production line with a view to expanding the annual production capacity in Central China by another 50,000 tons, thus achieving a goal of multi-point layout for production and distribution. In addition, the Group planned to set up the production base in Northeastern China by establishing a factory in Liaoning with an annual production capacity of approximately 50,000 tons in phase one.

Chairman's Statement

Potent purchasing strategies and launch of greenery products

Wood pulp is the raw material of the Group's products. In the first half of 2009, wood pulp price plunged to a cyclically low level. Notwithstanding the fact that wood pulp price began to rebound in April and continued to go up in the second half of the year, the Group, with its potent purchasing strategies, coupled with its flexible use of its wood pulp inventory, offset the impact of price fluctuation of wood pulp, and managed to control its costs effectively and increase its profitability during 2009.

During the year under review, the Group used other raw materials as a trial and launched non-wood pulp products made of sugarcane pulp and bamboo pulp. These products targeted second- and third-tier cities in China and offered diverse choices for price-sensitive consumers.

Increasing market penetration and grasping opportunities

Looking ahead to 2010, the economic landscape will be more stable than the previous year. Yet market uncertainties, coupled with the gradual increase in wood pulp price, will pose challenges for the whole paper-making industry. Nonetheless, due to China's huge population, there will be tremendous growth potential for the consumption of household paper products, and, after market integration, the increasing market share will offer business opportunities for the Group.

In the year to come, the Group will monitor closely the needs of customers and the market. We will stay focused on the research and development, production and sale of household paper products. We will also strengthen our existing distribution network and underpin the Group's market position with the "Dual Brands" strategy and regional positioning. The Group is confident that the market penetration rate of its products in the second- and third-tier cities would grow further and the strengths of products will be further exploited.

As a result of the increasing awareness of global environmental protection and the more stringent environmental policies issued by the State, the Group expects that production of household paper products would be shifted to tech-savvy enterprises which consume less energy and raw materials. In the future, besides producing wood pulp products, the Group will continue to introduce greenery products made of sugarcane pulp and bamboo pulp in an orderly manner in an effort to contribute to the environment and enjoy the first mover advantage in the environmentally friendly product sector in China.

With a view to implementing professional management, the Group has appointed Ms. Zhang Dong Fang as the Chief Executive Officer early this year. She will help enhance the overall strengths of the management team and foster business development through professional and effective planning. While maintaining its prudent fiscal policies, the Group will continue to develop its business cautiously, broaden its distribution network and expand its production capacity with a view to building a quality and convenient living environment for its customers and citizens.

The Group owes its remarkable results in 2009 to the continuous trust and support from all of you and the joint efforts of the team. I would like to take this opportunity to express my sincere appreciation to all the shareholders, customers and business partners. We will continue our efforts to generate lucrative returns for our shareholders in the year to come.

LI Chao Wang
Chairman

Hong Kong, 7 April 2010

ELEGANT series

Product Lines

(1) Vinda Pleasant Goat Series (喜羊羊)

In 2009, by taking advantage of the domestic fervor of the most popular cartoon in the Mainland, “Pleasant Goat and Big Big Wolf”, (喜羊羊與灰太狼), Vinda International entered into an agreement with the copyright owner in respect of household paper and wet tissue to establish comprehensive cooperation covering the Mainland China, Hong Kong and Macau and to expand the penetration of Vinda’s products into different age groups and increase the market shares of our brands by infusing healthy and vital cartoon features to the new product series.

Festival Edition was launched during the Lunar New Year

The latest edition with the softest and most durable texture

(2) Blue-coloured Classic Series

The Blue-coloured Classic Series is the high-end main brand of Vinda. This series of products features a fashionable, upmarket positioning with soft texture and good absorbency, highlighting the superb quality of Vinda products and represents a flagship product of the industry of household paper.

Product Lines

(3) Soft & Smooth Series

The Soft & Smooth Series is made of natural long fiber by the latest technology for manufacturing over-soft tissue. This series of products features delicate and smooth touch, skin-caring with soft and durable texture and elegant and convenient packing and is a new product line of Vinda International targeting the high-end markets.

(4) Hong Kong King series

An extension of our blue-coloured Classic Series and a representation of the premium quality of Vinda products, this Hong Kong King Series targets the markets in Hong Kong, Macau and South-east Asia.

(5) Vinda Products

The "Vinda" brand is an award-winning brand of Vinda Paper. It is a top-selling brand with many years of strong sales track record.

(6) The Toughest Series

Packaged in materials of an eye-catching orange colour, the Series poses strong visual impact for consumers, allowing them to experience softness, cleanliness and good value-for-money.

Product Lines

(7) Happiness Series

With a fresh and fashionable packing and soft texture, this series of product offers consumers tender and carefree experiences by taking care of their families with high-quality tissue paper at real bargains.

(8) Other Series

Vinda Travel Series

Multi-purpose Towel Series

ROMANTIC series

Management Discussion And Analysis

AN ANALYSIS OF THE OPERATING ENVIRONMENT

Trends of a rapid recovery emerged in the economy of China in 2009 in reaction to the RMB 4 trillion stimulus package promulgated by the Central Government. The country´s economy in general maintained relatively high growth, with GDP growing at 8.7% in 2009 from the previous year, while inflation was being kept at low levels. As China accelerates its urbanisaton process, consumer spending continues to grow, creating huge potential for the high-quality household paper industry.

Prices of pulp in the international market, which stayed at relatively low levels between the fourth quarter of 2008 and the first quarter of 2009, lowered the production cost for the whole industry. This kept many domestic small-scale paper manufacturers active despite the backdrop of a looming financial crisis. Competition was seen intensifying in the household paper market in China.

In addition, the World Climate Change Summit held in Copenhagen raised the awareness of the public for a "low-carbon lifestyle", fuelling the impetus and opportunities to the manufacturers of high-end household paper that are capable of achieving low energy consumption and pollution.

BUSINESS REVIEW

2009 was an important year for the Group in the areas of brand enhancement, product structure improvement, market expansion and marketing innovations. During the year, while the global economy was still struggling in the aftermath of the financial crisis of 2008, the Group maintained its growth at double-digit levels. Turnover amounted to HK$2,776,116,529, representing an increase of 14.5% compared with last year. Toilet roll category has continued to be the biggest driver and contributor of increased sales, posting a growth of 15.1% year-on-year. Individual categories, such as soft-envolope facial tissue, has become increasingly popular and registered a year-on-year growth of 47.9%.

During the year, the gross profit margin of the products of the Group reached 34.2% (2008: 21.2%), up 13 percentage points from last year. The improvement could be attributable to the sales promotion campaigns hosted during the year that helped maintain the selling prices at levels only slightly trimmed from those after our price increase initiatives in 2008, and low pulp costs resulting from the successful execution of our procurement strategy.

Management Discussion And Analysis

During the year, the Group won various accolades, including "Top 30 Pulp and Paper Manufacturing Enterprises in China" (全國製漿造紙企業30強) by China Paper Association. Mr. Li Chao Wang, the Chairman of Vinda International, was named an "Outstanding Entrepreneur in Pulp and Paper Manufacturing Industry in China". These illustrate the recognition for Vinda International by the society.

BUSINESS STRATEGY

The Group has been adhering to its principle of reinforcing its presence in existing markets while proactively exploring new markets and developing new products to grow hand in hand with business partners. During the year, the Group´s "Dual-Brand" strategy and intensified efforts to expand into second- and third-tier cities, have resulted in notable achievements.

As of 2009 year end, there were a total of 125 sales offices and 715 distributors (2008: 91 sales offices and 559 distributors). The opening of image stores under the "Ten Thousand Shops in Over a Hundred Cities" strategy throughout China strengthened the Group´s distribution network, which in turn drove sales growth and enhanced the brand image.

Riding on the opportunity arisen from a global outbreak of H1N1 Influenza A, the Group successfully launched its personal health care products and hosted a national community campaign carrying the theme "Clean Your Hands and Care For All (「手」護健康、關愛你我)" during the year. Various kinds of wet tissue products were also launched in a timely manner and expanded the Group´s product range. In the second half of the year, the Group obtained rights to use "Pleasant Goat and Big Big Wolf" (喜羊羊與灰太狼), the most popular cartoon characters in China, and successfully launched the "Vinda • Pleasant Goat" tissue paper series targeting little children and young fans of comic strips in November 2009. The launch was well received by consumers and generated remarkable sales, successfully increased the contribution of high-margin products to the total turnover. This launch is expected to help improve the Group´s product mix and helped integrate its distribution channels.

In addition, the Group continued its efforts in research and development, focusing on upgrading of the high-end "Blue-Colored Classic Series", going for higher quality and more extensive market promotion efforts in order to reinforce and strengthen the leading position of the Vinda brand.

GETTING PREPARED FOR PRODUCTION CAPACITY EXPANSION

With the new paper manufacturing machine in the production base in Jiangmen commencing production, the production capacity of the Group increased to 320,000 tons in March 2009. In August 2009, the Group established Vinda Paper (Liaoning) Company Limited (維達紙業(遼寧)有限公司) in Anshan, Liaoning. In early December 2009, procedures for application of environment protection certificates and transfers of land ownership were completed, signaling the successful establishment of the seventh production base of the Group in Northeast China. The "Asterisk Layout" of Vinda Paper´s production capacities across the country was since then much improved, making it possible to exploit better economies of scale with further reductions in logistics costs.

The Group plans to further expand its production capacity in 2010. Construction of the fourth phase of the Hubei production base and the first phase of the production base in Anshan, Liaoning commenced in March 2010. When commencing production at the end of 2010, these facilities will add another 50,000 tons of capacity to the Group´s total. These will further enhance the Group´s overall operation efficiency.

Management Discussion And Analysis

CONSISTENTLY IMPROVING OPERATION EFFICIENCY

During the year under review, the Group implemented comprehensive production management for safety, environment protection, quality and cost reduction, with emphasis on quality and efficiency enhancement. The Group consolidated its research and development resources and successfully completed over 150 technology improvements. The Group maintained its high product quality and reliability by adopting a flexible system to keep track of product quality on a regular basis. In the area of production cost control, the Group promulgated a set of very stringent targets to lower wastage by 1%, increase accuracy by 0.1 millimeter, enhance material utilization by 0.1 gram and save idle time by 10 minutes.

The Group reviews regularly its production process to identify room for further improvement. The Group enhanced the production efficiency significantly by revamping production lines, introducing technologically-advanced equipment and establishing comparable efficiency targets. In respect of environment protection, the Group cut its energy consumption by revamping boilers and adjusting production parameters. In addition, it also re-scheduled its production time to enjoy lower electricity tariffs during off-peak hours.

HUMAN RESOURCES AND MANAGEMENT

The Group adheres to its human resources strategy of attracting and retaining talents to cater for its business development. The Group organises various types of training, industry forums, technology seminars and internal technology exchange activities every year, with a view to keeping its staff abreast of the latest developments in the industry and cutting edge technologies.

As at 31 December 2009, the Group had 5,351 staff members (2008: 4,379). The higher headcount was a result of establishments of new production facilities and increasing business volume. The remuneration packages of staff are subject to market conditions and individual performance and are reviewed from time to time. During the year, the staff costs of the Group grew steadily. The Group also provides welfare coverages to the staff, including medical insurance, retirement pension, unemployment insurance, maternity insurance, accident injury insurance and provident funds, etc. The Group provides discretionary rewards and bonuses to staff members based on their performance, contribution to the Group and the Group's profitability.

Ms. Zhang Dong Fang was appointed Chief Executive Officer of the Company with effect from 22 February 2010. Ms. Zhang has extensive experience in managing multi-national corporations and fast-moving consumer goods businesses. The appointment of Ms. Zhang will reinforce and enhance the Group's business management and add agility to the Group´s rapid growth.

Management Discussion And Analysis

FOREIGN EXCHANGE RISK

The majority of the Group's sales operations and purchase of auxiliary materials are conducted in China and are denominated and settled in RMB, while the majority of key raw materials are imported from overseas and paid in US dollar. As at 31 December 2009, the Group had not entered into any material financial instruments or any contracts for hedging foreign exchange risks.

SHARE-BASED PAYMENT

As approved by the Board 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.

The whole year non-cash expense is approximately HK$26,866,000 in connection with the grant of share options in the first half of 2009.

Management Discussion And Analysis

FUTURE PROSPECTS

In 2010, the Central Government is expected to continue to implement large-scale economic stimulus measures and invest heavily in infrastructure in order to promote domestic consumption. The global economy is expected to continue to recover steadily.

In terms of prices of raw materials, it is expected that the pulp market will hit a record high due to the earthquake in Chile and the recovery of the global economy before retreating modestly. Hence, the Group may face rising pulp prices. The Group will raise the selling prices of its products as needed and improve the operation efficiency to mitigate the impact from the increase in raw material costs.

In 2010, the Group will concentrate on the following areas:

1. To adhere to the overall operation strategy to enhance brand positioning, refine product structure and continue to extend its coverage, strengthening brand building and brand development strategy. Moreover, the Group will focus on adjusting its product structure and intensify the promotion of high-margin products, including tissue, facial tissue, wet tissue, high end toilet tissue paper rolls, in order to increase their contribution to the total turnover. The Group will further expand its distribution channels to penetrate deeper into inner areas. The Group strives to extend its distribution coverage to 80% of the country´s rural areas within three years.

2. To develop more environment-friendly products and promote green industry by progressively launching environment-friendly products made from sugarcane pulp and bamboo pulp.

3. To establish targets going for high quality, low consumption and high efficiency and consistently reducing production costs.

4. To intensify efforts in product research and development and engage more resources in product research and development in order to enhance the quality of the Group's products.

5. To invest further in information technology infrastructure, improve business platform and exploit synergies so as to establish an efficient and shared information platform for the management of supply chain, production, sales, finance and logistics.

LIQUIDITY, FINANCIAL RESOURCES AND BANK LOANS

The Group's financial position remained healthy. As at 31 December 2009, the Group's bank and cash balances (including pledged bank deposits of HK$760,931 (31 December 2008: HK$884,454)) amounted to HK$347,710,038 (31 December 2008: HK$173,073,712), and short-term and long-term loans amounted to HK$863,222,792 (31 December 2008: HK$744,286,796). 69.2% of the bank borrowings are medium to long term (2008: 62.6%). The annual interest rates of bank loans ranged from 1.15% to 5.76%.

As at 31 December 2009, the gearing ratio was 41.7% (31 December 2008: 43.5%), which was calculated on the basis of the amount of total borrowings as a percentage of the total shareholders' equity. The net gearing ratio, which was calculated on the basis of the amount of total borrowings less cash and cash equivalents as a percentage of the total shareholders' equity, was 24.9% (31 December 2008: 33.5%).

Management Discussion And Analysis

CONTINGENT LIABILITIES

As at 31 December 2009 and 31 December 2008, the Group had no material contingent liabilities.

CAPITAL COMMITMENTS

	As at 31 December	
	2009	2008
	HK$	HK$
Contracted but not provided for	**43,989,206**	45,528,840

During the year, the Group did not have any material acquisitions and disposals of subsidiaries and associated companies.

FINAL DIVIDEND

The Board has resolved to propose to shareholders the distribution of a final dividend for the year ended 31 December 2009 at HK9.0 cents (2008: HK4.6 cents) totaling HK$81,417,752, subject to approval by shareholders at the annual general meeting (the "AGM") on 14 May 2010. If so approved by shareholders, it is expected that the final dividend will be paid on or around 14 June 2010 to shareholders whose names appear on the register of member of the Company on 11 May 2010.

CLOSE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 11 May 2010 to 13 May 2010 (both days inclusive), during which period no transfer of shares will be registered. In order to establish entitlement to the final dividend to be approved at the AGM (and payable on or around 14 June 2010), all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 pm on 10 May 2010 for registration of transfer.

Biographical Details of Directors

Executive Directors

Mr. LI Chao Wang (李朝旺), aged 51, is a founder of the Group. He was appointed as an Executive Director of the Company on 17 August 1999 and has become the Chairman of the Board since 28 April 2000. In his current capacity, he would spearhead overall corporate development and strategic planning. Formerly until January 2010, he also acted as the Chief Executive Officer of the Group. Mr. LI has over 25 years of experience in the household paper industry and executive business management. Mr. LI currently is a member of Guangdong Political Consultative Committee, the vice president of the China Household Paper Association, vice president of the All-China Federation of Industry and Commerce Papermakers' Group and The Standing Committee of Guangdong federation of industry & commerce and the president of the Jiangmen City Federation of Industry and Commerce. Mr. LI graduated from the Guangdong Radio and Television University's business administration program.

Ms. YU Yi Fang (余毅昉), aged 55, is a co-founder of the Group. Ms. YU was appointed as an Executive Director on 1 February 2000 and further appointed as the Vice Chairman of the Board from January 2010 to assist Mr. LI Chao Wang in pursuing strategic development. Ms. YU was formerly the Chief Operating Officer of the Group. She has over 25 years of experience in China's household paper industry and 19 years of financial management experience as manager of financial affairs for the Group. Ms. YU graduated from the Guangdong Radio Television University's accounting program.

Ms. ZHANG Dong Fang (張東方), aged 47, joined Vinda in February 2010 as its Chief Executive Officer (the "CEO") and Executive Director. Ms. ZHANG has extensive experience in business management gained in a multi-national corporate environment. Prior to joining Vinda, She was the vice president-North Asia Division of a Swiss multi-national group which is engaged in the production and sales of flavors and fragrances for use in perfumes, cosmetics, food and beverage, and household products. The said group ranks among the world leaders in flavors and fragrances production and has an estimated 15 per cent worldwide market share. Before that, Ms. ZHANG was the managing director of the said group responsible for its business in Greater China from 1998 to 2008. Ms. ZHANG graduated from Guangdong Foreign Language and Trade University with a bachelor's degree in economics and art in 1983. She also graduated from IMD, a world-renowned business school in Switzerland, with a diploma in business management in 1994.

Mr. DONG Yi Ping (董義平), aged 47, Senior Engineer, was appointed as an Executive Director on 1 February 2000 and is the Group's Chief Technology Officer (the "CTO"). Mr. DONG joined Vinda Paper (Guangdong) in 1992. Mr. DONG has over 20 years of experience in equipment operations and safety, quality control, and research and development. Prior to joining the Group, he served for senior positions in two other paper manufacturing companies. Mr. DONG graduated in 1991 from the paper manufacturing program of the Tianjin University of Science and Technology (previously the Tianjin College of Light Industry), with a master's degree in engineering.

Biographical Details of Directors

Non-Executive Directors

Mr. LEUNG Ping Chung, Hermann (梁秉聰), aged 54, was appointed as a Director on 17 May 2005 and was re-designated as a Non-Executive Director on 19 June 2007. Mr. LEUNG is an executive director of New China Capital Management (HK) Ltd. Mr. LEUNG is also currently a non-executive director of Centron Telecom International Holdings Limited and China Aoyuan Property Group Limited, companies whose shares are listed in Hong Kong. He was a non-executive director of Wuxi Little Swan Company Limited, a PRC listed company, which shares are listed on the Shenzhen Stock Exchange until Jan 2010; and an alternate to a non-executive director of Warderly International Holdings Limited, a Hong Kong listed company, until May 2007. Mr. LEUNG has over 20 years of management and operational experience throughout the Asia Pacific region. He received a bachelor's degree in social sciences degree as well as a master degree in business administration from The Chinese University of Hong Kong.

Mr. Johann Christoph MICHALSKI, aged 44, was appointed as a Non-Executive Director on 19 April 2008. Mr. MICHALSKI is the president of Svenska Cellulosa Aktiebolaget ("SCA") Asia Pacific based in Shanghai, the PRC. SCA Asia Pacific is a business unit under the SCA Group, of which Mr. MICHALSKI has since 2007 served as senior vice president of Business Development and Strategic Planning. Previously he held a number of senior management positions in the New Zealand dairy group Fonterra as well as the global FMCG company, Unilever. He has over 16 years of experience in leadership roles in business development and strategy, consumer marketing and innovation in the consumer goods industry. Mr. MICHALSKI has a master's degree in economics from Kiel University, Germany.

Mr. CHIU Bun (趙賓), aged 34, was appointed as a Director on 29 March 2007 and was re-designated as a Non-Executive Director on 19 June 2007. Mr. CHIU joined SCA in 2005 as general counsel of SCA Asia Pacific based in Shanghai, PRC. Mr. CHIU currently serve in SCA as general manager of Shanghai Minhang SCA Packaging CO. Ltd. Mr. CHIU previously worked with international law firms including Clifford Chance, Perkin Coie and Morrision & Foerster. He is admitted as a solicitor in Hong Kong and England & Wales. Mr. CHIU received a bachelor's degree in information management from the University College London, the Postgraduate Certificate in Laws (PCLL) from the Universtiy of Hong Kong and a master of laws degree from Remin University of China, Beijing.

Biographical Details of Directors

Independent Non-Executive Directors

Dr. CAO Zhen Lei (曹振雷), aged 51, was appointed as an Independent Non-Executive Director on 19 June 2007. Dr. CAO is the vice president of the Sinolight Corporation. With more than 20 years of experience in research and management in the pulp and paper industry in China, Dr. CAO also serves as secretary-general of the Standing Committee of the China Technical Association of Paper Industry, deputy director of the All-China Federation of Industry and Commerce's Papermakers Association and vice president of the Printing and Printing Equipment Industries Association of China. Dr. CAO is an independent director of Shangdong Huatai Paper Industry Joint Stock Co., Ltd. (山東華泰紙業股份有限公司), a company listed in the PRC. Dr. CAO holds a bachelor's degree from the South China University of Technology with a specialization in the pulp and paper industry, a master's degree in paper making from the Light Industry Institute of Science and Technology, a Ph.D. in chemical science from the University of Saskatchewan and an Executive M.B.A. from Peking University's Guanghua School of Management.

Mr. HUI Chin Tong, Godfrey (許展堂), aged 50, was appointed as an Independent Non-Executive Director on 19 June 2007. Since the 1980's, Mr. HUI has established and managed several businesses in the PRC and is currently serving as executive director of Network CN Inc. Mr. HUI obtained his bachelor's degree in business management from The Chinese University of Hong Kong and a master's degree in business management from the University of Hull in the United Kingdom.

Mr. KAM Robert (甘廷仲), aged 52 was appointed as an Independent Non-Executive Director on 19 June 2007. Mr. KAM started his career with one of the Big Four international accounting firms and currently is a partner in the chartered accountancy firm, Kam & Beadman, based in Sydney, Australia. He has many years of experience in providing audit, tax and accounting services, including public company statutory audits, information systems audits and internal audits. Mr. KAM graduated with a bachelor of commerce degree from the University of Western Australia. Mr. KAM is a chartered accountant and a member of the Institute of Chartered Accountants in Australia, a Registered Auditor in New South Wales, Australia and a Registered Auditor of the Australian Securities Commission. Mr. KAM is also a Justice of the Peace for the State of New South Wales in Australia.

Mr. TSUI King Fai (徐景輝), aged 60, was appointed as an Independent Non-Executive Director on 19 June 2007. Mr. TSUI is a director and senior consultant at WAG Worldsec Corporate Finance Limited, a registered financial services company in Hong Kong. He has over 30 years of extensive experience in accounting, finance and investment management, particularly in investments in the PRC. Mr. TSUI worked for two of the Big Four audit firms in the United States and Hong Kong and served in various public listed companies in Hong Kong in a senior capacity. Mr. TSUI is currently acting as an Independent Non-Executive Director of Lippo Limited, Lippo China Resources Limited, Hongkong Chinese Limited and China Aoyuan Property Group Limited. He graduated from the University of Houston, Texas, the United States and holds a master of science in accountancy and a bachelor of business administration with first class honors. Mr. TSUI is a fellow of the Hong Kong Institute of Certified Public Accountants, a member of the Institute of Chartered Accountants in Australia and a member of the American Institute of Certified Public Accountants.

Biographical Details of Directors

Biography of Senior Management

Mr. TSANG Zee Ho, Paul (曾思豪), aged 48, is the Chief Financial Officer (the "CFO"), and Company Secretary of the Group. He joined the Group in April 2007. He began his career with an international accounting firm in tax consulting. Since 1988, Mr. TSANG has held various senior finance and management positions with public and private companies as well as professional firms in Hong Kong and China, including associate director of Deloitte & Touche Corporate Finance, general manager of corporate finance of Century City Group, a listed company in Hong Kong, and chief financial officer of a private group of companies which has diversified operations and interests in Guangzhou, PRC. Mr. TSANG graduated from the University of Hong Kong and is a fellow member of the Association of Chartered Certified Accountants in the U.K. and a non-practicing member of the Hong Kong Institute of Certified Public Accountants.

Mr. ZHANG Jian (張健), aged 38, is the Chief Operating Officer of the Group. He graduated from Wu Yi University in electronic technology, and joined Vinda Paper Group in the same year. He served as a manager in the production, marketing, and procurement departments, and deputy manager and general manager of the Company. He is an executive director of the Guangdong Paper Association.

Ms. LI Pei Lan (李佩蘭), aged 54, is an assistant to CEO of the Group. She graduated from the Beijing Administrative College in economic management and from the Peking University Guanghua School of Management executive education program. Prior to joining Vinda Paper Group in January 1998, she was a sales department manager at Beijing Electronic Equipment Company (北京市電子器材公司). She has more than 20 years experience in sales management and nearly 10 years of experience in corporate management.

Mr. SU Luo Fu (蘇洛夫), aged 53, is an assistant to CEO of the Group, responsible for the centralized material procurement of the Group. He graduated from People's University of China in economics. He has been in charge of the current function since he joined Vinda Paper Group in September 1999. Prior to joining the Group, he was president of Forda Co. Inc., a trading company, and has over 16 years of experience in sourcing and trade management.

Mr. LI Chao Bing (李朝炳), aged 56, is the Executive Vice President (the "EVP") (international sales) of the Group and general manager of sales of Vinda Paper(Australia) Pty.Ltd. He joined Vinda Paper Group in February 1998 and has served various sales management positions such as sales manager, deputy sales general manager and sales vice president. He has extensive experience in overall marketing management. Mr. LI is the elder brother of Mr. LI Chao Wang.

Mr. HE Hui Xian (何惠獻), aged 36, is the EVP (domestic sales) of the Group. He graduated from Anhui Finance and Trade College（安徽財貿學院）in 1996 majoring in trade and economics and joined Vinda Paper Group in January 1997. He has been responsible for sales management and served as deputy general manager and general manager of the Company's subsidiaries.

Mr. TANG Hai Tang (湯海棠), aged 39, is the EVP (Marketing and Media) of the Group. Mr. TANG graduated from South China University of Technology in biochemistry in 1994. He joined Vinda Paper Group in August 1995 and served as deputy general manager, marketing director, manager of marketing department and chief marketing officer. Mr. TANG left the Group in March 2003 and served as chief marketing officer of Guangxi Guitang (Group) Co., Ltd.(廣西貴糖(集團)股份有限公司). He rejoined Vinda Paper Group in December 2008 and has served as EVP (marketing and media)

Biographical Details of Directors

Mr. HU Yong-Jin (胡永進),aged 37, is the EVP - Sales (Southern China) of the Group. Mr. HU graduated from Anhui Polytechnic University in automotive design and manufacturing in 1996. He joined Vinda Paper Group in October 1998 and served as marketing manager and deputy general manager and general manager of the Company's subsidiaries. Mr. HU left the Group in April 2003 and served as CSO (chief sales officer) of Guangxi Guitang (Group) Co., Ltd.(廣西貴糖(集團)股份有限公司). He rejoined Vinda Paper Group in December 2008 and has served as EVP- Sales (Southern China).

Ms. WU Bao Ying (吳寶英), aged 46, is the EVP (Personal Care Products) of the Group, project manager of Vinda Personal Care (Hong Kong) Ltd. and senior engineer in paper making process. She graduated from the South China University of Technology majoring in pulp making and paper manufacturing. She joined Vinda Paper Group in 1992 and has served as managers of quality control and production departments, deputy general manager, head of quality assurance centre of the Group and EVP (Quality) of the Group. Ms. WU is also a member of sub-committee in household paper and paper board at the China Standardization Technical Committee of Papermaking Industry.

Mr. CHEN Bei Qiang (陳北強), aged 51, is the EVP (Technology), head of technology centre and chief engineer of the Group and senior engineer in textile machinery. He graduated from the Guangdong Mechanical Engineering College majoring in machinery manufacturing process and equipment. Since joining Vinda Paper Group in June 1997, he has served as the head of technology centre and chief engineer of the Group.

Ms. WANG Bo (王波), aged 37, is the EVP (Production) and head of paper development centre of the Group. Ms. WANG graduated from Beijing Forestry University in forestry in 2007 and joined Vinda Paper Group in July in the same year. She has served as product development manager, head of factory, deputy general manager and general manager of the Company's subsidiaries

Ms. LIN Yu Zhen (林玉珍), aged 47 is the EVP (Purchasing logistics) and head of purchasing logistics centre of the Group. Ms. LIN graduated from China Central Radio and Television University in finance in November 2003. Since joining Vinda Paper Group in January 1985, she has served as manager of production department and supply department, head of factory, deputy head of procurement centre of the Group. She has extensive experience in production and procurement management.

Ms. ZHAO Xiao Yu (趙小妤), aged 34, is the EVP (Human Resources) and head of human resources centre of the Group. Ms. ZHAO graduated from Jinan University(廣州暨南大學)in statistics in 1999 and joined Vinda Paper Group in November in the same year. She has served as manager of human resources and deputy head of human resources and administration centre of the Group.

Ms. LU Meng (盧夢), aged 35, is the head of finance centre of the Group. She obtained her master's degree in finance from South-central University of Nationalities and has been accredited the title of accountant and attained the Legal Professional Certification in China. Prior to joining Vinda Paper Group in February 2004, she held positions in import and export trade and finance management. She was previously the head of operation center of the Group and served as the vice manager of the Group internal control department and the finance manager of local subsidiaries and regionally.

Ms. ZHANG Cui Ling (張翠玲), aged 42, is the manager of internal control for the Group. Ms. ZHANG graduated from Guangdong Mechanical College （廣東機械學院）in industrial management engineering in 1991 and joined Vinda Paper Group in July in the same year. She has served as the manager of finance , purchasing logistics, quality control, and administration department of the Company's subsidiaries.

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Corporate Governance Report

Corporate Governance Practices

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

The Company has complied with the Code on Corporate Governance Practices (the "Code") except for deviations from provision A.2.1 of the Code, which stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. LI Chao Wang is both the Chairman of the Board and the CEO for the financial year under review. On 22 February 2010, Ms. ZHANG Dong Fang was appointed as an Executive Director and CEO of the Company. The major duties of the chairman are to provide leadership to the Board and spearhead overall corporate development and strategic planning whilst the chief executive officer is responsible for implementing the decisions and strategy approved by the Board and managing day-to-day operations of the Group with the support of the executive directors.

Directors' Securities Transactions

The Company has adopted a code for securities transactions by directors of the Company (the "Code of Conduct") on terms no less exacting than the required standard of the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Having made specific enquiry with all the directors of the Company (the "Directors" or individually the "Director"), all of them confirmed that they have complied with the required standard set out in the Model Code and the Code of Conduct regarding securities transactions by the Directors during the year ended 31 December 2009.

Board of Directors

Composition

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

Executive Directors

Mr. LI Chao Wang *(Chairman)*
Ms. YU Yi Fang *(Vice Chairman)*
Ms. ZHANG Dong Fang *(Chief Executive Officer)* *(appointed on 22 February 2010)*
Mr. DONG Yi Ping *(Chief Technology Officer)*

Non-Executive Directors

Mr. LEUNG Ping Chung, Hermann
Mr. Johann Christoph MICHALSKI
Mr. CHIU Bun

Independent Non-Executive Directors

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

Corporate Governance Report

The Board formulates overall strategies and policies of the Group. It also ensures the availability of adequate capital and managerial resources to implement the strategies adopted, the adequacy of systems of financial and internal control and the conduct of business in conformity with applicable laws and regulations. The Board members are fully committed to their roles and have always acted in the best interests of the Group and its shareholders at all times. There is no financial, business, family or other material/relevant relationship amongst Directors. The Directors' biographical information is set out on pages 20 to 24 under the section headed "Biographical Details of Directors and Senior Management" of this annual report.

Board meetings are held regularly at approximately quarterly intervals and also held on ad hoc basis as required by business needs. Regular Board meetings and ad hoc Board meetings are attended to by a majority of the Directors in person or through other electronic means of communication. In addition, special Board meetings are convened from time to time for the Board to discuss issues that require the Board's timely attention. Since the special Board meetings are concerned with the day-to-day management of the Company which often requires prompt decisions, usually only the Executive Directors and senior management attend the meetings. During the year ended 31 December 2009, other than resolutions passed in writing by all the Directors, the Board held a total of 14 regular and ad hoc Board meetings.

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

Directors	Number of regular and ad hoc Board meetings attended	Number of special Board meetings attended
Executive Directors		
Mr. LI Chao Wang *(Chairman)*	14(14)	8(8)
Ms. YU Yi Fang *(Vice Chairman)*	14(14)	8(8)
Mr. DONG Yi Ping *(Chief Technology Officer)*	14(12)	8(8)
Non-Executive Directors		
Mr. LEUNG Ping Chung, Hermann	14(14)	
Mr. Johann Christoph MICHALSKI	14(14)	
Mr. CHIU Bun	14(12)	
Independent Non-Executive Directors		
Dr. CAO Zhen Lei	14(14)	
Mr. KAM Robert	14(12)	
Mr. HUI Chin Tong, Godfrey	14(14)	
Mr. TSUI King Fai	14(14)	

Corporate Governance Report

Chairman of the Board and Chief Executive Officer

Mr. LI Chao Wang ("Mr. LI") is both the Chairman and founder of the Company. Formerly until January 2010, he also acted as the CEO of the Group. On 22 February 2010, Ms. ZHANG Dong Fang was appointed as an Executive Director and the CEO of the Company. The major duties of the chairman are to provide leadership to the Board and spearhead overall corporate development and strategic planning whilst the chief executive officer is responsible for implementing the decisions and strategy approved by the Board and managing day-to-day operations of the Group with the support of the executive directors.

Executive Directors

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

Non-Executive Directors

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

Independent Non-Executive Directors

The Independent Non-Executive Directors serve the important function of ensuring and monitoring the basis for an effective corporate governance framework. Their participation provides adequate checks and balances to safeguard the interests of the Group and its shareholders including the review of continuing connected transactions described below. The Board consists of four Independent Non-Executive Directors and two of them have appropriate professional qualifications or accounting or related financial management expertise. The Board confirms that the Company has received from each of the Independent Non-Executive Directors a confirmation of independence for the year ended 31 December 2009 pursuant to Rule 3.13 of the Listing Rules and considers such Directors to be independent.

Appointments, Re-election and Removal of Directors

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

Corporate Governance Report

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

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

The Board Committees

Remuneration Committee

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

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

During the year ended 31 December 2009, the remuneration committee held 3 meetings. The remuneration committee reviewed the remuneration policy of the Company and the remuneration of Directors and senior management and made recommendation to the Board.

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

Members	Number of meetings attended
Dr. CAO Zhen Lei	3(3)
Mr. LEUNG Ping Chung, Hermann	3(3)
Mr. TSUI King Fai	3(3)

Nomination Committee

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

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

Corporate Governance Report

Before a prospective Director's name is formally proposed, the opinions of the existing Directors (including the Independent Non-Executive Directors) are sought. The selection criteria of the qualified candidates are mainly based on the assessment of their qualifications, experience and expertise as well as the requirements under the Listing Rules. The nomination committee selects and recommends candidates for directorship having regard to the balance of skills and experience appropriate to the Group's business. During the year ended 31 December 2009, the nomination committee reviewed the current structure, size and composition of the Board and the remuneration of the senior management.

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

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

Audit Committee

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

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

During the year ended 31 December 2009 the audit committee held 4 meetings. The audit committee reviewed with the senior management and auditors of the Company the accounting policies and practices adopted by the Group and discussed auditing, the internal control system and financial reporting matters. It also reviewed the financial statements of the Company and the Company's annual and interim reports, the management letter from the auditors of the Company and the audit scope and fees for the year ended 31 December 2009.

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

Members	Number of meetings attended
Mr. KAM Robert	4 (4)
Mr. HUI Chin tong, Godfrey	4 (4)
Mr. TSUI King Fai	4 (4)

Corporate Governance Report

Accountability and Audit

Financial Reporting

The Directors acknowledge their responsibility for preparing all information and representations contained in the financial statements for the year ended 31 December 2009 as disclosed in this annual report. The Directors consider that the financial statements have been prepared in conformity with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and reflect amounts that are based on the best estimates and reasonable, informed and prudent judgment of the Board and management with an appropriate consideration to materiality. As at 31 December 2009, the Directors, having made appropriate enquiries, are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's and the Company's ability to continue as a going concern. Accordingly, the Directors have prepared the financial statements on a going concern basis. The statement of the auditors of the Company regarding their responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 43 to 114 of this annual report.

Internal Controls

The Board is responsible for overseeing the Company's system of internal control. To facilitate the effectiveness and efficient operations and to ensure compliance with relevant laws and regulations, the Group emphasizes the importance of a sound internal control system which is also indispensable for mitigating the Group's risk exposures. The Group's system of internal control is designed to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage and eliminate risks of failure in operational systems and fulfillment of the business objectives. The internal control system is reviewed on an ongoing basis by the Board in order to make it practical and effective in providing reasonable assurance in relation to protection of material assets and identification of business risks. The Board is satisfied that, based on information furnished to it and on its own observations, the present internal controls of the Group are satisfactory. The Group is committed to the identification, monitoring and management of risks associated with its business activities and has implemented a practical and effective control system which includes a defined management structure with limits of authority, a sound cash management system and periodic review of the Group's performance by the Audit Committee and the Board. The Board has conducted review of the effectiveness of the system of internal control and is of the view that the system of internal control adopted for the year ended 31 December 2009 is sound and is effective to safeguard the interests of the shareholders' investment and the Company's assets.

Auditors' Remuneration

An analysis of the remuneration of the Company's auditors, Messrs PricewaterhouseCoopers, for the year ended 31 December 2009 is set out as follows:

	Services rendered Fee paid/payable *HK$'000*
Audit services	5,561

Corporate Governance Report

Communication with Shareholders

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

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

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

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

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

Report of the Directors

The Directors have pleasure in presenting herewith their report together with the audited accounts for the year ended 31 December 2009.

Principal Activities and Geographical Analysis of Operations

The Company is principally engaged in investment holding. The principal activities of the subsidiaries of the Company and other information are set out in note 9 to the consolidated financial statements.

Results and Appropriations

The results of the Group for the year are set out in the consolidated statement of comprehensive income on page 48.

The Directors recommend the payment of a final dividend of HK9.0 cents (2008: HK4.6 cents) per ordinary share, totaling HK$81,417,752.

Reserves

Details of the movements in the reserves of the Group and of the Company during the year ended 31 December 2009 are set out in Note 16 to the consolidated financial statements.

Property, Plant and Equipment

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

Share Capital

Details of the movements in share capital of the Company are set out in Note 14 to the consolidated financial statements.

Distributable Reserves

The Company's reserves available for distribution comprise the share premium account and retained profits. At 31 December 2009, the reserves of the Company available for distribution to shareholders amounted to HK$956,852,403 (2008: HK$883,506,393), subject to the restrictions stated in Note 14 to Note 16 to the consolidated financial statements.

Five-Year Financial Summary

A summary of the consolidated results of the Group for the last five financial years and of its consolidated assets and liabilities as at the end of the last five financial years is set out on pages 115 to 116 respectively.

Purchase, Sale or Redemption of Securities

The Company has not redeemed any of the Company's shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of its securities during the year.

Report of the Directors

Directors

The Directors during the year were:

Executive Directors

Mr. LI Chao Wang *(Chairman)*
Ms. YU Yi Fang *(Vice Chairman)*
Ms. ZHANG Dong Fang *(Chief Executive Officer)* *(appointed on 22 February 2010)*
Mr. DONG Yi Ping *(Chief Technology Officer)*

Non-Executive Directors

Mr. LEUNG Ping Chung Hermann
Mr. Johann Christoph MICHALSKI
Mr. CHIU Bun

Independent Non-Executive Directors

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

Biographical Details of Directors and Senior Management

Brief biographical details of Directors and senior management are set out on pages 20 to 24.

Confirmation of Independence of Independent Non-executive Directors

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

Directors' Service Contracts

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

Directors' Interests and Controlling Shareholders' Interests in Contracts

Saved as disclosed under the Continuing Connected Transactions below, no contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director or a controlling shareholder of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Report of the Directors

Continuing Connected Transactions

A) On 20 June 2007, the Group entered into a master product supply agreement (the "Supply Agreement") with SCA Hygiene Australasia Pty Limited and SCA Hygiene Australasia Limited (together, "SCA HA") (both as customers) pursuant to which the parties would enter into such transactions at prices determined on an arm's length basis and comparable to the prevailing market rates or at rates similar to those offered by the Group to independent third parties and subject to other terms and conditions set out therein. The Supply Agreement has an initial term from 1 January 2007 to 31 December 2009. SCA HA are both wholly owned subsidiaries of SCA which has been an indirect Substantial Shareholder of the Company since 29 March 2007, and are therefore considered as Connected Persons to the Company. The Company requested for and the Stock Exchange granted a waiver to the Company from strict compliance with the announcement and independent shareholders' approval requirements in connection with the transaction under the Supply Agreement, otherwise applicable to Connected Transactions pursuant to Rule 14A.42(3) of the Listing Rules.

The independent non-executive Directors have reviewed the above mentioned transactions during the period from 1 January 2009 to 31 December 2009 which amount to HK$16,353,666 which falls within the stipulated cap of HK$200 million for the relevant period. The Independent Non-Executive Directors confirmed that the transactions have been entered into:

(1) in the ordinary and usual course of business of the Company;

(2) on normal commercial terms no less favorable to the Company than terms available to other independent third parties; and

(3) in accordance with the Supply Agreement on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

B) On 16 April 2009, the Company entered into the master purchase and supply agreement with SCA, a substantial shareholder of the Company and a connected person, whereby:

(1) members of the Group would purchase various packaging materials, such as carton boxes from the SCA and its subsidiaries at prices to be determined on an arm's length basis and comparable to the prevailing market rates or at rates similar to those offered by Independent Third Parties and accepted by the Group; and

(2) members of the Group would sell the Group's tissue paper products, such as toilet rolls, table napkins, tissue towels and face tissues to the SCA and its subsidiaries (excluding SCA HA which is separately covered under a product supply agreement dated 20 June 2007, details of which have been set out in the prospectus of the Company dated 26 June 2007) at prices to be determined on an arm's length basis and comparable to the prevailing market rates or at rates similar to those offered by the Group to independent third parties.

The Master Purchase and Supply Agreement has an initial term of 2 years commencing on 1 January 2009 and ending on 31 December 2010 (both dates inclusive).

The annual caps in relation to the purchase of packaging material from SCA and its subsidiaries under the Master Purchase and Supply Agreement for the years ending 31 December 2009 and 31 December 2010 are HK$6.0 million and HK$7.0 million respectively. The annual caps in relation to the sale of the Group's tissue paper products to SCA and its subsidiaries under the Master Purchase and Supply Agreement for the years ending 31 December 2009 and 31 December 2010 are HK$2.0 million and HK$2.8 million respectively.

Report of the Directors

The transactions under the Master Purchase and Supply Agreement constitute continuing connected transactions under Chapter 14A of the Listing Rules. The applicable percentage ratios (other than the profits ratio) calculated with reference to the individual annual caps will be more than 2.5% but less than 25% and the annual maximum cap is less than HK$10,000,000. Accordingly, the continuing connected transactions under the Master Purchase and Supply Agreement are only subject to the reporting and announcement requirements under Rules 14A.45 to 14A.47 of the Listing Rules and exempt from the approval of the independent shareholders' approval under Rule 14A.34 of the Listing Rules. The Group has complied with the relevant requirements under the Listing Rules.

The independent non-executive Directors have reviewed the above transactions during the period from 1 January 2009 to 31 December 2009 which amount to HK$822,120 and HK$2,288,197 which fall within the stipulated cap of HK$2.0 million and HK$6.0 million respectively. The Independent Non-Executive Directors confirmed that the transactions have been entered into:

(1) in the ordinary and usual course of business of the Company;

(2) on normal commercial terms no less favourable to the Company than terms available to other independent third parties; and

(3) in accordance with the Master Purchase and Supply Agreement on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

C) On 13 November 2009, 維達紙業（廣東）有限公司 (for identification purpose only, in English, Vinda Paper (Guangdong) Company Limited) ("Vinda Guangdong"), a wholly-owned subsidiary of the Company, entered into the product supply agreement (the "Product Supply Agreement") with SCA Tissue Hong Kong Limited ("SCA Hong Kong"), an indirect wholly-owned subsidiary of SCA and therefore a connected person, whereby Vinda Guangdong agreed to manufacture and sell tissue products under a trademark owned by SCA to SCA Hong Kong pursuant to the terms and conditions of the Product Supply Agreement at an agreed processing fee.

The Product Supply Agreement has an initial term of 3 years commencing on 17 November 2009.

The annual cap in relation to the processing fees under the Product Supply Agreement for the period from 17 November 2009 to 31 December 2009 is HK$0. The annual caps for the years ending 31 December 2010, 2011 and 2012 are HK$8.0 million, HK$13.5 million and HK$16.0 million respectively.

The transactions under the Product Supply Agreement constitute continuing connected transactions under Chapter 14A of the Listing Rules. Since each of the applicable percentage ratios with reference to each of the annual caps for the Product Supply Agreement is more than 0.1% but less than 2.5%, the continuing connected transactions under the Product Supply Agreement are subject to reporting and announcement requirements under Rules 14A.45 to 14A.47 of the Listing Rules but exempt from the independent shareholders' approval requirement under Rule 14A.34 of the Listing Rules. The Group has complied with the relevant requirements under the Listing Rules.

There was no transaction under the Product Supply Agreement for the period from 17 November 2009 to 31 December 2009. The Independent Non-Executive Directors considered that the terms of the Product Supply Agreement and the above annual caps are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

D) To the extent the above transactions constituted connected transactions as defined in the Listing Rules, the Group had complied with the relevant requirements under Chapter 14A of the Listing Rules.

Report of the Directors

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

As at 31 December 2009, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") contained in Appendix 10 of the Listing Rules were as follows:

Long positions in shares, underlying shares and debentures

Name	Company name of associated corporations	Nature of interest	Number of shares	Number of underlying Shares[4]	Aggregate interest	Approximate percentage of interest
Li Chao Wang	The Company	Interest of controlled company	284,606,235 shares[1]	1,600,000	286,206,235	31.64%
	Fu An International Company Limited	Interest of controlled company	280 shares of US$1.00 each	–	–	73.68%
	Sentential Holdings Limited	Interest of controlled company	1 share of US$1.00 each	–	–	100%
	Eagle Power Assets Limited	Settlor and beneficiary of CW Li Family Trust	1 share of US$1.00 each	–	–	100%
Yu Yi Fang	The Company	Interest of controlled company	284,716,235 shares[2]	9,038,000	293,754,235	32.47%
	Fu An International Company Limited	Interest of controlled company	60 shares of US$1.00 each	–	–	15.79%
	Join Pride International Limited	Interest of controlled company	10 shares of US$1.00 each	–	–	100%
	Kingdom World Assets Limited	Settlor and beneficiary of YF Yu Family Trust	1 share of US$1.00 each	–	–	100%
Dong Yi Ping	The Company	Interest of controlled company	284,606,235 shares[3]	9,038,000	293,644,235	32.46%
	Fu An International Company Limited	Interest of controlled company	40 shares of US$1.00 each	–	–	10.53%
	Daminos Management Limited	Interest of controlled company	10 shares of US$1.00 each	–	–	100%
	Profit Zone Assets Limited	Settlor and beneficiary of YP Dong Family Trust	1 share of US$1.00 each	–	–	100%

Report of the Directors

Name	Company name of associated corporations	Nature of interest	Number of Shares	Number of underlying Shares[4]	Aggregate interest	Approximate percentage of interest
Leung Ping Chung, Hermann	The Company	personal	1,453,000	400,000	1,853,000	0.20%
Johann Christoph Michalski	The Company	personal	–	400,000	400,000	0.04%
Chiu Bun	The Company	personal	–	400,000	400,000	0.04%
Kam Robert	The Company	personal	400,000	–	400,000	0.04%
Cao Zhen Lei	The Company	personal	–	400,000	400,000	0.04%
Tsui King Fai	The Company	personal	–	400,000	400,000	0.04%

Notes:

1. The Shares are registered in the name of Fu An International Company Limited which is held as to 73.68% by Sentential Holdings Limited, 15.79% by Join Pride International Limited and 10.53% by Daminos Management Limited. The entire issued share capital of Sentential Holdings Limited is held by Eagle Power Assets Limited, whose entire issued share capital is held by HSBC International Trustee Limited in its capacity as trustee of CW Li Family Trust with LI Chao Wang as the settlor.

2. (a) 284,606,235 Shares are registered in the name of Fu An International Company Limited which is held as to 73.68% by Sentential Holdings Limited, 15.79% by Join Pride International Limited and 10.53% by Daminos Management Limited. The entire issued share capital of Join Pride International Limited is held by Kingdom World Assets Limited, whose entire issued share capital is held by HSBC International Trustee Limited in its capacity as trustee of YF Yu Family Trust with YU Yi Fang as the settlor.

   (b) 100,000 Shares are registered in the name of Join Pride International Limited.

   (c) 10,000 Shares are registered in the name of Ms. Yu Yi Fang.

3. The Shares are registered in the name of Fu An International Company Limited which is held as to 73.68% by Sentential Holdings Limited, 15.79% by Join Pride International Limited and 10.53% by Daminos Management Limited. The entire issued share capital of Daminos Management Limited is held by Profit Zone Assets Limited, whose entire issued share capital is held by HSBC International Trustee Limited in its capacity as trustee of YP Dong Family Trust with DONG Yi Ping as the settlor.

4. Details of share options held by the directors are shown in the section of “Share Options”.

Report of the Directors

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

Share Option Scheme

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

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

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

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

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

Report of the Directors

Details of movements of the options granted under the Share Option Scheme during the year ended 31 December 2009 are as follows:

	Date of Grant	Exercise price per Share HK$	as at 01/01/2009	Number of Shares issuable under the options: granted during the period	exercised during the period	forfeited during the period	cancelled during the period	as at 31/12/2009	Exercise period
Directors									
Li Chao Wang	24/02/2009	2.98	–	1,600,000	–	–	–	1,600,000	24/02/2009 to 23/02/2019
Yu Yi Fang	24/02/2009	2.98	–	9,038,000	–	–	–	9,038,000	24/02/2009 to 23/02/2019
Dong Yi Ping	24/02/2009	2.98	–	9,038,000	–	–	–	9,038,000	24/02/2009 to 23/02/2019
Leung Ping Chung, Hermann	24/02/2009	2.98	–	400,000	–	–	–	400,000	24/02/2009 to 23/02/2019
Johann Christoph Michalski	24/02/2009	2.98	–	400,000	–	–	–	400,000	24/02/2009 to 23/02/2019
Chiu Bun	24/02/2009	2.98	–	400,000	–	–	–	400,000	24/02/2009 to 23/02/2019
Kam Robert	24/02/2009	2.98	–	400,000	(400,000)	–	–	–	24/02/2009 to 23/02/2019
Cao Zhen Lei	24/02/2009	2.98	–	400,000	–	–	–	400,000	24/02/2009 to 23/02/2019
Hui Chin Tong, Godfrey	24/02/2009	2.98	–	400,000	(400,000)	–	–	–	24/02/2009 to 23/02/2019
Tsui King Fai	24/02/2009	2.98	–	400,000	–	–	–	400,000	24/02/2009 to 23/02/2019
Employees of the Group									
	24/02/2009	2.98	–	5,070,000	–	(60,000)	–	5,010,000	(Note)
In aggregate				27,546,000	(800,000)	(60,000)		26,686,000	

Note

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

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

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

Report of the Directors

Arrangement to Purchase Shares or Debentures

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

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

As at 31 December 2009, the interests and short positions of the substantial shareholders of the Company in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Long positions in shares and underlying shares

Name of shareholder	Nature of interest	Interest in Shares	Interest in underlying Shares[4]	Aggregate interest	Percentage of issued share capital
Fu An International Company Limited	Beneficial owner	284,606,235	–	284,606,235	31.46%
Sentential Holdings Limited [1]	Interest of controlled company	284,606,235	–	284,606,235	31.46%
Eagle Power Assets Limited [1]	Interest of controlled company	284,606,235	–	284,606,235	31.46%
HSBS International Trustee Limited [1]	Trustee of CW Li Family Trust	284,606,235	–	284,606,235	31.46%
Li Chao Wang [1]	Settlor and beneficiary of CW Li Family Trust	284,606,235	1,600,000	286,206,235	31.64%
SCA Hygiene Holding AB	Beneficial owner	169,531,897	–	169,531,897	18.74%
SCA Group Holding BV [2]	Interest of controlled company	169,531,897	–	169,531,897	18.74%
Svenska Cellulosa Aktiebolaget [2]	Interest of controlled company	169,531,897	–	169,531,897	18.74%
Cathay Paper Limited	Beneficial owner	84,567,232	–	84,567,232	9.35%
Cathay Capital Holdings, L.P. [3]	Interest of controlled company	84,567,232	–	84,567,232	9.35%
Cathay Master GP, Ltd. [3]	Interest of controlled company	84,567,232	–	84,567,232	9.35%

Notes:

1. These Shares are registered in the name of Fu An International Company Limited which is held as to 73.68% by Sentential Holdings Limited, 15.79% by Join Pride International Limited and 10.53% by Daminos Management Limited. The entire issued share capital of Sentential Holdings Limited is held by Eagle Power Assets Limited, whose entire issued share capital is held by HSBC International Trustee Limited in its capacity as trustee of CW Li Family Trust with Mr. LI Chao Wang as the settler. Under the SFO, Sentential Holdings Limited, Eagle Power Assets Limited, HSBC International Trustee Limited and LI Chao Wang are all deemed to be interested in the Shares held by Fu An International Company Limited.

2. These Shares are registered in the name of SCA Hygiene Holding AB, which is indirectly wholly-owned by Svenska Cellulosa Aktiebolaget, a company whose shares are traded on the Stockholm, London and New York (as ADRs) stock exchanges. Under the SFO, Svenska Cellulosa Aktiebolaget is deemed to be interested in the Shares held by SCA Hygiene Holding AB.

3. These Shares are registered in the name of Cathay Paper Limited, which is wholly-owned by Cathay Capital Holdings, L.P., a private equity fund and a limited partnership with direct investment in China. Cathay Master GP, Ltd. is the general partner of Cathay Capital Holdings, L.P. Under the SFO, Cathay Master GP., Ltd. and Cathay Capital Holdings, L.P. are deemed to be interested in the Shares held by Cathay Paper Limited.

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

Report of the Directors

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

Management Contracts

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

Major Customers and Suppliers

During the year, the percentage of sales of goods attributable to the Group's five largest customers combined are 10.86%

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

– the largest supplier	14.17%
– five largest suppliers combined	46.32%

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

Sufficiency of Public Float

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

Pre-emptive Rights

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

Auditors

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

On behalf of the Board
LI Chao Wang
Chairman

Hong Kong, 7 April 2010

Independent Auditor's Report

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor Prince's Building
Central, Hong Kong

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF VINDA INTERNATIONAL HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Vinda International Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 45 to 114, which comprise the consolidated and Company balance sheets as at 31 December 2009, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

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

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

Independent Auditor's Report

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2009 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 7 April 2010

Consolidated Balance Sheet

As at 31 December 2009

	Note	As at 31 December 2009 HK$	2008 HK$
ASSETS			
Non-current assets			
Property, plant and equipment	7	**1,825,089,896**	1,852,374,329
Leasehold land and land use rights	6	**158,910,242**	117,294,978
Intangible assets	8	**6,881,218**	740,895
Deferred income tax assets	19	**72,909,571**	47,508,724
		2,063,790,927	2,017,918,926
Current assets			
Inventories	11	**912,068,945**	491,755,387
Trade receivables, other receivables and prepayments	10	**409,312,796**	259,669,018
Due from related parties	32(c)	**5,458,343**	5,300,643
Pledged bank deposits	12	**760,931**	884,454
Cash and cash equivalents	13	**346,949,107**	172,189,258
		1,674,550,122	929,798,760
Total assets		**3,738,341,049**	2,947,717,686
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	14	**90,464,169**	90,384,169
Share premium	14	**838,018,579**	834,834,579
Other reserves	16		
– Proposed final dividend		**81,417,752**	41,576,718
– Others		**1,060,007,903**	742,291,177
Total equity		**2,069,908,403**	1,709,086,643

Consolidated Balance Sheet *(continued)*

As at 31 December 2009

	Note	As at 31 December 2009 HK$	2008 HK$
LIABILITIES			
Non-current liabilities			
Borrowings	18	**597,739,324**	465,875,506
Deferred government grants	20	**63,467,626**	33,127,079
Deferred income tax liabilities	19	**1,794,270**	1,556,700
		663,001,220	500,559,285
Current liabilities			
Trade payables, other payables and accrued expenses	17	**680,034,008**	429,879,934
Due to a related party	32(c)	**1,054,572**	568,205
Borrowings	18	**265,483,468**	278,411,290
Current income tax liabilities		**58,859,378**	29,212,329
		1,005,431,426	738,071,758
Total liabilities		**1,668,432,646**	1,238,631,043
Total equity and liabilities		**3,738,341,049**	2,947,717,686
Net current assets		**669,118,696**	191,727,002
Total assets less current liabilities		**2,732,909,623**	2,209,645,928

LI Chao Wang
Director

YU Yi Fang
Director

The notes on pages 51 to 114 are an integral part of these consolidated financial statements.

Company Balance Sheet

As at 31 December 2009

	Note	As at 31 December 2009 HK$	2008 HK$
ASSETS			
Non-current assets			
Investments in and balances with subsidiaries	9	**1,043,979,314**	1,006,935,617
Current assets			
Other receivables		**290,424**	240,096
Dividends receivable		**130,109,503**	60,136,070
Cash and cash equivalents	13	**227,352**	159,111
		130,627,279	60,535,277
Total assets		**1,174,606,593**	1,067,470,894
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	14	**90,464,169**	90,384,169
Share premium	14	**838,018,579**	834,834,579
Other reserves	16		
- Proposed final dividend		**81,417,752**	41,576,718
- Others		**155,165,561**	97,225,161
Total equity		**1,165,066,061**	1,064,020,627
LIABILITIES			
Current liabilities			
Other payables and accrued expenses	17	**9,540,532**	3,450,267
Total liabilities		**9,540,532**	3,450,267
Total equity and liabilities		**1,174,606,593**	1,067,470,894
Net current assets		**121,086,747**	57,085,010
Total assets less current liabilities		**1,165,066,061**	1,064,020,627

LI Chao Wang
Director

YU Yi Fang
Director

The notes on pages 51 to 114 are an integral part of this financial statement.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2009

	Note	For the year ended 31 December 2009 HK$	2008 HK$
Revenue	5	**2,776,116,529**	2,424,044,090
Cost of sales	22	**(1,825,317,921)**	(1,910,939,233)
Gross profit		**950,798,608**	513,104,857
Selling and marketing costs	22	**(281,002,421)**	(181,765,469)
Administrative expenses	22	**(155,651,477)**	(115,367,807)
Other income and gains - net	21	**8,601,735**	4,041,388
Operating profit		**522,746,445**	220,012,969
Finance income	24	**1,829,438**	3,268,001
Finance costs	24	**(29,331,701)**	(28,465,727)
Finance costs, net	24	**(27,502,263)**	(25,197,726)
Profit before income tax		**495,244,182**	194,815,243
Income tax expense	25(a)	**(97,444,475)**	(28,903,675)
Profit attributable to equity holders of the Company		**397,799,707**	165,911,568
Other comprehensive income:			
Currency translation differences		**2,494,422**	96,467,285
Total comprehensive income attributable to equity holders of the Company		**400,294,129**	262,378,853
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in HK$ per share)			
- basic	28	**0.440**	0.184
- diluted	28	**0.437**	0.184
Dividends	29	**108,545,003**	41,576,718

The notes on pages 51 to 114 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2009

	Note	Share capital HK$	Share premium HK$	Other reserves HK$	Total HK$
		Attributable to equity holders of the Company			
Balance at 1 January 2008		90,384,169	834,834,579	541,373,559	1,466,592,307
Profit for the year		–	–	165,911,568	165,911,568
Other comprehensive income					
– Currency translation differences		–	–	96,467,285	96,467,285
Total comprehensive income for 2008		–	–	262,378,853	262,378,853
Transaction with owners					
Dividends	29	–	–	(19,884,517)	(19,884,517)
Balance at 31 December 2008		90,384,169	834,834,579	783,867,895	1,709,086,643
Balance at 1 January 2009		90,384,169	834,834,579	783,867,895	1,709,086,643
Profit for the year		–	–	397,799,707	397,799,707
Other comprehensive income					
– Currency translation differences		–	–	2,494,422	2,494,422
Total comprehensive income for 2009		–	–	400,294,129	400,294,129
Transaction with owners					
Employees share option scheme					
– value of employee services	15	–	–	26,866,000	26,866,000
– exercise of options	14	80,000	3,184,000	(880,000)	2,384,000
Dividends	29	–	–	(68,722,369)	(68,722,369)
Transaction with owners		80,000	3,184,000	(42,736,369)	(39,472,369)
Balance at 31 December 2009		90,464,169	838,018,579	1,141,425,655	2,069,908,403

The notes on pages 51 to 114 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2009

	Note	For the year ended 31 December 2009 HK$	2008 HK$
Cash flows from operating activities			
Cash generated from operations	30(a)	**400,977,436**	441,470,967
Interest paid		**(30,790,913)**	(27,615,337)
Income tax paid		**(91,631,155)**	(45,884,441)
Net cash generated from operating activities		**278,555,368**	367,971,189
Cash flows from investing activities			
Purchase of property, plant and equipment		**(107,997,117)**	(493,629,296)
Proceeds from disposal of property, plant and equipment	30(b)	**930,358**	40,040
Payment for leasehold land and land use rights		**(44,663,348)**	(19,816,230)
Purchase of intangible assets		**(7,031,941)**	(95,986)
Interest received		**1,829,438**	3,268,001
Net cash used in investing activities		**(156,932,610)**	(510,233,471)
Cash flows from financing activities			
Proceeds from shares issued		**2,384,000**	–
Proceeds from borrowings		**1,546,453,411**	942,707,308
Repayments of borrowings		**(1,427,517,415)**	(876,963,413)
Decrease in pledged bank deposits		**123,523**	5,822,081
Dividends paid		**(68,722,369)**	(19,884,517)
Net cash generated from financing activities		**52,721,150**	51,681,459
Net increase/(decrease) in cash and cash equivalents		**174,343,908**	(90,580,823)
Effect of foreign exchange rate changes		**415,941**	10,688,600
Cash and cash equivalents, beginning of the year	13	**172,189,258**	252,081,481
Cash and cash equivalents, end of the year	13	**346,949,107**	172,189,258

The notes on pages 51 to 114 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the Year ended 31 December 2009

1 General Information

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

The Company acts as an investment holding company and provides management services to its subsidiaries. The principal activities of the subsidiaries are set out in Note 9. 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 7 April 2010.

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.

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.

Notes to the Consolidated Financial Statements

For the Year ended 31 December 2009

2 Summary of significant accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

The Group has adopted the following new and amended HKFRSs as of 1 January 2009:

- HKFRS 7 'Financial Instruments – Disclosures' (amendment) – effective 1 January 2009. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. The adoption of the amendment results in additional disclosures but does not have an impact on operating results, financial position or comprehensive income of the Group.

- HKAS 1 (revised). 'Presentation of financial statements' – effective 1 January 2009. The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. As a result the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. The consolidated financial statements have been compiled as required by the revised standard retrospectively.

- HKFRS 2 (amendment), 'Share-based payment' - effective 1 January 2009. The amendment deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. These features would need to be included in the grant date fair value for transactions with employees and others providing similar services; they would not impact the number of awards expected to vest or valuation there of subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Group and Company has adopted HKFRS 2 (amendment) from 1 January 2009. The amendment does not have a material impact on the Group's or the Company's financial statements.

Notes to the Consolidated Financial Statements

For the Year ended 31 December 2009

2 Summary of significant accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

Changes in accounting policy and disclosures *(continued)*

(a) New and amended standards adopted by the Group *(continued)*

- HKAS 23 (revised), 'Borrowing costs' – effective from 1 January 2009. The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs has been removed. The amendment does not have a material impact on the Group's or Company's financial statements.

- HKFRS 8, 'Operating segments' – effective 1 January 2009. HKFRS 8 replaces HKAS 14, 'Segment reporting', and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The Group has adopted HKFRS 8 since 1 January 2009, which did not result in any increase in the number of reportable segments. The segments applied in the previous consolidated financial statements were consistent with the internal reporting provided to the chief operating decision-maker.

- The standards, amendments and interpretations noted below had no impact on the Group's operating results, financial position or comprehensive income.

HKFRS 1 and HKAS 27 Amendment	Cost of an investment in a subsidiary, jointly controlled entity or associate
HKAS 32 Amendment and HKAS 1Amendment	Puttable Financial Instruments and Obligations Arising on Liquidation
HK (IFRIC) 13	Customer Loyalty Programmes
HK (IFRIC) 15	Agreements for the Construction of Real Estate
HK (IFRIC) 16	Hedges of a Net Investment in a Foreign Operation
HK (IFRIC) 18	Transfers of Assets from Customers (applied for transfers of assets after 1 July 2009)

Notes to the Consolidated Financial Statements

For the Year ended 31 December 2009

2 Summary of significant accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

Changes in accounting policy and disclosures *(continued)*

(b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2010 or later periods, but the Group has not early adopted them:

		Effective date
HKAS 24 Revised	Related Party Disclosures	1 January 2011
HKAS 27 Revised	Consolidated and Separate Financial Statements	1 July 2009
HKAS 32 Amendment	Classification of rights issues	1 February 2010
HKAS 39	Financial Instruments: Recognition and Measurement	
	– Amendments for Eligible hedged items	1 July 2009
HKFRS 1 Amendment	Presentation of Financial Statements	1 January 2010
HKFRS 2 Amendment	Group Cash-settled Share-based Payment Transactions	1 January 2010
HKFRS 3 Revised	Business Combinations	1 July 2009
HKFRS 9	Financial Instruments: Classification and measurement	1 January 2013
HK (IFRIC) 14	Prepayments of a Minimum Funding Requirement	1 January 2011
HK (IFRIC) 17	Distribution of Non-Cash Assets to Owners	1 July 2009
HK (IFRIC) 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2010

Those could be relevant to the Group include:

- HKAS 27 (revised), 'Consolidated and separate financial statements', - effective from 1 July 2009. The revised standard requires the effects of all transactions with minority interest to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. It is not expected to have a material impact on the Group's or Company's financial statements.

Notes to the Consolidated Financial Statements

For the Year ended 31 December 2009

2 Summary of significant accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

Changes in accounting policy and disclosures *(continued)*

(b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group *(continued)*

- HKFRS 3 (revised), 'Business combinations' - effective from 1 July 2009. The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair vale or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply HKFRS 3 (revised) prospectively to all business combinations from 1 January 2010.

  Except for the application of HKAS 27 (revised) and HKFRS 3 (revised), amendments and interpretations as mentioned above is not expected to have a material effect on the Group's operating results, financial position or comprehensive income.

(c) Improvements to HKFRS
In addition, "Improvements to HKFRS" were issued in October 2008 and May 2009 respectively, containing numerous technical and conforming amendments to HKFRS, which the HKICPA consider non-urgent but necessary. "Improvements to HKFRS" comprise amendments that result in accounting changes for presentation, recognition or measurement purposes as well as terminology or editorial amendments related to a variety of individual HKFRS standards. Most of the amendments are effective for annual periods beginning on or after 1 January 2009 and 1 January 2010. No material changes to accounting policies were made in 2009 or are expected in 2010 as a result of these amendments. These amendments that are relevant to the Group include:

- HKAS 1 (amendment), 'Presentation of financial statements'. The amendment is part of the HKICPA's annual improvements project published in May 2009. The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The Group and Company will apply HKAS 1 (amendment) from 1 January 2010. It is not expected to have a material impact on the Group's or the Company's financial statements.

Notes to the Consolidated Financial Statements

For the Year ended 31 December 2009

2 Summary of significant accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

Changes in accounting policy and disclosures *(continued)*

(c) Improvements to HKFRS *(continued)*

- HKAS 36, 'Impairment of Assets' (effective from 1 January 2010). The amendment clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment as defined by paragraph 5 of HKFRS 8, 'Operating segments' (that is, before the aggregation of segments with similar economic characteristics permitted by paragraph 12 of HKFRS 8). The amendment will not result in a material impact on the Group's or the Company's financial statements.

- HKAS 38 (amendment), 'Intangible Assets' (effective from 1 July 2009). The amendment is part of the HKICPA's annual improvements project published in May 2009 and the Group and Company will apply HKAS 38 (amendment) from the date HKFRS 3 (revised) is adopted. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and it permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives. The amendment will not result in a material impact on the Group's or the Company's financial statements.

2.2 Consilidation

(a) Subsidiaries

Subsidiaries are all entities (including special purpose 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.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interests. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses (Note 2.8). The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Notes to the Consolidated Financial Statements

For the Year ended 31 December 2009

2 Summary of significant accounting policies *(continued)*

2.3 Segment reporting

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

2.4 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

(c) Group companies

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

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

(ii) income and expenses for each income statement 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 as a separate component of equity.

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.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Notes to the Consolidated Financial Statements

For the Year ended 31 December 2009

2 Summary of significant accounting policies *(continued)*

2.5 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate cost to their residual values over their estimated useful lives, as follows:

Buildings	30 to 50 years
Leasehold improvements	3 years
Machinery	10 to 15 years
Furniture, fittings and equipment	4 to 5 years
Vehicles	5 years

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

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

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

Notes to the Consolidated Financial Statements

For the Year ended 31 December 2009

2 Summary of significant accounting policies *(continued)*

2.6 Leasehold land and land use rights

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

2.7 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Goodwill is tested for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The Group allocates goodwill to each entity with independent operations (Note 2.8).

(b) Computer software

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

2.8 Impairment of investments in subsidiaries and 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 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 (cash-generating units). Assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Notes to the Consolidated Financial Statements

For the Year ended 31 December 2009

2 Summary of significant accounting policies *(continued)*

2.8 Impairment of investments in subsidiaries and non-financial assets *(continued)*

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 consolidated financial statements of the investee's net assets including goodwill.

2.9 Financial assets

The Group's financial assets are 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 maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as trade and other receivables and cash and cash equivalents in the balance sheet (Note 2.11 and 2.12 respectively).

Loans and receivables are initially recognised at fair value and then subsequently carried at amortised cost using the effective interest method.

2.10 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). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.11 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 the normal operating cycle of the business, 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.

The Group assesses at the end of each reporting period whether there is objective evidence that trade and other receivables is impaired. Trade and other receivables 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 trade and other receivables that can be reliably estimated.

The amount of the loss is measured as the difference between trade and other receivables' carrying amount and the present value of estimated future cash flows. The carrying amount of trade and other receivables is reduced and the amount of the loss is recognised in the consolidated income statement.

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 recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the consolidated income statement.

Notes to the Consolidated Financial Statements

For the Year ended 31 December 2009

2 Summary of significant accounting policies *(continued)*

2.12 Cash and cash equivalents

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

2.13 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.

2.14 Trade and other payables

Trade payables are obligations to pay for goods that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due in the normal operating cycle of the business. 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.

2.15 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 income statement over the period of the borrowings using the effective interest method.

Borrowings at nil or low interest rates from government are treated as government assistance 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.

Borrowing costs that are directly attributable to the acquisition, construction or production of any qualifying asset that necessarily takes a substantial period of time to get ready for its intended use or sales are capitalised as part of the cost of that asset.

All other borrowing costs are charged to the consolidated income statement in the period in which they are incurred.

Notes to the Consolidated Financial Statements

For the Year ended 31 December 2009

2 Summary of significant accounting policies *(continued)*

2.16 Current and deferred income tax

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

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.

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, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Notes to the Consolidated Financial Statements

For the Year ended 31 December 2009

2 Summary of significant accounting policies *(continued)*

2.17 Employee benefits

(a) Pension obligations

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

In accordance with the rules and regulations in the PRC, the Group has arranged for its PRC employees to join a defined contribution retirement benefit plan organised by the PRC government. The PRC government undertakes to assume the retirement benefit obligations of all existing and future retired employees payable under the plan as set out in Note 23. 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.

Notes to the Consolidated Financial Statements

For the Year ended 31 December 2009

2 Summary of significant accounting policies *(continued)*

2.18 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;
- including the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- excluding the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market 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. At the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

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

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

Notes to the Consolidated Financial Statements

For the Year ended 31 December 2009

2 Summary of significant accounting policies *(continued)*

2.19 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.

2.20 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.

2.21 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, returns, rebates and discounts and after eliminating sales within the Group.

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

Notes to the Consolidated Financial Statements

For the Year ended 31 December 2009

2 Summary of significant accounting policies *(continued)*

2.21 Revenue recognition *(continued)*

(a) Sales of goods

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

(b) Interest income

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

(c) Dividend income

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

2.22 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.

2.23 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.

Notes to the Consolidated Financial Statements

For the Year ended 31 December 2009

2 Summary of significant accounting policies *(continued)*

2.23 Contingent liabilities and contingent assets *(continued)*

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.

2.24 Dividend distribution

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

2.25 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.

Notes to the Consolidated Financial Statements

For the Year ended 31 December 2009

3. Financial risk management

3.1 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 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 and recognised assets or liabilities, such as cash and cash equivalents (Note 13), pledged bank deposits (Note 12), trade and other receivables (Note 10), trade and other payables (Note 17) and borrowings (Note 18), which are mainly denominated in United States dollar (the "US$") and HK$(pegged with US$). The Group has not hedged its foreign exchange rate risk because the exposure is not significant.

As at 31 December 2008 and 2009, 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, pledged bank deposits, trade and other receivables, trade and other payables and borrowings. Details of the changes are as follows:

	31 December	
	2009	2008
	HK$	HK$
For the year ended:		
Post-tax profit increase / (decrease)		
- Strengthened 10%	**32,989,978**	16,695,144
- Weakened 10%	**(32,989,978)**	(16,695,144)
As at:		
Owners' equity increase / (decrease)		
- Strengthened 10%	**32,989,978**	16,695,144
- Weakened 10%	**(32,989,978)**	(16,695,144)

Notes to the Consolidated Financial Statements

For the Year ended 31 December 2009

3. Financial risk management *(continued)*

3.1 Financial risk factors *(continued)*

(a) Market risk *(continued)*

(i) Foreign exchange risk *(continued)*

As at 31 December 2008 and 2009, 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, pledged bank deposits, trade receivables, trade payables and other payables and borrowings. Details of the changes are as follows:

	31 December	
	2009	2008
	HK$	HK$
For the year ended:		
Post-tax profit increase / (decrease)		
- Strengthened 10%	**25,168,543**	13,652,128
- Weakened 10%	**(25,168,543)**	(13,652,128)
As at:		
Owners' equity increase / (decrease)		
- Strengthened 10%	**25,168,543**	13,652,128
- Weakened 10%	**(25,168,543)**	(13,652,128)

HK$ is chosen as the presentation currency to present the consolidated financial statements. The results and financial position of the Group are translated from respective functional currency into the presentation currency HK$. All resulting exchange differences are recognised as translation reserve in equity.

As at 31 December 2008 and 2009, if RMB had strengthened/weakened by 10% against HK$ with all other variables held constant, the translation reserve of each year end would have changed as follows:

	As at 31 December	
	2009	2008
	HK$	HK$
Owners' equity increase/(decrease)		
- Strengthened 10%	**188,404,612**	140,519,763
- Weakened 10%	**(188,404,612)**	(140,519,763)

Notes to the Consolidated Financial Statements

For the Year ended 31 December 2009

3. Financial risk management *(continued)*

3.1 Financial risk factors *(continued)*

(a) Market risk *(continued)*

(ii) 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 18.

The Group historically has not used any financial instruments to hedge its exposure to interest rate risk.

As at 31 December 2008 and 2009, 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:

	31 December	
	2009	2008
	HK$	HK$
For the year ended:		
Post-tax profit increase / (decrease)		
- 10 basis points higher	**(659,459)**	(274,315)
- 10 basis points lower	**659,459**	274,315
As at:		
Owners' equity increase / (decrease)		
- 10 basis points higher	**(659,459)**	(274,315)
- 10 basis points lower	**659,459**	274,315

Notes to the Consolidated Financial Statements

For the Year ended 31 December 2009

3. Financial risk management *(continued)*

3.1 Financial risk factors *(continued)*

(b) Credit risk

The Group has no significant concentrations of credit risk. The carrying amounts of cash and cash equivalents, pledged bank deposits, derivative financial instruments, 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 2008 and 2009, all pledged 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.

Most of the Group's sales are settled in cash or in check by its customers on delivery of goods. Credit sales are made to selected customers with good credit history. The Group has policies in place to ensure that trade receivables are followed up on a timely basis.

Notes to the Consolidated Financial Statements

For the Year ended 31 December 2009

3. Financial risk management *(continued)*

3.1 Financial risk factors *(continued)*

(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 to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years
	HK$	HK$	HK$
As at 31 December 2009			
Borrowings	265,483,468	300,910,918	296,828,406
Interests payable on borrowings (i)	24,199,934	18,779,789	4,712,235
Trade payables	367,053,331	-	-
Other payables	117,101,723	-	-
As at 31 December 2008			
Borrowings	278,411,290	81,026,193	384,849,313
Interests payable on borrowings (i)	23,244,746	25,641,047	25,303,214
Trade payables	208,576,180	-	-
Other payables	99,269,370	-	-

(i) The interest on borrowings is calculated based on borrowings held as at 31 December 2008 and 2009 without taking account of future issues. Floating-rate interest is estimated using current interest rate as at 31 December 2008 and 2009 respectively.

Notes to the Consolidated Financial Statements

For the Year ended 31 December 2009

3. Financial risk management *(continued)*

3.2 Capital risk management

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

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

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

The gearing ratios at 31 December 2008 and 2009 were as follows:

	As at 31 December	
	2009	2008
	HK$	HK$
Total borrowings (Note 18)	**863,222,792**	744,286,796
Less: Cash and cash equivalents (Note 13)	**(346,949,107)**	(172,189,258)
Pledged bank deposits (Note 12)	**(760,931)**	(884,454)
Net debt	**515,512,754**	571,213,084
Total equity	**2,069,908,403**	1,709,086,643
Total capital	**2,585,421,157**	2,280,299,727
Gearing ratio	**19.94%**	25.05%

The decrease in the gearing ratio as at 2009 resulted primarily from the cash flow generated from operating activities.

Notes to the Consolidated Financial Statements

For the Year ended 31 December 2009

3. Financial risk management *(continued)*

3.3 Fair value estimation

The carrying value less impairment provision of trade and other receivables and payables, due from/to related parties are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

4 Critical accounting estimates and judgments

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

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

(a) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less 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.

Notes to the Consolidated Financial Statements

For the Year ended 31 December 2009

4 Critical accounting estimates and judgments *(continued)*

(c) 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.

(d) 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.

(e) Estimated impairment of property, plant and equipment

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

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

Notes to the Consolidated Financial Statements

For the Year ended 31 December 2009

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	
	2009	2008
	HK$	HK$
Sales of goods	**2,612,936,594**	2,283,662,244
Sales of semi-finished goods and other materials	**163,179,935**	140,381,846
Total revenue	**2,776,116,529**	2,424,044,090

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

Based on these reports, the decision-maker 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 as one business segment with similar risks and returns.

The decision-maker has also determined that no geographical segment information is presented as over 90% of the Group's sales and operating profits are derived within the PRC and over 90% operating assets of the Group are located in the PRC, which is considered as 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 other overseas is HK$ 2,398,014,521 (2008: HK$ 2,052,042,637), HK$ 343,736,896 (2008: HK$ 333,897,256), HK$ 34,365,112 (2008: HK$ 38,104,197) respectively.

The total of non-current assets other than deferred tax assets were as follows:

	As at 31 December	
	2009	2008
	HK$	HK$
Total non-current assets other than deferred tax assets		
- Mainland China	**1,962,321,816**	1,940,664,710
- Hong Kong and other overseas	**28,559,540**	29,745,492
Deferred tax assets	**72,909,571**	47,508,724
Total non-current assets	**2,063,790,927**	2,017,918,926

Notes to the Consolidated Financial Statements

For the Year ended 31 December 2009

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	
	2009	2008
	HK$	HK$
In Hong Kong, held on:		
Lease of between 10 to 50 years	**11,888,472**	12,270,618
In PRC, held on:		
Lease of between 10 to 50 years	**147,021,770**	105,024,360
	158,910,242	117,294,978

	For the year ended 31 December	
	2009	2008
	HK$	HK$
Opening	**117,294,978**	95,396,490
Additions	**44,663,348**	19,816,230
Amortisation of leasehold land and land use rights (Note 22)	**(3,269,450)**	(3,953,688)
Exchange differences	**221,366**	6,035,946
	158,910,242	117,294,978

Notes to the Consolidated Financial Statements

For the Year ended 31 December 2009

7 Property, plant and equipment - Group

	Buildings HK$	Leasehold improvements HK$	Machinery HK$	Furniture, fittings and equipment HK$	Vehicles HK$	Constructionin progress HK$	Total HK$
At 1 January 2008							
Cost	434,480,988	1,088,223	1,142,393,450	17,549,348	10,856,729	171,528,558	1,777,897,296
Accumulated depreciation							
and impairment	(60,731,401)	(1,088,223)	(312,375,807)	(6,598,362)	(5,903,209)	–	(386,697,002)
Net book amount	373,749,587	–	830,017,643	10,950,986	4,953,520	171,528,558	1,391,200,294
Year ended 31 December 2008							
Opening net book amount	373,749,587	–	830,017,643	10,950,986	4,953,520	171,528,558	1,391,200,294
Additions	15,583,749	–	21,382,993	1,973,189	3,368,159	432,511,034	474,819,124
Disposals	–	–	(46,165)	–	(8,180)	–	(54,345)
Reclassification	128,868,291	–	159,995,480	–	–	(288,863,771)	–
Depreciation (Note 22)	(15,327,895)	–	(75,484,944)	(1,578,037)	(1,596,065)	–	(93,986,941)
Impairment charge (Note 22)	–	–	(6,973,472)	–	–	–	(6,973,472)
Exchange differences	23,874,532	–	51,107,947	313,831	199,961	11,873,398	87,369,669
Closing net book amount	526,748,264	–	979,999,482	11,659,969	6,917,395	327,049,219	1,852,374,329
At 31 December 2008							
Cost	606,411,464	1,088,223	1,394,590,759	20,263,188	14,663,803	327,049,219	2,364,066,656
Accumulated depreciation							
and impairment	(79,663,200)	(1,088,223)	(414,591,277)	(8,603,219)	(7,746,408)	–	(511,692,327)
Net book amount	526,748,264	–	979,999,482	11,659,969	6,917,395	327,049,219	1,852,374,329
Year ended 31 December 2009							
Opening net book amount	526,748,264	–	979,999,482	11,659,969	6,917,395	327,049,219	1,852,374,329
Additions	9,327,499	–	8,765,591	2,148,063	2,019,580	63,578,183	85,838,916
Disposals	–	–	(2,364,988)	(47,120)	(538,437)	–	(2,950,545)
Reclassification	124,794,757	–	236,170,176	1,685,074	199,151	(362,849,158)	–
Depreciation (Note 22)	(21,206,018)	–	(89,285,806)	(2,003,895)	(2,159,990)	–	(114,655,709)
Exchange differences	967,675	–	3,159,780	23,353	64,171	267,926	4,482,905
Closing net book amount	640,632,177	–	1,136,444,235	13,465,444	6,501,870	28,046,170	1,825,089,896
At 31 December 2009							
Cost	741,638,785	1,088,223	1,637,989,279	23,723,072	15,181,230	28,046,170	2,447,666,759
Accumulated depreciation							
and impairment	(101,006,608)	(1,088,223)	(501,545,044)	(10,257,628)	(8,679,360)	–	(622,576,863)
Net book amount	640,632,177	–	1,136,444,235	13,465,444	6,501,870	28,046,170	1,825,089,896

Notes to the Consolidated Financial Statements

For the Year ended 31 December 2009

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

(a) As at 31 December 2008, certain property, plant and machinery with net book values of HK$ 195,426,840 were pledged for bank borrowings (Note 18 (a)).

During the year ended 31 December 2009, depreciation expenses have been charged in the consolidated statement of comprehensive income as follows:

	For the year ended 31 December	
	2008	2007
	HK$	HK$
Cost of sales	**105,682,552**	88,473,371
Administrative expenses	**8,973,157**	5,513,570
	114,655,709	93,986,941

Notes to the Consolidated Financial Statements

For the Year ended 31 December 2009

8 Intangible assets - Group

	Goodwill HK$	Computer software HK$	Total HK$
At 1 January 2008			
Cost	2,206,207	1,452,217	3,658,424
Accumulated amortisation	—	(692,422)	(692,422)
Net book amount	2,206,207	759,795	2,966,002
Year ended 31 December 2008			
Opening net book amount	2,206,207	759,795	2,966,002
Additions	—	95,986	95,986
Amortisation expense (Note 22)	—	(313,545)	(313,545)
Exchange differences	—	198,659	198,659
Impairment (Note 22)	(2,206,207)	—	(2,206,207)
Closing net book amount	—	740,895	740,895
At 31 December 2008			
Cost	2,206,207	1,548,203	3,754,410
Accumulated amortisation and impairment	(2,206,207)	(807,308)	(3,013,515)
Net book amount	—	740,895	740,895
Year ended 31 December 2009			
Opening net book amount	—	740,895	740,895
Additions	—	7,031,941	7,031,941
Amortisation expense (Note 22)	—	(902,001)	(902,001)
Exchange differences	—	10,383	10,383
Closing net book amount	—	6,881,218	6,881,218
At 31 December 2009			
Cost	2,206,207	8,580,144	10,786,351
Accumulated amortisation and impairment	(2,206,207)	(1,698,926)	(3,905,133)
Net book amount	—	6,881,218	6,881,218

8 Intangible assets - Group *(continued)*

(a) During the year ended 31 December 2009, amortisation of intangible assets is charged to the consolidated statement of comprehensive income as follow:

	For the year ended 31 December	
	2009	2008
	HK$	HK$
Administrative expenses	**902,001**	313,545

(b) Impairment test of goodwill

The goodwill arose from acquisition of Vinda Household (Australia) limited ("Vinda Household (Australia)") and its subsidiary – Vinda Paper (Australia) Pty Ltd. ("Vinda Paper (Australia)") in 2005. The impairment charge resulted from the decreased gross margin of Vinda Paper (Australia) in the relevant market. In 2008, the goodwill was fully impaired.

9 Investments in and balances with subsidiaries - Company

(a) Investments in subsidiaries

	As at 31 December	
	2009	2008
	HK$	HK$
Unlisted investments, at cost	**76,178,686**	74,197,229
Due from subsidiaries (Note(i))	**967,800,628**	932,738,388
	1,043,979,314	1,006,935,617

(i) Amounts due from subsidiaries represent equity funding 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.

Notes to the Consolidated Financial Statements

For the Year ended 31 December 2009

9 Investments in and balances with subsidiaries - Company *(continued)*

(b) Details of subsidiaries

As at 31 December 2009, the Company had direct and indirect interests in the following subsidiaries:

Name	Place of incorporation and kind of legal entity	Principal activities	Issued and fully paid capital	Interest held directly	Interest held indirectly
Vinda Household Paper (China) Limited ("Vinda Household Paper (China)")	British Virgin Islands, limited liability company	Investment holding company and trading of wood pulp and machinery	US$ 1	100%	–
Vinda Household Paper (Hong Kong) Limited	British Virgin Islands, limited liability company	Investment holding company	US$ 10,002	100%	–
Vinda Household Paper (U.S.A.) Limited	British Virgin Islands, limited liability company	Investment holding company	US$ 1	100%	–
Vinda Household (Australia)	British Virgin Islands, limited liability company	Investment holding company	US$ 1	100%	–
Vinda Paper (U.S.A.) Inc.	United States of America, limited liability company	Trading of wood pulps	US$ 1	–	100%
Vinda Paper (Australia)	Australia,limited liability company	Manufacturing and sale of household consumable paper	Australian dollar 100,000	–	100%
Forton Enterprises Limited ("Forton Enterprises")	Hong Kong,limited liability company	Trading of household consumable paper	HK$ 10,100	–	100%
Vinda Paper Industrial (H.K.) Company Limited	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 company	HK$ 1	–	100%
Vinda Paper (Guangdong) Company Limited ("Vinda Paper (Guangdong)")	PRC, limited liability company	Manufacturing and sale of household consumable paper	US$ 34,550,000	–	100%
Vinda Paper (Sichuan) Company Limited ("Vinda Paper (Sichuan)")	PRC, limited liability company	Manufacturing and sale of household consumable paper	HK$ 183,900,000	–	100%
Vinda Paper (Hubei) Company Limited ("Vinda Paper (Hubei)")	PRC, limited liability company	Manufacturing and sale of household consumable paper	HK$ 53,030,000	–	100%

Notes to the Consolidated Financial Statements

For the Year ended 31 December 2009

9 Investments in and balances with subsidiaries - Company *(continued)*

(b) Details of subsidiaries *(continued)*

Name	Place of incorporation and kind of legal entity	Principal activities	Issued and fully paid capital	Interest held directly	Interest held indirectly
Vinda Paper (Beijing) Company Limited ("Vinda Paper (Beijing)")	PRC, limited liability company	Trading of household consumable paper	US$ 350,000	–	100%
Vinda North Paper (Beijing) Company Limited ("Vinda Northern Paper")	PRC, limited liability company	Manufacturing and sale of household consumable paper	HK$ 75,000,000	–	100%
Vinda Paper (Jiangmen) Company Limited ("Vinda Paper (Jiangmen)")	PRC, limited liability company	Manufacturing and sale of household consumable paper	US$ 75,000,000	–	100%
Vinda Paper (Xiaogan) Company Limited ("Vinda Paper (Xiaogan)")	PRC, limited liability company	Manufacturing and sale of household consumable paper	US$ 22,310,000	–	100%
Vinda Paper (Zhejiang) Company Limited ("Vinda Paper (Zhejiang)")	PRC, limited liability company	Manufacturing and sale of household consumable paper	HK$ 200,000,000	–	100%
Vinda Personal Care (Hong Kong) Limited ("Vinda Personal Care")	Hong Kong, limited liability company	Investment holding and trading of household consumable paper	HK$ 1	100%	–
Vinda Trading Company Limited ("Vinda Trading")	PRC, limited liability company	Trading of household consumable paper	RMB 10,240,609	–	100%
Vinda Paper (Liaoning) Company Limited ("Vinda Paper (Liaoning)")	PRC, limited liability company	Manufacturing and sale of household consumable paper	HK$ 47,000,000	–	100%
Green Lane Investment Limited ("Green Lane Investment")	Hong Kong, limited liability company	Investment holding and trading of household consumable paper	HK$ 1	–	100%
Green Lane (China) Limited ("Green Lane (China)")	PRC, limited liability company	Trading of household consumable paper	–	–	100%

The registered capital of Vinda Paper (Sichuan) was increased to HK$ 183,900,000 on 30 October 2009.

The registered capital of Vinda Paper (Jiangmen) was increased to US$ 75,000,000 on 5 November 2009.

The registered capital of Vinda Paper (Zhejiang) was increased to HK$ 200,000,000 on 14 January 2009.

Vinda Personal Care was incorporated in Hong Kong on 20 March 2009. As at 31 December 2009, the authorized capital of Vinda Personal Care is HK$ 10,000. Vinda International holds 100% interests in Vinda Personal Care.

Vinda Trading was established in Jiangmen, Guangdong province of PRC on 21 October 2009. As at 31 December 2009, the registered capital of Vinda Trading is RMB 50,000,000. Forton Enterprises holds 100% interests in Vinda Trading.

Vinda Paper (Liaoning) was established in Anshan, Liaoning province of PRC on 26 August 2009. As at 31 December 2009, the registered capital of Vinda Paper (Liaoning) is HK$ 80,000,000. Vinda Investment holds 100% interests in Vinda Paper (Liaoning).

9 Investments in and balances with subsidiaries - Company *(continued)*

(b) Details of subsidiaries *(continued)*

Green Lane Investment was incorporated in Hong Kong on 11 November 2009. As at 31 December 2009, the authorized capital of Green Lane Investment is HK$ 10,000. Vinda Household Paper (China) holds 100% interests in Green Lane Investment.

Green Lane (China) was established in Jiangmen, Guangdong province of PRC on 22 December 2009. As at 31 December 2009, the registered capital of Green Lane (China) is HK$ 50,000,000. Green Lane Investment holds 100% interests in Green Lane (China).

10 Trade receivables, other receivables and prepayments - Group

	As at 31 December	
	2009	2008
	HK$	HK$
Trade receivables	**363,034,124**	216,077,878
Less: Provision for impairment of trade receivables	**(5,192,658)**	(4,788,288)
Trade receivables, net	**357,841,466**	211,289,590
Other receivables		
- deductible input value-added tax ("VAT")	**9,336,763**	9,390,833
- prepaid income tax recoverable	**3,190,924**	4,420,330
- purchase rebates	**17,404,733**	10,390,439
- others	**10,552,730**	15,019,571
Other receivables, net	**40,485,150**	39,221,173
Trade and other receivables, net	**398,326,616**	250,510,763
Notes receivable	**454,287**	2,145,811
Prepayments		
- for purchase of raw materials	**6,070,148**	4,818,501
- others	**4,461,745**	2,193,943
	409,312,796	259,669,018

Notes to the Consolidated Financial Statements

For the Year ended 31 December 2009

10 Trade receivables, other receivables and prepayments - Group *(continued)*

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

	As at 31 December	
	2009	2008
	HK$	HK$
RMB	**327,211,382**	172,972,153
HK$	**56,752,934**	70,024,178
US$	**20,000,860**	12,406,376
Other currencies	**5,347,620**	4,266,311
	409,312,796	259,669,018

As at 31 December 2009 and 2008, 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 2009 and 2008 are as below:

	As at 31 December	
	2009	2008
	HK$	HK$
Within 3 months	**343,945,639**	203,101,401
4 months to 6 months	**14,014,678**	8,464,321
7 months to 12 months	**1,165,507**	1,652,545
Over 1 year	**3,908,300**	2,859,611
	363,034,124	216,077,878

As of 31 December 2009, trade receivables of HK$13,895,827 (2008: HK$8,188,189) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	As at 31 December	
	2009	2008
	HK$	HK$
4 months to 6 months	**13,189,459**	7,346,584
7 months to 12 months	**706,368**	841,605
	13,895,827	8,188,189

Notes to the Consolidated Financial Statements

For the Year ended 31 December 2009

10 Trade receivables, other receivables and prepayments - Group *(continued)*

As at 31 December 2009, trade receivables of HK$ 19,088,485 (2008: HK$ 12,976,477) were impaired. The amount of provision was HK$ 5,192,658 (2008: HK$ 4,788,288) as at 31 December 2009. The individually impaired receivables mainly relate to customers with different credit ratings. It was assessed that a portion of the receivables is expected to be recovered. The ageing of these receivables is as follows:

	As at 31 December	
	2009	2008
	HK$	HK$
4 months to 6 months	**14,014,678**	8,464,321
7 months to 12 months	**1,165,507**	1,652,545
Over 1 year	**3,908,300**	2,859,611
	19,088,485	12,976,477

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	
	2009	2008
	HK$	HK$
As at 1 January	**(4,788,288)**	(4,673,758)
Provision for receivable impairment	**(761,257)**	(1,545,851)
Receivables written off during the year as uncollectible	**364,833**	1,720,153
Exchange differences	**(7,946)**	(288,832)
As at 31 December	**(5,192,658)**	(4,788,288)

The maximum exposure to credit risk at the reporting date is the carrying amounts of each category of receivable mentioned above. The Group does not hold any collateral as security.

Notes to the Consolidated Financial Statements

For the Year ended 31 December 2009

11 Inventories - Group

	As at 31 December	
	2009	2008
	HK$	HK$
Raw materials	**722,270,758**	308,269,304
Work in progress, at cost	**8,679,654**	5,359,234
Finished goods	**181,118,533**	178,126,849
	912,068,945	491,755,387

The cost of inventories recognised as expenses and included in cost of sales amounted to HK$ 1,437,698,791 (2008: HK$ 1,572,555,789) for the year ended 31 December 2009.

12 Pledged bank deposits - Group

	As at 31 December	
	2009	2008
	HK$	HK$
Pledged bank deposits	**760,931**	884,454

As at 31 December 2009, bank deposits of HK$ 193,072 (2008: HK$ 884,454) were pledged as securities for the issuance of letters of credit.

As at 31 December 2009, bank deposits of HK$ 567,859 were pledged as securities for the issuance of bank acceptance bills.

The effective annual interest rates on pledged bank deposits were ranging from 0.36% to 1.71% (2008: from 1.71% to 3.33%) as at 31 December 2009. These deposits mainly have an maturity ranging from 0 to 90 days.

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

Notes to the Consolidated Financial Statements

For the Year ended 31 December 2009

13 Cash and cash equivalents

	Group	
	As at 31 December	
	2009	2008
	HK$	HK$
Cash in hand	99,615	169,305
Cash at bank	346,849,492	172,019,953
	346,949,107	172,189,258

The effective weighted average annual interest rates on cash at bank were 0.35% for the year ended 31 December 2009 (2008: 1.69%).

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

	Group	
	As at 31 December	
	2009	2008
	HK$	HK$
RMB	270,090,626	151,041,829
US$	37,342,852	14,002,396
HK$	36,244,212	5,875,237
Other currencies	3,271,417	1,269,796
	346,949,107	172,189,258

	Company	
	As at 31 December	
	2009	2008
	HK$	HK$
Cash at bank – denominated in HK$	227,352	159,111

Notes to the Consolidated Financial Statements

For the Year ended 31 December 2009

14 Share capital and share premium

	Group & Company				
	Number of authorised shares	Number of issued and fully paid shares	Ordinary shares	Amount Share premium	Total
			HK$	HK$	HK$
At 1 January 2008 and 31 December 2008	80,000,000,000	903,841,686	90,384,169	834,834,579	925,218,748
Employee share option scheme (Note 15)					
– Exercise of options	–	800,000	80,000	3,184,000	3,264,000
At 31 December 2009	80,000,000,000	904,641,686	90,464,169	838,018,579	928,482,748

As at 31 December 2009 and 2008, the par value of authorised and issued ordinary shares is HK$0.1 per share.

15 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.

Notes to the Consolidated Financial Statements

For the Year ended 31 December 2009

15 Share-based payment *(continued)*

Movements in the number of share options outstanding and their related weighted average exercise prices were as follows:

	2009	
	Average exercise price per share in HK$	Number of options
At 1 January	—	—
Granted	2.98	27,546,000
Exercised (Note (a))	2.98	(800,000)
Forfeited (Note (b))	2.98	(60,000)
At 31 December	2.98	26,686,000

(a) Options exercised during the period to 31 December 2009 resulted in 800,000 shares being issued with net proceeds of HK$2,384,000.

(b) Options forfeited during the period to 31 December 2009 due to employee resignation.

Share options outstanding at 31 December 2009 have the following expiry date and exercise prices:

Expiry date	Exercise price HK$ per share	Number of options 2009
23 February 2019	2.98	26,686,000

The weighted average fair value of options granted 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. See Note 23 for the total expense recognised in the income statement for share options granted to the directors and employees.

Notes to the Consolidated Financial Statements

For the Year ended 31 December 2009

16 Other reserves

	Group				
	Statutory reserves HK$	Translation reserve HK$	Retained earnings HK$	Employee option reserve HK$	Total HK$
At 1 January 2008	49,579,415	99,803,605	391,990,539	–	541,373,559
Profit for the year	–	–	165,911,568	–	165,911,568
Appropriation of reserves	23,932,141	–	(23,932,141)	–	–
Dividends	–	–	(19,884,517)	–	(19,884,517)
Currency translation differences	–	96,467,285	–	–	96,467,285
At 31 December 2008	73,511,556	196,270,890	514,085,449	–	783,867,895
At 1 January 2009	**73,511,556**	**196,270,890**	**514,085,449**	**–**	**783,867,895**
Employee share options scheme:					
- Value of employee services	–	–	–	26,866,000	26,866,000
- Exercise of options	–	–	–	(880,000)	(880,000)
Profit for the year	–	–	397,799,707	–	397,799,707
Appropriation of reserves	64,254,879	–	(64,254,879)	–	–
Dividends	–	–	(68,722,369)	–	(68,722,369)
Currency translation differences	–	2,494,422	–	–	2,494,422
At 31 December 2009	**137,766,435**	**198,765,312**	**778,907,908**	**25,986,000**	**1,141,425,655**

16 Other reserves *(continued)*

	Company			
	Translation reserve HK$	Retained earnings HK$	Employee option reserve HK$	Total HK$
At 1 January 2008	33,331,157	28,021,649	—	61,352,806
Dividends	—	(19,884,517)	—	(19,884,517)
Profit for the year	—	40,534,682	—	40,534,682
Currency translation differences	56,798,908	—	—	56,798,908
At 31 December 2008	90,130,065	48,671,814	—	138,801,879
At 1 January 2009	**90,130,065**	**48,671,814**	**—**	**138,801,879**
Employee share options scheme:				
- Value of employee services	—	—	26,866,000	26,866,000
- Exercise of options	—	—	(880,000)	(880,000)
Dividends	—	(68,722,369)	—	(68,722,369)
Profit for the year	—	138,884,379	—	138,884,379
Currency translation differences	1,633,424	—	—	1,633,424
At 31 December 2009	**91,763,489**	**118,833,824**	**25,986,000**	**236,583,313**

(a) Statutory reserves

(i) For subsidiaries of the Company, which are wholly foreign owned enterprises in the PRC

In accordance with the "Law of the PRC on Enterprises Operated Exclusively with Foreign Capital" and the Articles of Association of those PRC subsidiaries of the Group, 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.

(ii) For subsidiaries of the Company, which are sino-foreign joint ventures in the PRC

In accordance with the "Law of the PRC on Joint Ventures Using Chinese and Foreign Investment" and the Articles of Association of those PRC subsidiaries of the Group, appropriations from the statutory net profit could be made to the Reserve Fund, the Staff and Workers' Bonus and Welfare Fund and the Enterprise Expansion Fund, after offsetting accumulated losses from prior years, and before profit distributions to the shareholders. The percentages to be appropriated to the Reserve Fund, the Staff and Workers' Bonus and Welfare Fund and the Enterprise Expansion Fund are determined by the Board of Directors of the respective enterprises. No appropriation has ever been made as of the year end 31 December 2009 and 2008.

The Staff and Workers' Bonus and Welfare Fund are liabilities payable to employees and available to fund payments of special bonuses to staff and for collective welfare benefits. Upon approval from the Board of Directors, the Reserve Fund can be used to offset accumulated losses or to increase capital; the Enterprise Expansion Fund can be used to expand production or to increase capital.

Notes to the Consolidated Financial Statements

For the Year ended 31 December 2009

17 Trade payables, other payables and accrued expenses

	Group	
	As at 31 December	
	2009	2008
	HK$	HK$
Trade payables	**367,053,331**	208,576,180
Notes payable	**25,234,441**	704,697
Other payables		
- salaries payable	**28,261,046**	19,909,923
- taxes payable other than income tax	**20,865,049**	19,388,652
- advances from customers	**46,740,834**	29,759,211
- payables for property, plant and equipment	**28,106,189**	50,264,390
- others	**62,706,521**	47,732,078
Accrued expenses		
- promotion fees	**41,698,863**	23,707,019
- utility charges	**14,664,440**	11,242,883
- transportation fees	**18,515,668**	5,795,130
- advertising fee	**10,571,357**	860,286
- others	**15,616,269**	11,939,485
	680,034,008	429,879,934

As at 31 December 2009 and 2008, the carrying amounts of the Group's trade payables, other payables and accrued expenses approximated their fair values.

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

	Group	
	As at 31 December	
	2009	2008
	HK$	HK$
RMB	**353,453,654**	310,998,343
US$	**306,065,267**	108,634,278
HK$	**15,682,313**	3,340,963
Other currencies	**4,832,774**	6,906,350
	680,034,008	429,879,934

Notes to the Consolidated Financial Statements

For the Year ended 31 December 2009

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

The credit period granted by the creditors generally ranged from 30 to 90 days. Ageing analysis of trade payables as at 31 December 2009 and 2008 are as follows:

	Group	
	As at 31 December	
	2009	2008
	HK$	HK$
Within 3 months	**327,622,215**	181,107,904
4 months to 6 months	**18,188,562**	15,496,792
7 months to 12 months	**15,584,726**	2,683,468
1 year to 2 years	**3,908,939**	7,436,675
2 years to 3 years	**1,327,640**	99,357
Over 3 years	**421,249**	1,751,984
	367,053,331	208,576,180

	Company	
	As at 31 December	
	2009	2008
	HK$	HK$
Other payables and accrued expenses – denominated in HK$	**9,540,532**	3,450,266

As at 31 December 2009 and 2008, the carrying amount of the Company's other payables and accrued expenses approximated their fair values.

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For the Year ended 31 December 2009

18 Borrowings – Group

	As at 31 December	
	2009	2008
	HK$	HK$
Non-current		
Bank borrowings		
- Secured (Note (a))	–	113,853,518
- Unsecured	596,791,130	350,621,733
	596,791,130	464,475,251
Unsecured other borrowings (Note (b))	948,194	1,400,255
Total non-current borrowings	597,739,324	465,875,506
Current		
Bank borrowings		
- Secured (Note (a))	–	43,347,885
- Unsecured	265,029,180	234,156,273
	265,029,180	277,504,158
Unsecured other borrowings (Note (b))	454,288	907,132
Total current borrowings	265,483,468	278,411,290
Total borrowings	863,222,792	744,286,796

(a) As at 31 December 2008, bank borrowings of HK$ 157,201,403 were pledged by certain property, plant and equipment (Note 7) of the Group. There was no such pledge as of 31 December 2009.

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

Notes to the Consolidated Financial Statements

For the Year ended 31 December 2009

18 Borrowings – Group *(continued)*

(c) The maturity of borrowings is as follows:

	Bank borrowings As at 31 December		Other borrowings As at 31 December	
	2009	2008	**2009**	2008
	HK$	HK$	**HK$**	HK$
Within 1 year	**265,029,180**	277,504,158	**454,288**	907,132
Between 1 and 2 years	**300,910,918**	81,026,193	**–**	453,566
Between 2 and 5 years	**295,880,212**	383,449,058	**948,194**	946,689
	861,820,310	741,979,409	**1,402,482**	2,307,387

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

	Bank borrowings As at 31 December		Other borrowings As at 31 December	
	2009	2008	**2009**	2008
HK$	**1.42%-2.99%**	3.45%-5.92%	**–**	–
US$	**1.15%-2.28%**	2.77%-6.10%	**–**	–
RMB	**4.05%-5.76%**	4.54%-8.47%	**0%**	0%

(e) The fair 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:

	2009		2008	
	HK$	**RMB**	HK$	RMB
Bank borrowings	**2.06%**	**5.7%**	5.1%	6.9%

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

	As at 31 December	
	2009	2008
	HK$	HK$
RMB	**310,317,871**	393,508,203
HK$	**390,652,778**	237,625,848
US$	**162,252,143**	113,152,745
	863,222,792	744,286,796

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For the Year ended 31 December 2009

19 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	
	2009	2008
	HK$	HK$
Deferred tax assets		
- Deferred income tax assets to be recovered after more than 12 months	**30,524,802**	25,665,020
- Deferred income tax assets to be recovered within 12 months	**42,384,769**	21,843,704
	72,909,571	47,508,724
Deferred tax liabilities		
- Deferred income tax liability to be settled after more than 12 months	**(1,730,086)**	(1,492,618)
- Deferred income tax liability to be settled within 12 months	**(64,184)**	(64,082)
	(1,794,270)	(1,556,700)
Deferred income tax assets, net	**71,115,301**	45,952,024

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

	For the year ended 31 December	
	2009	2008
	HK$	HK$
Beginning of the year	**45,952,024**	30,722,934
Credited to the consolidated statement of comprehensive income (Note 25)	**25,063,135**	13,063,437
Exchange differences	**100,142**	2,165,653
End of the year	**71,115,301**	45,952,024

Notes to the Consolidated Financial Statements

For the Year ended 31 December 2009

19 Deferred income tax - Group *(continued)*

The movement of the deferred tax assets is as follows:

	Impairment of assets HK$	Deferred government grants HK$	Unrealised profits-sales of inventories HK$	Unrealised profits -sales of property, plant and equipment HK$	Others HK$	Total HK$
At 1 January 2008	1,803,851	6,909,715	2,192,442	15,252,106	5,434,475	31,592,589
Credited to the consolidated statement of comprehensive income	1,609,871	834,712	2,809,465	1,097,757	7,440,422	13,792,227
Exchange differences	230,288	434,392	160,338	952,265	346,625	2,123,908
At 31 December 2008 and 1 January 2009	3,644,010	8,178,819	5,162,245	17,302,128	13,221,522	47,508,724
Credited to the consolidated statement of comprehensive income	36,905	7,582,174	6,849,128	1,025,064	9,792,349	25,285,620
Exchange differences	5,827	19,393	13,977	28,374	47,656	115,227
At 31 December 2009	3,686,742	15,780,386	12,025,350	18,355,566	23,061,527	72,909,571

The movement of the deferred tax liabilities is as follows:

	Accelerated depreciation tax HK$	Borrowing costs HK$	Total HK$
At 1 January 2008	659,627	210,028	869,655
Charged / (credited) to the consolidated statement of comprehensive income	759,280	(30,490)	728,790
Exchange differences	(54,454)	12,709	(41,745)
At 31 December 2008 and 1 January 2009	1,364,453	192,247	1,556,700
Charged / (credited) to the consolidated statement of comprehensive income	286,615	(64,130)	222,485
Exchange differences	14,833	252	15,085
At 31 December 2009	**1,665,901**	**128,369**	**1,794,270**

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19 Deferred income tax - Group *(continued)*

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through the future taxable profit is probable. The Group did not recognise deferred income tax assets of HK$ 2,090,181 (2008: HK$ 2,655,097) as at 31 December 2009 in respect of unrecognised tax losses carried forward as follows:

	As at 31 December	
	2009	2008
	HK$	HK$
Expired in:		
Year 2010	**–**	35,229
Year 2011	**105,236**	5,776,860
No expiry date	**10,551,101**	5,556,091
Unrecognised tax losses carried forward	**10,656,337**	11,368,180

Deferred income tax liabilities of HK$ 36,806,002 (2008: HK$ 11,174,931) have not been recognised for the withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries. Management currently has no intention to remit those earnings. Unremitted earnings totalled HK$ 507,232,248 at 31 December 2009 (2008: HK$ 143,104,047).

Notes to the Consolidated Financial Statements

For the Year ended 31 December 2009

20 Deferred government grants - Group

	HK$
At 1 January 2008	
Cost	32,320,963
Accumulated amortisation	(4,097,127)
Net book amount	28,223,836
Year ended 31 December 2008	
Opening net book amount	28,223,836
Additions	4,821,760
Amortisation (Note 21)	(1,566,824)
Exchange differences	1,648,307
Closing net book amount	33,127,079
At 31 December 2008	
Cost	39,182,844
Accumulated amortisation	(6,055,765)
Net book amount	33,127,079
Year ended 31 December 2009	
Opening net book amount	33,127,079
Additions	33,237,194
Amortisation (Note 21)	(2,974,810)
Exchange differences	78,163
Closing net book amount	63,467,626
At 31 December 2009	
Cost	72,510,335
Accumulated amortisation	(9,042,709)
Net book amount	63,467,626

In 2009, Vinda Paper (Liaoning) received government grants from the Management Committee of Dadaowan Industry Zone in Anshan, Liaoning province of the PRC, relating to the land use right, with amounts of RMB 26,580,000 (equivalent to HK$ 30,161,988). The government grant was recorded as deferred government grants and is credited to the consolidated statement of comprehensive income on a straight-line basis over the expected useful lives of the corresponding land use right.

Notes to the Consolidated Financial Statements

For the Year ended 31 December 2009

20 Deferred government grants - Group *(continued)*

In 2009, Vinda Paper (Sichuan) received government grants from the Finance Bureau of Deyang Economic and Development Zone in Deyang, relating to the property, plant and equipments investing, with amounts of RMB 400,000 (equivalent to HK$ 453,905). The government grant was recorded as deferred government grants and is 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 2009, Vinda Northern Paper received government grants from the Finance Bureau of Binghe Industry Zone in Pinggu District, Beijing, the PRC, relating to the long-term loan, with amounts of RMB 2,310,000 (equivalent to HK$ 2,621,301). The government grant was recorded as deferred government grants and is credited to the consolidated statement of comprehensive income on a straight-line basis over the credit term of the long-term loan.

21 Other income and gains, net - Group

	For the year ended 31 December	
	2009	2008
	HK$	HK$
Subsidy income received from local government (Note (a))	**6,754,445**	11,761,610
Government grants for reinvestment (Note (b))	**575,858**	—
Amortisation of deferred government grants (Note 20)	**2,974,810**	1,566,824
Loss on disposal of property, plant and equipment	**(2,020,187)**	(14,305)
Gain on derivative financial instruments	**—**	265,928
Foreign exchange gain / (loss), net	**1,489,514**	(9,042,775)
Others	**(1,172,705)**	(495,894)
	8,601,735	4,041,388

(a) In 2009, the subsidiaries of the Group in PRC have received subsidy income and tax refund from government authorities amounting to RMB 5,952,298 (equivalent to HK$ 6,754,445) (2008: RMB 10,464,500 (equivalent to HK$ 11,761,610)) in total.

The Group has no further obligation for receiving these subsidies from local governments.

(b) In 2009, Vinda Household Paper (China) received tax refund of RMB 507,470 (equivalent to HK$ 575,858) from local government for the reinvestment in Xiaogan area.

Notes to the Consolidated Financial Statements

For the Year ended 31 December 2009

22 Expenses by nature - Group

	For the year ended 31 December	
	2009	2008
	HK$	HK$
Staff costs (Note 23)	**207,777,854**	157,276,402
Depreciation of property, plant and equipment	**114,655,709**	93,986,941
Provision for impairment of property, plant and equipment	**—**	6,973,472
Reversal of write-down of inventories	**(44,732)**	(252,855)
Provision for impairment of goodwill (Note 8)	**—**	2,206,207
Amortisation of intangible assets	**902,001**	313,545
Amortisation of leasehold land and land use rights	**3,269,450**	3,953,688
Transportation expenses	**111,609,034**	89,913,245
Travel and office expenses	**17,478,379**	13,017,571
Auditor's remuneration	**5,923,067**	5,993,314
Material costs	**1,437,698,791**	1,572,555,789
Provision for impairment of receivables	**761,257**	1,545,851
Utilities	**166,045,132**	130,823,410
Real estate tax, stamp duty and other taxes	**10,885,534**	8,194,835
Advertising costs	**30,887,191**	14,932,332
Promotion expense	**76,082,161**	29,698,490
Operating lease rental	**3,251,358**	2,452,474
Bank charges	**5,270,587**	5,051,059
Other expenses	**69,519,046**	69,436,739
Total cost of sales, selling and marketing costs and administrative expenses	**2,261,971,819**	2,208,072,509

Notes to the Consolidated Financial Statements

For the Year ended 31 December 2009

23 Employee benefit expenses - Group

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

	For the year ended 31 December	
	2009	2008
	HK$	HK$
Pension for Hong Kong employees		
- MPF (Note (a))	457,618	586,463
Social security and benefits for the PRC employees (Note (b))	21,903,800	19,363,106
	22,361,418	19,949,569
Share options granted to directors and employees	26,866,000	—
Wages, salaries and bonus	144,980,953	127,319,627
Staff welfare	13,569,483	10,007,206
	207,777,854	157,276,402

(a) MPF

All Hong Kong employees participate in a defined contribution plan of the MPF, the assets of which are held in separate trustee-administered funds.

According to the relevant regulations, the contributions that should be borne by the Company are calculated based on 5% of the total salary of employees, subject to a certain ceiling, and are paid to the funds. Contributions to the plan are expensed as incurred.

(b) Social security and benefits for PRC employees

All Chinese employees of the PRC subsidiaries of the Company participate in employee social security plans, including pension, 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 PRC subsidiaries of the Company are calculated based on percentages of the total salary of employees, subject to a certain ceiling, and are paid to the labour and social welfare authorities. Contributions to the plans are expensed as incurred.

(c) Other pension costs

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. Contributions to these plans, included in staff welfare, are expensed as incurred.

Notes to the Consolidated Financial Statements

For the Year ended 31 December 2009

23 Employee benefit expenses - Group *(continued)*

(d) Directors' emoluments

	For the year ended 31 December 2009 HK$	2008 HK$
Directors		
- Fees	—	—
- Basic salaries, housing allowances, other allowances and benefits-in-kind	12,040,902	6,033,546
- Contributions to pension plans	40,579	41,114
- Fair value of employee share options granted	24,724,000	—
	36,805,481	6,074,660

The emoluments received by individual directors are as follows:

(i) For the year ended 31 December 2009:

Name	Basic salaries, housing allowances, other allowances, and benefits-in-kind HK$	Contributions to pension plans HK$	Fair value of employee share options granted HK$	Total HK$
Directors				
- Mr. Li Chao Wang	8,000,000	12,000	1,760,029	9,772,029
- Ms. Yu Yi Fang	1,599,988	12,000	9,941,961	11,553,949
- Mr. Dong Yi Ping	1,600,938	16,579	9,941,961	11,559,478
- Mr. Kam Ting To, Robert	240,000	—	440,007	680,007
- Dr. Cao Zhen Lei	180,000	—	440,007	620,007
- Mr. Hui Chin Tong, Godfrey	180,000	—	440,007	620,007
- Mr. Tsui King Fai	180,000	—	440,007	620,007
- Mr. Leung Ping Chung, Hermann	19,992	—	440,007	459,999
- Mr. Chiu Bun	19,992	—	440,007	459,999
- Mr. Johann Christoph Michalski	19,992	—	440,007	459,999
	12,040,902	40,579	24,724,000	36,805,481

Notes to the Consolidated Financial Statements

For the Year ended 31 December 2009

23 Employee benefit expenses - Group *(continued)*

(d) Directors' emoluments *(continued)*

(ii) For the year ended 31 December 2008:

Name	Basic salaries, housing allowances, other allowances, and benefits-in-kind HK$	Contributions to pension plans HK$	Total HK$
Directors			
- Mr. Li Chao Wang	1,989,310	12,668	2,001,978
- Ms. Yu Yi Fang	1,592,953	12,000	1,604,953
- Mr. Dong Yi Ping	1,589,649	16,446	1,606,095
- Mr. Kam Ting To, Robert	240,000	—	240,000
- Dr. Cao Zhen Lei	180,000	—	180,000
- Mr. Hui Chin Tong, Godfrey	180,000	—	180,000
- Mr. Tsui King Fai	180,000	—	180,000
- Mr. Mak Kin Kwong (a)	19,992	—	19,992
- Mr. Leung Ping Chung, Hermann	19,992	—	19,992
- Mr. Chiu Bun	19,992	—	19,992
- Mr. Johann Christoph Michalski	13,994	—	13,994
- Mr. Rijk Hendrik Jan Schipper (b)	5,998	—	5,998
- Mr. Lee Kwong Sang (c)	1,666	—	1,666
	6,033,546	41,114	6,074,660

(a) Resigned on 31 December 2008

(b) Resigned on 19 April 2008

(c) Resigned on 23 January 2008

For the year ended 31 December 2009 and 2008, 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.

23 Employee benefit expenses - Group *(continued)*

(e) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2009 include three directors (2008: three directors) whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two individuals (2008: two individuals) for the years ended 31 December 2009 is as follows:

	For the year ended 31 December	
	2009	2008
	HK$	HK$
- Basic salaries, housing allowances,		
other allowances and benefits-in-kind	**2,491,970**	2,551,834
- Contributions to pension plans	**12,000**	12,000
- Fair value of employee share options granted	**405,586**	—
	2,909,556	2,563,834

The emoluments fell within the following bands:

	Number of individuals	
	2009	2008
- Nil to HK$ 1,000,000	**—**	1
- HK$ 1,000,000 to HK$ 1,500,000	**1**	—
- HK$ 1,500,000 to HK$ 2,000,000	**1**	1

No emoluments have been paid to these individuals as an inducement to join or upon joining the Group or as compensation for loss of office for the year ended 31 December 2009 (2008: Nil).

Notes to the Consolidated Financial Statements

For the Year ended 31 December 2009

24 Finance income and costs - Group

	For the year ended 31 December 2009 HK$	2008 HK$
Interest expense		
- bank borrowings	**(29,468,838)**	(40,969,724)
Less: Amounts capitalised in property, plant and equipment	**—**	36,866
	(29,468,838)	(40,932,858)
Net foreign exchange transaction gain	**137,137**	12,467,131
Finance costs	**(29,331,701)**	(28,465,727)
Finance income		
- interest income on bank deposits	**1,829,438**	3,268,001
Net finance costs	**(27,502,263)**	(25,197,726)

25 Taxation - Group

(a) Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 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 2009 HK$	2008 HK$
Current income tax		
- Hong Kong profits tax	**19,887,094**	7,835,238
- PRC enterprise income tax	**102,620,516**	34,131,874
Deferred income tax (Note 19)	**(25,063,135)**	(13,063,437)
	97,444,475	28,903,675

25 Taxation - Group *(continued)*

(a) Income tax expense *(continued)*

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

	For the year ended 31 December	
	2009	2008
	HK$	HK$
Profit before income tax	**495,244,182**	194,815,243
Tax calculated at applicable tax rates in the respective areas	**120,449,900**	45,102,730
Effect of different tax rates due to tax holidays	**(31,320,655)**	(22,525,334)
Income not subject to tax	**(435,599)**	(2,509,007)
Expenses not deductible for tax purposes	**9,420,896**	3,949,174
Utilisation of previously unrecognised tax losses	**(683,823)**	(107,297)
Unrecognised tax losses	**13,756**	4,993,409
Income tax expense	**97,444,475**	28,903,675

The weighted average applicable tax rates were 24.3% (2008: 23.2%) per annum for the year ended 31 December 2009. The change is caused by the changes in profitability of the Group's subsidiaries with different applicable tax rates.

The effective tax rates of the Company's PRC subsidiaries are as follows:

	2009	2008
Vinda Paper (Guangdong)	**25%**	25%
Vinda Paper (Jiangmen)	**12.5%**	12.5%
Vinda Paper (Hubei)	**25%**	25%
Vinda Paper (Xiaogan)	**12.5%**	12.5%
Vinda Paper (Beijing)	**25%**	25%
Vinda Northern Paper	**25%**	12.5%
Vinda Paper (Sichuan)	**0%**	0%
Vinda Paper (Zhejiang)	**25%**	25%
Vinda Paper (Liaoning)	**25%**	—

As the subsidiaries of the Company, established in the PRC, qualify as foreign investment production enterprises, which are entitled to two years' exemption from income taxes followed by three years of a 50% tax reduction, commencing from the first cumulative profit-making year net of losses carried forward (at most five years). According to the "New CIT Law" enterprises that are currently entitled to exemptions or reductions from the standard income tax rate for a fixed term may continue to enjoy such treatment until the fixed term expires.

Notes to the Consolidated Financial Statements

For the Year ended 31 December 2009

25 Taxation - Group *(continued)*

(a) Income tax expense *(continued)*

The effective tax rates from 2010 to 2014 of the Company's PRC subsidiaries are as follows:

	2010	2011	2012	2013	2014
Vinda Paper (Guangdong)	25%	25%	25%	25%	25%
Vinda Paper (Jiangmen)	12.5%	25%	25%	25%	25%
Vinda Paper (Hubei)	25%	25%	25%	25%	25%
Vinda Paper (Xiaogan)	25%	25%	25%	25%	25%
Vinda Paper (Beijing)	25%	25%	25%	25%	25%
Vinda Northern Paper	25%	25%	25%	25%	25%
Vinda Paper (Sichuan)	0%	25%	25%	25%	25%
Vinda Paper (Zhejiang)	25%	25%	25%	25%	25%
Vinda Paper (Liaoning)	25%	25%	25%	25%	25%

(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 been approved 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 and other production materials (merchandise, transportation costs) are deductible from output VAT. VAT payable is the net difference between output VAT and deductible input VAT.

26 Net foreign exchange gains

	For the year ended 31 December 2009 HK$	2008 HK$
Other income and gains - net (Note 21)	**1,489,514**	(9,042,775)
Net finance costs (Note 24)	**137,137**	12,467,131
	1,626,651	3,424,356

27 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$ 138,884,379 (2008: HK$ 40,534,682).

Notes to the Consolidated Financial Statements

For the Year ended 31 December 2009

28 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 2009	2008
Profit attributable to equity holders of the Company (HK$)	**397,799,707**	165,911,568
Weighted average number of ordinary shares in issue	**904,114,563**	903,841,686
Basic earnings per share (HK$ per share)	**0.440**	0.184

(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 comprised share options.

	For the year ended 31 December 2009 HK$	2008 HK$
Profit attributable to equity holders of the Company (HK$)	**397,799,707**	165,911,568
Weighted average number of ordinary shares in issue	**904,114,563**	903,841,686
Adjustments for share options	**6,074,884**	—
Weighted average number of ordinary shares for diluted earnings per share	**910,189,447**	903,841,686
Diluted earnings per share (HK$ per share)	**0.437**	0.184

29 Dividend

	2009 HK$	2008 HK$
Interim dividend paid of HK$0.030 (2008: nil) per ordinary share	**27,127,251**	—
Proposed final dividend of HK$0.090 (2008:HK$0.046) per ordinary share	**81,417,752**	41,576,718

At a meeting held on 7 April 2010, the Board of Directors proposed a final dividend in respect of the year ended 31 December 2009 of HK$81,417,752, representing HK$0.090 per ordinary share. Such dividend is to be approved by the shareholders at the Annual General Meeting of the Company. These financial statements do not reflect this dividend payable.

The dividends paid in 2009 and 2008 were HK$68,722,369 and HK$19,884,517 respectively.

Notes to the Consolidated Financial Statements

For the Year ended 31 December 2009

30 Cash generated from operations

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

	For the year ended 31 December	
	2009	2008
	HK$	HK$
Profit before income tax	**495,244,182**	194,815,243
Adjustments for:		
- Depreciation of property, plant and equipment	**114,655,709**	93,986,941
- Amortisation of intangible assets	**902,001**	313,545
- Amortisation of leasehold land and land use rights	**3,269,450**	3,953,688
- Amortisation of deferred government grants	**(2,974,810)**	(1,566,824)
- Loss on disposals of property, plant and equipment	**2,020,187**	14,305
- Share-based payment (Note 23)	**26,866,000**	—
- Provision for impairment of property, plant and equipment	**—**	6,973,472
- Provision for impairment of goodwill	**—**	2,206,207
- Provision for impairment of receivables	**761,257**	1,545,851
- Write-back of provision for impairment of inventories	**(44,732)**	(252,855)
- Interest income	**(1,829,438)**	(3,268,001)
- Interest expense	**29,468,838**	40,932,858
Changes in working capital (excluding the effect of exchange differences on consolidation):	**668,338,644**	339,654,430
- (Increase) / decrease in inventories	**(420,332,278)**	9,712,215
- Increase in trade receivables, other receivables and prepayments	**(151,642,386)**	(12,116,963)
- Increase in amount due from related parties	**(157,700)**	(1,027,674)
- Increase in trade payables, other payables and accrued expenses	**304,284,789**	105,117,069
- Increase in derivative financial instruments	**—**	131,890
- Increase in due to a related party	**486,367**	—
Cash generated from operations	**400,977,436**	441,470,967

Notes to the Consolidated Financial Statements

For the Year ended 31 December 2009

30 Cash generated from operations *(continued)*

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

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

	For the year ended 31 December	
	2009	2008
	HK$	HK$
Net book amount (Note 7)	**2,950,545**	54,345
Loss on disposal of property, plant and equipment	**(2,020,187)**	(14,305)
Proceeds from disposal of property, plant and equipment	**930,358**	40,040

31 Commitments

(a) Capital commitments for property, plant and equipment and intangible assets

	As at 31 December	
	2009	2008
	HK$	HK$
Contracted but not provided for	**43,989,206**	45,528,840

(b) Commitments under operating leases

As at 31 December 2009, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	As at 31 December	
	2009	2008
	HK$	HK$
Not later than one year	**2,462,757**	3,118,930
Later than one year but not later than two years	**949,331**	1,887,095
Later than two years but not later than five years	**–**	557,518
	3,412,088	5,563,543

Notes to the Consolidated Financial Statements

For the Year ended 31 December 2009

32 Related party transactions

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

Name of related party	Relationship
SCA Hygiene	Shareholder since 29 March 2007
SCA Hygiene Australasia Pty Limited ("SCA HA")	Subsidiary of Svenska Cellulosa Aktiebolaget AB (the ultimate holding company of SCA Hygiene)
SCA (Tianjin) Packaging Products Co., Ltd. ("SCA (Tianjin)")	Subsidiary of Svenska Cellulosa Aktiebolaget AB (the ultimate holding company of SCA Hygiene)
SCA Trading (Shanghai) Co. Ltd. ("SCA (Shanghai)")	Subsidiary of Svenska Cellulosa Aktiebolaget AB (the ultimate holding company of SCA Hygiene)

(b) Significant related party transactions

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 2009 also include:

	For the year ended 31 December	
	2009	2008
	HK$	HK$
(1) Sales of products to related parties:		
- SCA HA	**16,353,666**	23,131,717
- SCA (Shanghai)	**822,120**	—
	17,175,786	23,131,717
(2) Purchase of packages from a related party:		
- SCA (Tianjin)	**2,288,197**	3,472,878
(3) Key management compensation:		
Directors		
- Basic salaries, housing allowances, other allowances, benefits-in-kind, pensions and other benefits	**12,081,481**	6,074,660
- Share-based payments	**24,724,000**	—
Senior management		
- Basic salaries, housing allowances, other allowances, benefits-in-kind, pensions and other benefits	**5,609,773**	4,794,343
- Share-based payments	**3,902,651**	—
	46,317,905	10,869,003

Notes to the Consolidated Financial Statements

For the Year ended 31 December 2009

32 Related party transactions *(continued)*

(c) Year-end balances with related parties

	As at 31 December	
	2009	2008
	HK$	HK$
(1) Trade receivables from related parties		
- SCA HA	**5,382,583**	5,300,643
- SCA (Shanghai)	**75,760**	—
	5,458,343	5,300,643

	As at 31 December	
	2009	2008
	HK$	HK$
(2) Trade payables to a related party		
- SCA (Tianjin)	**1,054,572**	568,205

Trade receivables/payables from/to related parties of the Group are all due within 3 months as at 31 December 2009 and 2008 based on invoice date.

Five Year Financial Summary

Consolidated Income Statement

	For the year ended 31 December				
	2005	2006	2007	2008	**2009**
	HK$	HK$	HK$	HK$	**HK$**
Revenue	925,899,138	1,358,171,643	1,777,721,432	2,424,044,090	**2,776,116,529**
Cost of sales	(677,507,337)	(1,018,006,538)	(1,411,775,105)	(1,910,939,233)	**(1,825,317,921)**
Gross profit	248,391,801	340,165,105	365,946,327	513,104,857	**950,798,608**
Selling and marketing costs	(102,531,494)	(130,277,419)	(175,162,720)	(181,765,469)	**(281,002,421)**
Administrative expenses	(51,476,282)	(62,029,113)	(78,647,307)	(115,367,807)	**(155,651,477)**
Other income and gains	2,881,917	11,182,467	10,854,268	4,041,388	**8,601,735**
Operating profit	97,265,942	159,041,040	122,990,568	220,012,969	**522,746,445**
Finance costs , net	(26,809,407)	(45,346,407)	(28,091,321)	(25,197,726)	**(27,502,263)**
Profit before income tax	70,456,535	113,694,633	94,899,247	194,815,243	**495,244,182**
Income tax expense	(12,094,196)	(6,881,099)	(16,542,188)	(28,903,675)	**(97,444,475)**
Profit attributable to					
equity holders of the Company	58,362,339	106,813,534	78,357,059	165,911,568	**397,799,707**

Five Year Financial Summary

Consolidated Balance Sheet

	As at 31 December				
	2005	2006	2007	2008	**2009**
	HK$	HK$	HK$	HK$	**HK$**
ASSETS					
Property, plant and equipment	741,205,685	985,395,491	1,391,200,294	1,852,374,329	**1,825,089,896**
Investment properties	1,580,000	–	–	–	**–**
Leasehold land and land use right	72,824,329	83,744,799	95,396,490	117,294,978	**158,910,242**
Intangible assets	3,047,743	2,912,265	2,966,002	740,895	**6,881,218**
Deferred income tax assets	7,945,571	23,243,478	31,592,589	47,508,724	**72,909,571**
Inventories	236,043,879	330,180,962	501,295,002	491,755,387	**912,068,945**
Trade receivables, other receivables and prepayments	127,163,506	204,816,564	245,497,749	259,669,018	**409,312,796**
Due from related parties	26,458	–	4,272,969	5,300,643	**5,458,343**
Pledged bank deposits	24,888,987	43,112,857	6,706,535	884,454	**760,931**
Derivative financial instruments	–	341,487	131,890	–	**–**
Cash and cash equivalents	48,579,098	61,557,237	252,081,481	172,189,258	**346,949,107**
Total Assets	1,263,305,256	1,735,305,140	2,531,141,001	2,947,717,686	**3,738,341,049**
EQUITY					
Capital and reserves attributable to the Company's equity holders					
Share capital	4,167,462	4,250,811	90,384,169	90,384,169	**90,464,169**
Share premium	69,343,351	69,260,002	834,834,579	834,834,579	**838,018,579**
Other reserves	267,503,440	389,585,378	541,373,559	783,867,895	**1,141,425,655**
Total equity	341,014,253	463,096,191	1,466,592,307	1,709,086,643	**2,069,908,403**
LIABILITIES					
Long-term borrowings	59,051,418	192,413,474	308,639,527	465,875,506	**597,739,324**
Deferred government grants	9,130,190	27,165,895	28,223,836	33,127,079	**63,467,626**
Deferred income tax liabilities	656,762	787,601	869,655	1,556,700	**1,794,270**
Current liabilities	853,452,633	1,051,841,979	726,815,676	738,071,758	**1,005,431,426**
Total Liabilities	922,291,003	1,272,208,949	1,064,548,694	1,238,631,043	**1,668,432,646**
Total equity and liabilities	1,263,305,256	1,735,305,140	2,531,141,001	2,947,717,686	**3,738,341,049**
Net current assets/(liabilities)	(416,750,705)	(411,832,872)	283,169,950	191,727,002	**669,118,696**
Total assets less current liabilities	409,852,623	683,463,161	1,804,325,325	2,209,645,928	**2,732,909,623**