



Vinda International Holdings Limited

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



Interim Report 2018

*Healthy Lifestyle
Starts with Vinda*

TENA 添宁

丽贝乐
Libero

Drypers

TENA
包大人 Dr. P

To Become a
Leading Hygiene
Company in Asia





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CORPORATE INFORMATION

Directors

Executive Directors

Mr. LI Chao Wang (Chairman)
Ms. YU Yi Fang (Vice Chairman)
Mr. Johann Christoph MICHALSKI
(Chief Executive Officer)
Ms. LI Jielin (Deputy Chief Executive Officer)
Mr. DONG Yi Ping (Chief Technology Officer)

Non-Executive Directors

Mr. Jan Christer JOHANSSON (Vice Chairman)
Mr. Carl Magnus GROTH
Mr. Carl Fredrik Stenson RYSTEDT

Independent Non-Executive Directors

Mr. CHIA Yen On
Ms. LEE Hsiao-yun Ann
(appointed on 31 March 2018)
Mr. TSUI King Fai
Mr. WONG Kwai Huen, Albert

Alternate Directors

Mr. Gert Mikael SCHMIDT (alternate to
Mr. JOHANSSON and Mr. GROTH)
Mr. Herve Stephane ROSE
(alternate to Mr. RYSTEDT)

Audit Committee

Mr. TSUI King Fai (Committee Chairman)
(appointed on 31 March 2018)
Mr. Carl Fredrik Stenson RYSTEDT
Mr. WONG Kwai Huen, Albert

Remuneration Committee

Mr. TSUI King Fai (Committee Chairman)
Mr. Jan Christer JOHANSSON
Ms. LI Jielin
Ms. LEE Hsiao-yun Ann
(appointed on 31 March 2018)
Mr. CHIA Yen On

Nomination Committee

Mr. LI Chao Wang (Committee Chairman)
Mr. Jan Christer JOHANSSON
Mr. CHIA Yen On
Ms. LEE Hsiao-yun Ann
(appointed on 31 March 2018)
Mr. WONG Kwai Huen, Albert

Risk Management Committee

Mr. Jan Christer JOHANSSON
(Committee Chairman)
Ms. YU Yi Fang
Mr. Johann Christoph MICHALSKI
Mr. Carl Fredrik Stenson RYSTEDT
Mr. TSUI King Fai

Executive Committee

Mr. LI Chao Wang (Committee Chairman)
Ms. YU Yi Fang
Mr. Johann Christoph MICHALSKI
Ms. LI Jielin
Mr. DONG Yi Ping

Strategic Development Committee

Mr. Jan Christer JOHANSSON
(Committee Chairman)
Mr. Johann Christoph MICHALSKI
Ms. LI Jielin
Mr. DONG Yi Ping
Mr. CHIA Yen On

Authorised Representatives

Ms. LI Jielin
Ms. TAN Yi Yi

Company Secretary

Ms. TAN Yi Yi, FCCA

Auditors

PricewaterhouseCoopers

Legal Advisers to the Company

DLA Piper Hong Kong (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

Penthouse, East Ocean Centre
98 Granville Road, Tsim Sha Tsui East
Kowloon, Hong Kong
Tel: (852) 2366 9853
Fax: (852) 2366 5805

Place of Listing and Stock Code

The Stock Exchange of Hong Kong Limited
Stock Code: 3331

Principal Share Registrar and Transfer Office

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

Hong Kong Branch Share Registrar and Transfer Office

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

Principal Bankers

Bank of China Limited
China Construction Bank Corporation
Citibank N.A.
Industrial and Commercial Bank of China Limited
Standard Chartered Bank (Hong Kong) Limited
Skandinaviska Enskilda Banken AB
Svenska Handelsbanken AB (publ)

Company Website

<http://www.vinda.com>

INTERIM RESULTS AND FINANCIAL HIGHLIGHTS

Interim Results

The Board of Directors (the “Board”) of Vinda International Holdings Limited (“Vinda” or the “Company”) is pleased to present the unaudited interim condensed consolidated balance sheet as at 30 June 2018 and the unaudited interim condensed consolidated statement of comprehensive income, unaudited interim condensed consolidated statement of cash flows and unaudited interim condensed consolidated statement of changes in equity of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2018 (the “Period”), together with the comparative figures and selected explanatory notes. The unaudited interim financial statements have been reviewed by the Company’s independent auditors and audit committee.

Financial Highlights

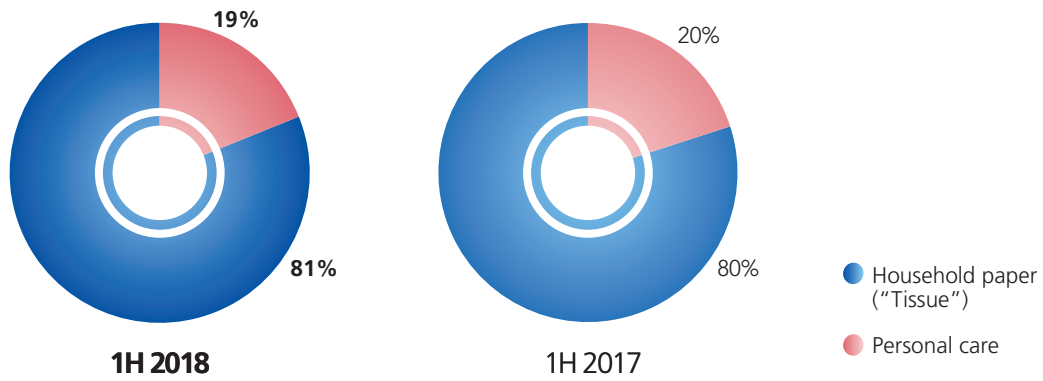
Interim Results for the Six Months Ended 30 June 2018

	2018	2017
Revenue growth rate (%)	16.3%	11.3%
Gross profit margin (%)	29.7%	30.5%
EBITDA margin (%)	15.2%	14.2%
Net profit margin (%)	5.7%	5.1%
Earnings per share (HK\$) – basic	34.9 cents	27.5 cents
Interim dividend declared (HK\$)	6.0 cents	5.0 cents
Finished goods turnover ¹	46 days	41 days
Debtors turnover ²	43 days	45 days
Creditors turnover ³	92 days	75 days
Current ratio (times)	1.03	1.07
Gearing ratio (%) ⁴	65.2%	61.3%
Net gearing ratio (%) ⁵	59.7%	50.0%

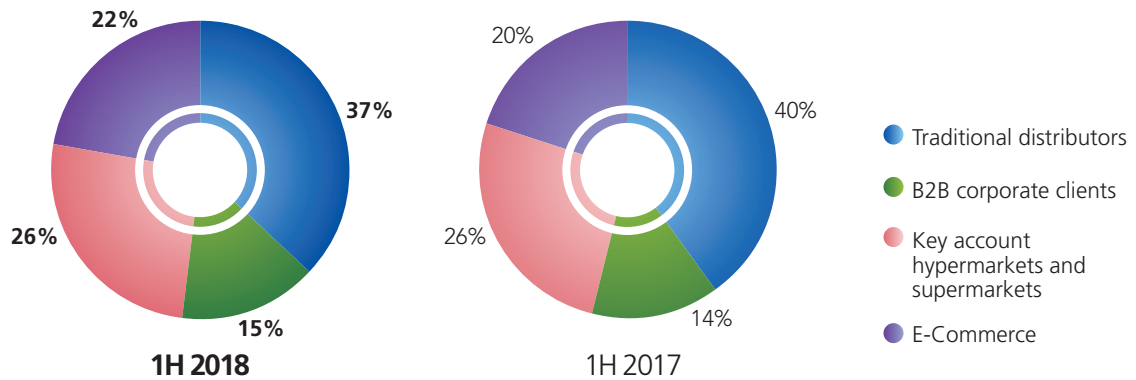
Notes:

1. Calculated by multiplying average finished goods by 360 days, and dividing the result by the cost of sales for the last 12 months.
2. Calculated by multiplying average account receivables by 360 days and dividing the result by the revenue for the last 12 months.
3. Calculated by multiplying average account payables by 360 days, and dividing the result by the cost of sales for the last 12 months.
4. Calculated on the basis of the amount of total borrowings as a percentage of the total shareholders’ equity.
5. Calculated on the basis of the amount of total borrowings less cash and cash equivalents and restricted bank deposits as a percentage of the total shareholders’ equity.

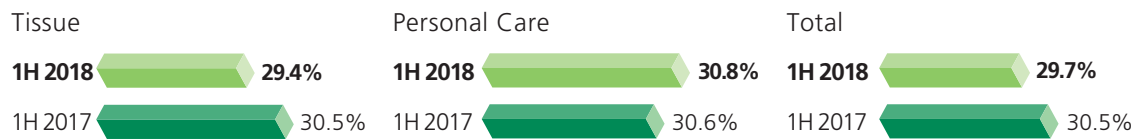
Revenue by Business Segment



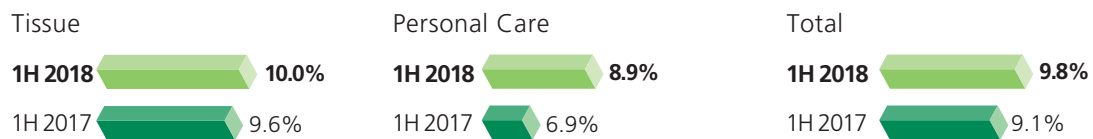
Revenue by Sales Channels



Gross Profit Margin



Segment Result¹ Margin



Note:

1. Segment profit before amortisation of trademarks, licences and contractual customer relationships.

MANAGEMENT DISCUSSION AND ANALYSIS



Overview

Our topline and earnings increased by 16.3% and 30.1% respectively despite a challenging first half in 2018. Our strategy continues to focus on innovation, brand development, product portfolio enhancement and price management enabling us to secure both volume and average-selling-price (“ASP”) growth. Our discipline in reducing cost at all levels and strict control on selling & marketing expenditures have successfully mitigated the pressure brought by the significant increase in wood pulp cost. The value-added products we launched in 2017 and 2018 strengthened our competitiveness.

Financial Highlights

Driven by strong sales in all regions, the Group’s total revenue increased by 16.3% (8.1% at constant exchange rate) to HK\$7,334 million for the first half of 2018. Revenue growth in mainland China was 17.2%.

In respect of business segment, Tissue and Personal Care contributed to 81% and 19% of the Group’s total revenue, respectively. In respect of sales channels, traditional distributors, key account managed supermarkets and hypermarkets, B2B corporate customers and e-commerce accounted for 37%, 26%, 15% and 22% of the Group’s total revenue respectively. E-commerce and B2B continued to perform well with double-digit growth in revenue.



Gross profit rose by 13.1% to HK\$2,178 million. Despite the significant increase in wood pulp cost, capitalising on our effective price increase initiatives, favourable mix and cost-saving programme, gross margin in the first half of 2018 managed to expand 0.8 percentage point ("ppt") to 29.7% compared to the second half of 2017, whilst it only slipped slightly by 0.8 ppt over the same period a year ago. 2018Q2 gross margin was 31.0%, 2.5 pts higher than that in Q1.

EBITDA grew by 25.1% to HK\$1,117 million. EBITDA margin of the first half of 2018 was 15.2%, improved by 1.0 ppt year-on-year ("yoy"). 2018Q2 EBITDA margin was 15.4%, 0.3 ppt higher than that in Q1, reflecting our cash generating ability.

Operating profit increased by 26.5% to HK\$643 million. Thanks to our strict control of cost at all operating levels, total selling, general & administrative ("SG&A") ratio dropped 1.8 pts to 21.0%. Total administrative costs as a percentage of sales was down by 0.4 ppt to 5.1%. Total selling & marketing costs as a percentage of sales was down by 1.4 pts to 15.9%. As a result, operating margin in the first half of 2018 reached 8.8%, respectively expanded by 0.7 ppt and 2.2 pts compared to that in the same period last year and the second half of 2017. Operating margin in 2018Q2 was 8.8%, same as that in Q1.



We strike a balance between foreign exchange risk mitigation and interest cost when deciding our borrowings portfolio. In the first half of 2018, total foreign exchange losses stood at HK\$22 million (1H2017: losses of HK\$22 million), of which HK\$12 million losses was reported in operating items (1H2017: losses of HK\$11 million), and HK\$10 million losses in financing items (1H2017: losses of HK\$11 million). Net gearing ratio¹ was at a sustainable level of 59.7%.

Effective tax rate stood at 21.1%.

Net profit increased by 30.1% to HK\$417 million. Net margin was 5.7%, up by 0.6 ppt yoy.

Basic earnings per share was 34.9 HK cents (1H2017: 27.5 HK cents).

On 29 June 2018, the Company and Essity Treasury AB entered into an agreement, pursuant to which Essity Treasury AB will provide a committed multicurrency revolving credit facility at a maximum amount of HK\$3 billion (or equivalent) to the Company. With this new revolving facility in place, the Group had approximately HK\$7 billion unutilized credit facilities as at 30 June 2018.

The Board has resolved to declare an interim dividend of 6.0 HK cents per share to the shareholders of the Company for the Period (1H2017: 5.0 HK cents per share).



Business Review

Tissue Segment

Revenue from the Tissue segment amounted to HK\$5,928 million, representing a reported growth of 16.9% (8.9% at constant exchange rate) and accounting for 81% of the Group's total revenue (1H2017: 80%).

During the Period, we have optimised the Tissue portfolio by launching several product series, including *Vinda Cotton Care*, *Vinda Deluxe 4D-Déco™ Color* and *Tempo Toilet Wipe*. Softpack, kitchen towel and wet wipes continued to record satisfactory growth. Coupled with the effective price increase initiative, the gross margin and segment result margin of the Tissue segment were able to maintain at 29.4% and 10.0% respectively despite the pressure brought by the increased input cost.

Vinda has maintained its online leadership² and fostered the consumer experience through a number of innovative marketing campaigns, such as "*Vinda Sixth China Tour*" and "*6.18 Festival Campaign*". We have also engaged a renowned celebrity, *Ms. Sun Li*, as *Vinda* brand ambassador for two consecutive years. *Tempo* has gained market share² in mainland China and extended its sales network. *Tork* made good progress in opening up the premium away-from-home clientele.

In Malaysia, we successfully enhanced the brand awareness of *Vinda Deluxe* series during the Period, especially in the softpack category.



Personal Care Segment

Revenue from the Personal Care segment reached HK\$1,407 million, representing a reported growth of 13.9% (5.1% at constant exchange rate) and accounting for 19% of the Group's total revenue (1H2017: 20%).

Gross profit margin and segment result margin of the Personal Care segment were 30.8% and 8.9% respectively. The segment result margin reflected the investment stage of the Personal Care business in China.

In incontinence care, we launched *TENA* flagship store on e-commerce platforms, and broadened the institutional sales network in several key cities in mainland China. In Taiwan, both *TENA* and *Dr. P* have expanded their product portfolios.

In feminine care, *VIA* continued to roll out the pant products. Leveraging social media campaigns coupled with endorsement from the brand ambassador *Ms. Tan Songyun*, *VIA* successfully stimulated the repurchase rate of young consumers. *Libresse*, starring famous photographer *Ms. Chen Man*, has extended its presence on more e-commerce platforms. In Malaysia, *Libresse*, ranked No. 1³ in terms of market share, and tapped into the intimate care market by launching wash gel, liners and wipes.

The majority of our baby care business is conducted in Southeast Asia. In Malaysia, *Drypers* maintained its No. 1 position³. The new *Drypers Wee Wee Dry (Ironman)* and *Drypers Bola (Football)* campaigns also successfully drove the sales.



Production Capacity Plan

Vinda's annual designed production capacity for tissue paper reached 1,100,000 tons as at 30 June 2018. 60,000 tons of new capacity will be added in Yangjiang in Guangdong province in 2018Q3. 120,000 tons of additional capacity will be operated in Hubei in 2018Q4/2019Q1. The said projects will be financed by the Company's operation cashflow and loans. The annual designed production capacity for tissue paper is expected to reach 1,280,000 tons by the end of 2018Q4/2019Q1, at the latest.

We have well-equipped facilities in mainland China for the production of certain Personal Care products, as well as three production bases in Malaysia and Taiwan.

Human Resources Management and Internal Control

Vinda believes that employees are the most valuable contributors to its success. We strive to offer equal opportunities to all qualified candidates regardless of age, nationality, race, religion, sexual orientation, gender, marital status, disability or political stance. We also offer fair and reasonable remunerations, performance incentives and a career advancement mechanism. Furthermore, we ensure that our employees continuously develop their skills and capabilities by providing a range of training opportunities. During the Period, a total of 53,966 hours of trainings were provided to 16,417 participants. We have a talent management cycle initiative to identify, screen, develop and retain our talents. We have also introduced a long-term incentive scheme for key senior executives to retain key talents.

As at 30 June 2018, we had a total of 11,127 employees.

All Vinda employees are required to follow Vinda's codes of conduct and core principles. The heads of all functional departments and business units of Vinda are responsible for identifying, handling and reporting major risks and inadequacies in internal control. The internal control department is responsible for conducting internal audits, receiving reports on misconduct, reporting cases to the senior management and advising solutions for cases. The head of the internal audit department reports to the chairman of the Audit Committee. The formulation, review and updating of our internal control system and guidelines to align with the latest external regulatory and internal control requirements fall within the ambit of the corporate management and legal departments. From time to time, we will review and update our internal policies, guidelines and handbook on issues including but not limited to handling and dissemination of inside information, code for securities transactions by directors and employees, risk and crisis management.

Health and Safety Performance

We attach great importance to occupational safety and health with our goal "zero accidents".

In mainland China, 662 seminars were held for a total of 30,352 participants during the Period. The number of production safety accidents dropped by 42% to 7 compared to the first half of 2017. The Lost Time Accidents ("LTA") was 7,648 hours, down by 37% yoy. The Lost Days from above Accident ("DLA") was 956 days, down by 37% yoy. In Malaysia, LTA was 1 case and DLA was 75 days. In Taiwan, both LTA and DLA are zero.

Corporate Social Responsibility

Vinda encourages all employees to participate in voluntary services and community activities, making contributions to society.

In mainland China, Vinda Volunteer Team and *Vinda Charity Foundation* united to organize various professional social service activities. During the Period, 445 participants of Vinda volunteers spent 1,603 hours on voluntary activities. In Taiwan, we donated incontinence diapers to *Genesis Social Welfare Foundation*. We also cooperated with *Taiwan Alzheimer Disease Association* to donate *TENA* pants. In Singapore, *TENA* teamed up with online retailer *RedMart* to support the *Red Cross Home* for the disabled.

Outlook

We see ample growth opportunities in the medium to long run, namely the lower-than-average per capita consumption of tissue paper, the quality trade-up for personal care products, the increased dollar spent via e-commerce, market consolidation due to obsolete capacity, etc.

Yet, the operating environment in the second half of 2018 remains challenging. For instance, the market remains highly competitive; the wood pulp price is expected to stay at a high level; the movement of RMB is uncertain; the impact on China domestic consumption due to trade war and deleverage in China is uncertain.

To counter balance these, we will stay focused on the following measures to seize growth opportunities and protect our profitability:

Firstly, we will differentiate ourselves in all categories through innovation and a value-added portfolio mix. Secondly, we will closely monitor the market dynamics to manage our product price. Thirdly, we will keep up our effort in reducing the cost across all functions and projects. Fourthly, we will continue to strengthen our production and operational efficiency, while keeping our production capacity expansion on track for sustainable growth. Last but not least, we will maintain a healthy financial position and good management of cash generation and effective financing.

Remarks

¹ *Net gearing ratio: Total borrowings less bank balances and cash and restricted deposits divided by total shareholders' equity*

² *Source: Nielsen, sales value year-to-date at 31 May 2018*

³ *Source: Kantar Worldpanel, sales value year-to-date at 17 June 2018*

Foreign Exchange and Fair Value Interest Rate Risk

The majority of the Group's assets and sales business are located in Mainland China, Hong Kong, Malaysia, Taiwan and Korea. Our significant transactions are denominated and settled in RMB, HK\$, Malaysia Ringgit, New Taiwan dollar and Korean Won while most of the key raw materials are imported from overseas and denominated and paid in USD. The Group also borrows most of the long term loans and the short term loans denominated in RMB, HK\$ or USD.

Liquidity, Financial Resources and Borrowings

The Group's financial position remained healthy. As at 30 June 2018, the Group's bank and cash balances amounted to HK\$491,341,212 (31 December 2017: HK\$534,589,786), and short-term and long-term loans amounted to HK\$5,813,628,988 (31 December 2017: HK\$5,236,274,370), including the loans from a related party amounting to HK\$1,407,267,846 (31 December 2017: HK\$1,236,403,002). 70.9% of the borrowings are long-term (31 December 2017: 86.8%). The annual interest rates of bank loans ranged from 0.8% to 6.6%.

As at 30 June 2018, the net gearing ratio, which was calculated on the basis of the amount of total borrowings less cash and cash equivalents and restricted bank deposits as a percentage of the total shareholders' equity, was 60% (31 December 2017: 54%).

As at 30 June 2018, unutilized credit facilities amounted to approximately HK\$7.00 billion including a committed multicurrency revolving credit facility of HK\$3.00 billion (31 December 2017: HK\$2.94 billion).

Charges on Group Assets

As at 30 June 2018, the Group did not have any charges on assets (31 December 2017: nil).

Contingent Liabilities

As at 30 June 2018, the Group had no material contingent liabilities (31 December 2017: nil).

Capital Commitments

	As at	
	30 June 2018 Unaudited HK\$	31 December 2017 Audited HK\$
Property, plant and equipment and intangible assets	718,941,542	948,727,954
Equity investment (i)	2,846,637	2,871,122
	721,788,179	951,599,076

- (i) On 1 December 2017, China-Euro Healthcare Management Limited ("CEHM"), a subsidiary of the Company entered into an investment agreement with Wu Yi Charity Federation, an independent third party, pursuant to which, CEHM and Wu Yi Charity Federation agreed to invest RMB2,400,000 and RMB9,600,000 respectively to set up China-Euro Healthcare Management (Guangdong) Limited, a limited liability company. Upon completion, CEHM will hold 20% of the equity interest of China-Euro Healthcare Management (Guangdong) Limited.

Interim Dividend

The Board has resolved to declare an interim dividend of HK\$0.06 per share for the Period (2017: HK\$0.05 per share) totaling approximately HK\$71,663,542, based on the 1,194,392,373 issued shares outstanding as at 30 June 2018. The interim dividend will be paid on or about 7 September 2018 to shareholders whose names appear on the register of members of the Company on 24 August 2018.

Closure of Register of Members

The register of members of the Company will be closed from 22 August 2018 to 24 August 2018, both days inclusive, during which period no transfer of shares will be registered. In order to establish entitlement to the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, 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 21 August 2018 for registration of transfer.

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

As at 30 June 2018, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance ("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 of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Long Positions In Shares, Underlying Shares and Debentures in the Company

Name		Number of shares and underlying shares held under equity derivatives			Approximate percentage (%) of interests ⁽³⁾
		Personal interests (held as beneficial owner)	Corporate interests (interests of controlled corporations)	Total interests	
LI Chao Wang	Shares	300,000	271,341,581 ⁽²⁾	271,641,581	22.74
	Equity Derivatives – Share options	1,998,000 ⁽¹⁾	–	1,998,000	0.17
				273,639,581	22.91
YU Yi Fang	Shares	50,000	–	50,000	0.004
	Equity Derivatives – Share options	240,000 ⁽¹⁾	–	240,000	0.02
				290,000	0.02
DONG Yi Ping	Shares	–	–	–	–
	Equity Derivatives – Share options	240,000 ⁽¹⁾	–	240,000	0.02
				240,000	0.02
LI Jielin	Shares	–	–	–	–
	Equity Derivatives – Share options	80,000 ⁽¹⁾	–	80,000	0.01
				80,000	0.01
Johann Christoph MICHALSKI	Shares	83,000	–	83,000	0.007
	Equity Derivatives – Share options	220,000 ⁽¹⁾	–	220,000	0.02
				303,000	0.03
TSUI King Fai	Shares	–	–	–	–
	Equity Derivatives – Share options	140,000 ⁽¹⁾	–	140,000	0.01
				140,000	0.01

OTHER INFORMATION

Notes:

1. The share options granted by the Company are regarded for the time being as unlisted physically settled equity derivatives. Details of share options held by the directors of the Company (the "Directors", individually the "Director") are set out in the section headed "Share Option Scheme" of this report.
2. LI Chao Wang is deemed to be interested in the 271,341,581 shares in the Company held by Fu An International Company Limited for the purpose of Part XV of the SFO. Fu An International Company Limited is held as to 74.21% by Sentential Holdings Limited, 15.79% by Join Pride International Limited and 10.00% by Daminos Management Limited. The entire issued share capital of each of Sentential Holdings Limited, Join Pride International Limited and Daminos Management Limited is held by LI Chao Wang, YU Yi Fang and DONG Yi Ping, respectively.
3. Actual percentages may not equal to the stated figures due to rounding.

Long Positions In Shares, Underlying Shares and Debentures of Associated Corporations of the Company

Name	Associated corporation	Class of shares in associated corporation	Number of shares held			Approximate percentage (%) of interests ^(1&2)
			Personal interests (held as beneficial owner)	Corporate interests (interests of controlled corporations)	Total interests	
Johann Christoph MICHALSKI	Essity Aktiebolag (publ)	Class B shares	70	–	70	0.00001
Jan Christer JOHANSSON	Essity Aktiebolag (publ)	Class B shares	1,000	–	1,000	0.0001
Carl Magnus GROTH	Essity Aktiebolag (publ)	Class B shares	43,500	–	43,500	0.0062
Carl Fredrik Stenson RYSTEDT	Essity Aktiebolag (publ)	Class B shares	16,200	–	16,200	0.0023
Gert Mikael SCHMIDT	Essity Aktiebolag (publ)	Class B shares	24,000	–	24,000	0.0034
Herve Stephane ROSE	Essity Aktiebolag (publ)	Class B shares	3,625	–	3,625	0.0005

Notes:

1. As at 30 June 2018, the total number of registered shares in the share capital of Essity Aktiebolag (publ) was 702,342,489, of which 64,082,813 are Class A shares and 638,259,676 are Class B shares.
2. Actual percentages may not equal to the stated figures due to rounding.

Save as disclosed above, as at 30 June 2018, none of the Directors and chief executives of the Company are, under Divisions 7 and 8 of Part XV of the SFO, taken to be interested or deemed to have any other interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations, that are required to be entered in the register kept by the Company pursuant to section 352 of the SFO or were required to be 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 adopted and approved by a written resolution of the shareholders of the Company passed 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 Scheme enables the Company to grant options (the "Options") to subscribe for shares of the Company (the "Shares") to employees of the Company or any member of the Group (including any executive, non-executive and independent non-executive directors), advisors, consultants of the Group as incentives or rewards for their contributions to the Group.

The Scheme shall be valid and effective for a period of 10 years commencing from the date of adoption and expired on 18 June 2017, after which no further Options 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 Option must be held before its vesting, performance, operating and financial targets and other criteria to be satisfied before the vesting of an Option and other terms and conditions of an Option, provided that the exercise price of an Option shall be a price determined by the Board at its absolute discretion but shall be 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 trading days immediately preceding the date of the offer; or (iii) the nominal value of a Share.

An Option shall be deemed to have been granted and accepted when the duplicate letter comprising acceptance of the Option duly signed by the participant with the number of Shares in respect of which the offer is accepted clearly stated therein, together with a remittance in favour of the Company of HK\$1.00 by way of consideration for the grant thereof, is received by the Company within 28 days from the date of the offer.

OTHER INFORMATION

Subject to the Listing Rules, the overall limit on the number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the Scheme and any other share option schemes adopted by the Company (“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 granted and to be granted to each participant or grantee (including exercised, cancelled and outstanding Options) in any 12-month period shall not exceed 1% of the Shares in issue at the offer date. Any further grant of Options 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 their associates would result in the total number of the Shares issued and to be issued upon exercise of the Options granted and to be granted (including Options exercised, cancelled and outstanding) to such person under the Scheme or Other Schemes 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 proposed grant of Options must be subject to approval of the shareholders in general meeting taken on a poll.

An Option may be exercised in accordance with the terms of the Scheme and such other terms and conditions upon which an Option was granted, at any time during the option period after the Option has been granted by the Board but in any event, not longer than ten (10) years from the date upon which the Option is accepted or deemed to be accepted in accordance with the terms of the Scheme. An Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the expiry of the option period.

Details of movements of the Options granted under the Scheme for the six months ended 30 June 2018 are as follows:

	Date of Grant	Exercise price per Share HK\$	Number of Shares issuable under the Options					as at 30/06/2018	Exercise period	Weighted average closing price of the Share immediately before the exercise date HK\$
			as at 01/01/2018	granted during the period	exercised during the period	lapsed during the period	cancelled during the period			
Directors										
LI Chao Wang	02/05/2012	14.06	999,000	-	-	-	-	999,000	(Note 2)	-
	02/05/2013	10.34	999,000	-	-	-	-	999,000	02/05/2013 to 01/05/2023	-
YU Yi Fang	02/05/2012	14.06	240,000	-	-	-	-	240,000	(Note 2)	-
DONG Yi Ping	02/05/2012	14.06	240,000	-	-	-	-	240,000	(Note 2)	-
Johann Christoph MICHALSKI	15/04/2011	8.648	80,000	-	-	-	-	80,000	15/04/2011 to 14/04/2021	-
	02/05/2012	14.06	140,000	-	-	-	-	140,000	(Note 2)	-
LI Jieli	02/05/2012	14.06	80,000	-	-	-	-	80,000	(Note 2)	-
KAM Robert (resigned on 31 March 2018)	02/05/2012	14.06	140,000	-	-	-	-	140,000	(Note 2)	-
TSUI King Fai	02/05/2012	14.06	140,000	-	-	-	-	140,000	(Note 2)	-
Employees of the Group										
In aggregate	24/02/2009	2.98	460,000	-	-	-	-	460,000	(Note 1)	-
	15/04/2011	8.648	1,230,000	-	-	-	-	1,230,000	15/04/2011 to 14/04/2021	-
	02/05/2012	14.06	4,660,000	-	(225,000)	(120,000)	-	4,315,000	(Note 2)	15.24
	02/05/2013	10.34	120,000	-	-	-	-	120,000	(Note 3)	-
Total			9,528,000	-	(225,000)	(120,000)	-	9,183,000		-

OTHER INFORMATION

- Note 1:
- (i) 20% of the options granted are exercisable after the expiry of the first anniversary of the date of grant, i.e. on/after 25 February 2010.
 - (ii) 30% of the options granted are exercisable after the expiry of the second anniversary of the date of grant, i.e. on/after 25 February 2011.
 - (iii) 50% of the options granted are exercisable after the expiry of the third anniversary of the date of grant, i.e. on/after 25 February 2012.
- and in each case, not later than 23 February 2019.

- Note 2:
- (i) the first tranche of 5,313,000 options are exercisable from 2 May 2012 to 1 May 2022.
 - (ii) the second tranche of 5,729,000 options are exercisable from 2 May 2013 to 1 May 2022.
 - (iii) the third tranche of 5,729,000 options are exercisable from 2 May 2014 to 1 May 2022.

Vesting condition for (ii) — on condition that the Board has confirmed that the Company has met the 2012 (or combined 2012 and 2013) income and profit performance benchmarks as set by the Board and that the performance appraisal of the grantee has satisfied the requirements of the management of the Company.

Vesting condition for (iii) — on condition that the Board has confirmed that the Company has met the 2013 income and profit performance benchmarks as set by the Board and that the performance appraisal of the grantee has satisfied the requirements of the management of the Company. As vesting condition was not met, options for this tranche were forfeited.

- Note 3:
- (i) The first tranche of 135,000 options are exercisable from 2 May 2013 to 1 May 2023.
 - (ii) The second tranche of 225,000 options are exercisable from 2 May 2014 to 1 May 2023 on the condition that the Board has confirmed that the Company has met the 2013 income and profit performance benchmarks as set by the Board and that the performance appraisal of the grantee has satisfied the requirements of the management of the Company. As vesting condition was not met, options for this tranche were forfeited.

Arrangement to Purchase Shares or Debentures

Save as disclosed above, at no time during the six months ended 30 June 2018 were there any rights to acquire benefits by means of the acquisition of securities of the Company granted to any Director or their respective spouse or children under 18 years of age, or were there any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

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

As at 30 June 2018, to the best of the Directors' knowledge, the following persons (other than the Directors and chief executives of the Company) had or deemed or taken to have an interests and/or short position in the Shares or the underlying shares of the Company which fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept pursuant to section 336 of the SFO, or which are notified to the Company:

Long Positions in Shares and Underlying Shares in the Company

Name of substantial shareholder		Number of shares and underlying shares held under equity derivatives			Approximate percentage (%) of issued share capital ⁽¹⁾
		Personal interests (held as beneficial owner)	Corporate interests (interests of controlled corporations)	Total interests	
Essity Group Holding BV	Shares	620,737,112 ⁽²⁾	–	620,737,112	51.97
Essity Aktiebolag (publ)	Shares	–	620,737,112 ⁽²⁾	620,737,112	51.97
Fu An International Company Limited	Shares	271,341,581 ^{(3) & (4)}	–	271,341,581	22.72
Sentential Holdings Limited	Shares	–	271,341,581 ⁽³⁾	271,341,581	22.72

Notes:

- Actual percentages may not equal to the stated figures due to rounding.
- Essity Group Holding BV is wholly-owned by Essity Aktiebolag (publ), a company whose shares are quoted and traded on NASDAQ OMX Stockholm, and as American Depository Receipts (ADR level 1) in the United States through Deutsche Bank. Essity Aktiebolag (publ) is deemed to be interested in the 620,737,112 shares in the Company held by Essity Group Holding BV for the purpose of Part XV of the SFO.
- Fu An International Company Limited is held as to 74.21% by Sentential Holdings Limited, 15.79% by Join Pride International Limited and 10.00% by Daminos Management Limited. The entire issued share capital of Sentential Holdings Limited, Join Pride International Limited and Daminos Management Limited are held by each of LI Chao Wang, YU Yi Fang and DONG Yi Ping, respectively. Sentential Holdings Limited is deemed to be interested in the 271,341,581 shares in the Company held by Fu An International Company Limited for the purpose of Part XV of the SFO.
- Such 271,341,581 shares are the same shares in the Company referred to in Note 2 of LI Chao Wang as disclosed in the table under the sub-section headed "Long Positions In Shares, Underlying Shares and Debentures in the Company" under the section headed "Directors' and Chief Executives' Interests in the Shares, Underlying Shares and Debentures of the Company or any Associated Corporation" above.

Save as disclosed above, as at 30 June 2018, there are no other persons (other than Directors or chief executives of the Company) who had or are taken to have interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which are recorded in the register required to be kept by the Company under section 336 of the SFO, or which are notified to the Company.

Corporate Governance

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 the shareholders of the Company. For the Period, the Company has complied with all the code provisions set out in the Corporate Governance Code, as set out in Appendix 14 to the Listing Rules.

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

(1) With effect from 31 March 2018:

- i. Mr. KAM Robert resigned as an independent non-executive Director, the chairman of the audit committee and a member of the remuneration committee and nomination committee of the Company;
- ii. Ms. LEE Hsiao-yun Ann was appointed as an independent non-executive Director and a member of remuneration committee and nomination committee of the Company; and
- iii. Mr. TSUI King Fai was appointed as the chairman of the audit committee of the Company.

Details of the above changes are set out in the announcement of the Company dated 13 March 2018.

(2) With effect from 9 July 2018, Mr. WONG Kwai Huen, Albert has been appointed as an independent non-executive director of NWS Holdings Limited, the issued shares of which are listed on the main board of the Stock Exchange (stock code: 659).

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 as set out in Appendix 10 to the Listing Rules. Having made specific enquiry with all the Directors, 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 Period.

Audit Committee

The Company's audit committee has three members comprising two Independent Non-Executive Directors, namely, Mr. TSUI King Fai and Mr. WONG Kwai Huen, Albert and a Non-Executive Director, Mr. Carl Fredrik Stenson RYSTEDT. The chairman of the audit committee is Mr. TSUI King Fai (appointed on 31 March 2018). 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. It also reviews the effectiveness of internal audit, internal controls and risk evaluation. The unaudited interim results and interim report of the Company for the Period have been reviewed by the audit committee of the Company.

Remuneration Committee

The Company's remuneration committee has five members comprising three Independent Non-Executive Directors, namely Mr. TSUI King Fai, Ms. LEE Hsiao-yun Ann (appointed on 31 March 2018) and Mr. CHIA Yen On, an Executive Director, Ms. LI Jieli and a Non-Executive Director, Mr. Jan Christer JOHANSSON. The chairman of the remuneration committee is 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 on the remuneration of Non-Executive Directors. It takes into consideration 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-based remuneration.

Nomination Committee

The Company's nomination committee has five members comprising three Independent Non-Executive Directors, namely, Ms. LEE Hsiao-yun Ann (appointed on 31 March 2018), Mr. WONG Kwai Huen, Albert and Mr. CHIA Yen On, an Executive Director, Mr. LI Chao Wang and a Non-Executive Director, Mr. Jan Christer JOHANSSON. The chairman of the nomination committee is Mr. LI Chao Wang. The principal duties of the nomination committee are to consider and recommend to the Board suitably qualified persons to become Directors and to be responsible for reviewing the structure, size, diversity and composition of the Board on a regular basis.

Risk Management Committee

The Company's risk management committee has five members comprising two Executive Directors, Mr. Johann Christoph MICHALSKI and Ms. YU Yi Fang, two Non-Executive Directors, namely, Mr. Jan Christer JOHANSSON and Mr. Carl Fredrik Stenson RYSTEDT, and an Independent Non-Executive Director, Mr. TSUI King Fai. The chairman of the risk management committee is Mr. Jan Christer JOHANSSON. The principal duties of the risk management committee are to assist the Board in deciding the Group's risk level and risk appetite, advising on major decisions affecting the Group's risk profile or exposure and to give directions where appropriate, and reviewing and reporting to the Board on identified key risks, risk register and related risk mitigating actions including crisis management.

Executive Committee

The Company's executive committee comprises five members and is chaired by Mr. LI Chao Wang, an Executive Director. The other members are Executive Directors, namely Ms. YU Yi Fang, Mr. Johann Christoph MICHALSKI, Mr. DONG Yi Ping and Ms. LI Jielin. The duties of the executive committee include to develop and make recommendations to the Board on the Company's annual budgets, CAPEX budget, material business plans, and to review and approve proposals for restructuring and major asset disposal as well as annual salaries for senior management and senior executives of the Group within the annual budget approved by the remuneration committee of the Company.

Strategic Development Committee

The Company's strategic development committee comprises five members and is chaired by Mr. Jan Christer JOHANSSON, a Non-Executive Director. The other members are three Executive Directors, namely Mr. DONG Yi Ping, Mr. Johann Christoph MICHALSKI and Ms. LI Jielin and an Independent Non-Executive Director, Mr. CHIA Yen On. The principal duties of the strategic development committee are (a) to advise on strategy of the Group, namely to review and advise the mid to long term strategic positioning, business plans, brand strategies, investment decisions and mergers and acquisitions of the Group and make recommendations to the Board/executive committee of the Company; and (b) to monitor, review and advise the implementations of strategic plans.

Purchase, Sale or Redemption of the Securities

The Company has not redeemed any of the Company's Shares during the Period. Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's Shares during the Period.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



羅兵咸永道

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF VINDA INTERNATIONAL HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 26 to 68 which comprises the interim condensed consolidated balance sheet of Vinda International Holdings Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2018 and the related interim condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

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

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 18 July 2018

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INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2018

	Note	Unaudited 30 June 2018 HK\$	Audited 31 December 2017 HK\$
ASSETS			
Non-current assets			
Property, plant and equipment	7	8,970,849,849	8,739,887,326
Leasehold land and land use rights	7	1,024,872,812	1,042,127,885
Intangible assets	7	2,888,272,320	2,913,888,055
Deferred income tax assets		359,906,026	348,762,906
Investment properties	7	7,479,302	7,660,539
Total non-current assets		13,251,380,309	13,052,326,711
Current assets			
Inventories		3,285,029,757	3,048,179,318
Trade receivables, other receivables and prepayments	8	–	2,309,863,202
Trade and notes receivables	8	1,752,502,310	–
Other receivables, prepayments and deposits	8	627,716,213	–
Receivables from related parties	23(c)	43,606,010	28,949,331
Cash and cash equivalents		491,341,212	534,589,786
Total current assets		6,200,195,502	5,921,581,637
Total assets		19,451,575,811	18,973,908,348
EQUITY			
Share capital	9	119,439,237	119,416,737
Share premium	9	4,349,988,334	4,345,689,034
Other reserves		4,451,433,963	4,271,362,605
Total equity		8,920,861,534	8,736,468,376

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2018

	Note	Unaudited 30 June 2018 HK\$	Audited 31 December 2017 HK\$
LIABILITIES			
Non-current liabilities			
Borrowings	11	2,895,636,945	3,310,130,427
Loans from a related party	11,23(c)	1,224,957,846	1,236,403,002
Deferred government grants		141,947,363	142,848,544
Deferred income tax liabilities		211,017,484	211,437,204
Post-employment benefits	12	31,427,719	33,214,008
Other non-current liabilities	13	25,851,873	17,675,709
Total non-current liabilities		4,530,839,230	4,951,708,894
Current liabilities			
Trade payables, other payables and accrued expenses	14	4,108,005,579	4,493,818,093
Contract liabilities		57,069,076	–
Borrowings	11	1,510,724,197	689,740,941
Loan from a related party	11,23(c)	182,310,000	–
Due to related parties	23(c)	20,171,558	37,687,965
Current income tax liabilities		121,594,637	64,484,079
Total current liabilities		5,999,875,047	5,285,731,078
Total liabilities		10,530,714,277	10,237,439,972
Total equity and liabilities		19,451,575,811	18,973,908,348

The notes on pages 31 to 68 form an integral part of this condensed consolidated interim financial information.

LI Chao Wang
Director

Johann Christoph MICHALSKI
Director

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	Note	Unaudited	
		Six months ended 30 June	
		2018	2017
		HK\$	HK\$
Revenue	6	7,334,423,321	6,307,520,020
Cost of sales		(5,156,455,109)	(4,381,521,987)
Gross profit		2,177,968,212	1,925,998,033
Selling and marketing costs		(1,164,141,304)	(1,088,809,774)
Administrative expenses		(373,138,921)	(344,913,429)
Net impairment losses on financial assets		(1,315,551)	–
Other income and gains – net		4,092,810	16,526,405
Operating profit	15	643,465,246	508,801,235
Finance costs, net	16	(114,454,615)	(101,280,637)
Profit before income tax		529,010,631	407,520,598
Income tax expense	17	(111,645,526)	(86,806,053)
Profit attributable to equity holders of the Company		417,365,105	320,714,545
Other comprehensive income:			
<i>Item that may be reclassified to profit or loss</i>			
– Currency translation differences		(68,854,054)	306,518,763
Total comprehensive income attributable to equity holders of the Company		348,511,051	627,233,308
Earnings per share for profit attributable to the equity holders of the Company			
– basic	18	0.349	0.275
– diluted	18	0.349	0.275

The notes on pages 31 to 68 form an integral part of this condensed consolidated interim financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	Note	Unaudited			Total HK\$
		Attributable to equity holders of the Company			
		Share capital HK\$	Share premium HK\$	Other reserves HK\$	
Balance as at 1 January 2017		113,741,237	3,498,754,174	3,167,068,811	6,779,564,222
Profit for the period		–	–	320,714,545	320,714,545
Other comprehensive income					
<i>Item that may be reclassified to profit or loss</i>					
– Currency translation differences		–	–	306,518,763	306,518,763
Total comprehensive income for the six months ended 30 June 2017		–	–	627,233,308	627,233,308
Transaction with owners					
Allotment of shares	9	5,500,000	814,000,000	–	819,500,000
Employees share option scheme					
– Exercise of share options	9	172,000	32,266,080	(8,687,840)	23,750,240
Dividends	19	–	–	(143,220,765)	(143,220,765)
Transaction with owners		5,672,000	846,266,080	(151,908,605)	700,029,475
Balance as at 30 June 2017		119,413,237	4,345,020,254	3,642,393,514	8,106,827,005
Balance as at 31 December 2017		119,416,737	4,345,689,034	4,271,362,605	8,736,468,376
Change in accounting policy – HKFRS 9		–	–	(66,461)	(66,461)
Balance as at 1 January 2018		119,416,737	4,345,689,034	4,271,296,144	8,736,401,915
Profit for the period		–	–	417,365,105	417,365,105
Other comprehensive income					
<i>Item that may be reclassified to profit or loss</i>					
– Currency translation differences		–	–	(68,854,054)	(68,854,054)
Total comprehensive income for the six months ended 30 June 2018		–	–	348,511,051	348,511,051
Transaction with owners					
Employees share option scheme					
– Exercise of share options	9	22,500	4,299,300	(1,158,300)	3,163,500
Dividends	19	–	–	(167,214,932)	(167,214,932)
Transaction with owners		22,500	4,299,300	(168,373,232)	(164,051,432)
Balance as at 30 June 2018		119,439,237	4,349,988,334	4,451,433,963	8,920,861,534

The notes on pages 31 to 68 form an integral part of this condensed consolidated interim financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

	Note	Unaudited	
		Six months ended 30 June	
		2018	2017
		HK\$	HK\$
Cash flows from operating activities:			
– cash generated from operations		273,139,637	857,417,846
– interest paid		(120,894,347)	(112,582,430)
Cash flows generated from operating activities – net		152,245,290	744,835,416
Cash flows from investing activities:			
– purchases of property, plant and equipment		(643,178,281)	(565,520,651)
– cash paid through acquisition of a subsidiary	22	–	(40,731,481)
– purchases of intangible assets		(17,426,112)	(4,591,305)
– purchases of land use rights		(4,059,457)	(6,873,710)
– proceeds on disposal of property, plant and equipment		6,895,979	3,540,561
– government grants received		5,712,064	42,777,053
– interest received		6,380,841	5,819,206
Cash flows used in investing activities – net		(645,674,966)	(565,580,327)
Cash flows from financing activities:			
– dividends paid	19	(167,214,932)	(143,220,765)
– repayments of borrowings	11	(2,429,948,991)	(2,604,206,448)
– proceeds from borrowings	11	2,866,769,532	2,084,700,582
– proceeds from loans from a related party	11,23(c)	168,000,000	300,000,000
– proceeds from shares issued	9	3,163,500	23,750,240
Cash flows generated from/(used in) financing activities – net		440,769,109	(338,976,391)
Net decrease in cash and cash equivalents		(52,660,567)	(159,721,302)
Cash and cash equivalents at beginning of the period		534,589,786	1,015,254,277
Exchange differences		9,411,993	59,181,986
Cash and cash equivalents at end of the period		491,341,212	914,714,961

The notes on pages 31 to 68 form an integral part of this condensed consolidated interim financial information.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2018

1 General Information

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

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

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

Essity Aktiebolag (publ) (“Essity”) is the ultimate holding company of the Group.

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

This condensed consolidated interim financial information is presented in Hong Kong dollar (“HK\$”), unless otherwise stated. This condensed consolidated interim financial information was approved for issue on 18 July 2018 by the Board.

This condensed consolidated interim financial information has not been audited.

2 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2018 has been prepared in accordance with HKAS 34 “Interim financial reporting”. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2017, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) except for the estimation of income tax and the adoption of new and amended standards as disclosed in Note 3.

3 Significant accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2017, as described in those annual financial statements.

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

(a) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies accordingly. The impact of adopting following standards are disclosed below:

- (i) HKFRS 9 Financial instruments, and
- (ii) HKFRS 15 Revenue from contracts with customers.

The other newly adopted standards did not have material impact on the Group's accounting policies and did not require retrospective adjustments.

HKFRS 9 was generally adopted without restating comparative information with the exception of certain aspects of hedge accounting. The Group used modified retrospective approach while adopting HKFRS 9. The reclassification and adjustments arising from the new impairment rules are therefore not reflected in the balance sheet as at 31 December 2017, but are recognised in the opening balance sheet on 1 January 2018.

The Group adopted HKFRS 15 using the modified retrospective approach which means that the cumulative impact of the adoption (if any) will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

3 Significant accounting policies *(continued)*

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

The following tables show the adjustments recognised for each individual line item. The adjustments are explained in more details below.

	31 December 2017 As originally presented HK\$	HKFRS 9 HK\$	HKFRS 15 HK\$	1 January 2018 Restated HK\$
ASSETS				
Non-current assets				
Property, plant and equipment	8,739,887,326	–	–	8,739,887,326
Leasehold land and land use rights	1,042,127,885	–	–	1,042,127,885
Intangible assets	2,913,888,055	–	–	2,913,888,055
Deferred income tax assets	348,762,906	–	–	348,762,906
Investment properties	7,660,539	–	–	7,660,539
Total non-current assets	13,052,326,711	–	–	13,052,326,711
Current assets				
Inventories	3,048,179,318	–	–	3,048,179,318
Trade receivables, other receivables and prepayments	2,309,863,202	–	(2,309,863,202)	–
Trade and notes receivables	–	(66,461)	1,857,486,214	1,857,419,753
Other receivables, prepayments and deposits	–	–	452,376,988	452,376,988
Prepayments to and receivables from related parties	28,949,331	–	–	28,949,331
Cash and cash equivalents	534,589,786	–	–	534,589,786
Total current assets	5,921,581,637	(66,461)	–	5,921,515,176
Total assets	18,973,908,348	(66,461)	–	18,973,841,887
EQUITY				
Share capital	119,416,737	–	–	119,416,737
Share premium	4,345,689,034	–	–	4,345,689,034
Other reserves	4,271,362,605	(66,461)	–	4,271,296,144
Total equity	8,736,468,376	(66,461)	–	8,736,401,915

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2018

3 Significant accounting policies (continued)

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

	31 December 2017 As originally presented HK\$	HKFRS 9 HK\$	HKFRS 15 HK\$	1 January 2018 Restated HK\$
LIABILITIES				
Non-current liabilities				
Borrowings	3,310,130,427	–	–	3,310,130,427
Loans from a related party	1,236,403,002	–	–	1,236,403,002
Deferred government grants	142,848,544	–	–	142,848,544
Deferred income tax liabilities	211,437,204	–	–	211,437,204
Post-employment benefits	33,214,008	–	–	33,214,008
Other non-current liabilities	17,675,709	–	–	17,675,709
Total non-current liabilities	4,951,708,894	–	–	4,951,708,894
Current liabilities				
Trade payables, other payables and accrued expenses	4,493,818,093	–	(86,890,937)	4,406,927,156
Contract liabilities	–	–	86,890,937	86,890,937
Borrowings	689,740,941	–	–	689,740,941
Due to related parties	37,687,965	–	–	37,687,965
Current income tax liabilities	64,484,079	–	–	64,484,079
Total current liabilities	5,285,731,078	–	–	5,285,731,078
Total liabilities	10,237,439,972	–	–	10,237,439,972

There is no impact on the statement of profit or loss and other comprehensive income by adopting HKFRS 9 and HKFRS 15.

(i) HKFRS 9, *Financial Instruments*

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

There is no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities which are subject to HKFRS 9.

3 Significant accounting policies *(continued)*

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

(i) HKFRS 9, *Financial Instruments (continued)*

The adoption of HKFRS 9 *Financial Instruments* from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transitional provisions in HKFRS 9(7.2.15) and (7.2.26), comparative figures have not been restated as the Group does not have any hedge instrument. As a result, the adjustments arising from the new impairment rules are not reflected in the balance sheet as at 31 December 2017, but are recognised in the opening balance sheet as at 1 January 2018.

The Group has trade receivables for sales of products that are subject to HKFRS 9's new expected credit loss model, and the Group was required to revise its impairment methodology under HKFRS 9 for these receivables.

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables from initial recognition. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. On that basis, the loss allowance as at 1 January 2018 was determined as follows for trade receivables:

1 January 2018	Within 6 months	7 months to 12 months	Over 1 year	Total
Gross carrying amount	1,845,725,060	13,958,877	19,931,056	1,879,614,993
Expected loss rate	0.004%	42.394%	99.405%	1.372%
Loss allowance	66,461	5,917,756	19,812,559	25,796,776

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2018

3 Significant accounting policies *(continued)*

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

(i) HKFRS 9, *Financial Instruments (continued)*

The loss allowances for trade receivables as at 31 December 2017 are reconciled to the opening loss allowances on 1 January 2018 as follows:

	1 January 2018
	HK\$
At 31 December 2017 – calculated under HKAS 39	25,730,315
Amounts restated through opening retained earnings	66,461
	<hr/>
Opening loss allowance as at 1 January 2018	
– calculated under HKFRS 9	25,796,776
	<hr/>

The loss allowances increased by a further HK\$1,315,551 for trade receivables during the six months ended 30 June 2018. The increase would have been HK\$62,784 lower under the incurred loss model of HKAS 39.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period greater than 60-90 days past due.

While cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, no impairment loss was identified.

3 Significant accounting policies *(continued)*

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

(ii) HKFRS 15, *Revenue from Contracts with Customers*

The Group has adopted HKFRS 15 *Revenue from Contracts with Customers* from 1 January 2018 which resulted in changes in accounting policies. The Group adopted HKFRS 15 using the modified retrospective approach which means that the cumulative impact of the adoption (if any) will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated. Following adjustments were made to the amounts recognised in the balance sheet at the date of initial application (1 January 2018):

	HKAS 18 carrying amount 31 December 2017 HK\$	Reclassification HK\$	HKFRS 15 carrying amount 1 January 2018 HK\$
Trade receivables, other receivables and prepayments	2,309,863,202	(2,309,863,202)	–
Trade and notes receivables	–	1,857,486,214	1,857,486,214
Other receivables, prepayments and deposits	–	452,376,988	452,376,988
Trade and other payables	4,493,818,093	(86,890,937)	4,406,927,156
Contract liabilities	–	86,890,937	86,890,937

The Group manufactures and sells a range of tissue paper and personal care products in the market.

The products are often sold with retrospective volume discounts based on aggregate sales over a period of time. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. A refund liability (included in trade and other payables) is recognised for expected volume discounts payable to customers in relation to sales made. No element of financing is deemed present as the sales are made with a credit term of 60-90 days, which is consistent with market practice. A receivable is recognised when the goods are delivered and the customers has inspected and accepted the products as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. The accounting treatments are the same before and after adopting the HKFRS 15.

3 Significant accounting policies *(continued)*

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

(ii) HKFRS 15, *Revenue from Contracts with Customers (continued)*

The Group's obligations to provide a refund for faulty products are under the standard warranty terms. Accumulated experience is used to estimate such returns at the time of sale. Because of the large size and low value of each individual product, the amount of products returned were immaterial. It is highly probable that a significant reversal in the cumulative revenue recognised will not occur. Therefore, no refund liability for goods return was recognised. The validity of this assumption and the estimated amount of returns are reassessed at each reporting date. As a result, no accounting impact for refunds while applying HKFRS 15.

The Group didn't introduce any customer loyalty programme which is likely to be affected by the HKFRS 15.

The Group does not expect to have any contracts where the period between the transfer of the promised goods to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

No additional cost occurs to fulfil the contract was identified.

Other receivables, prepayments and deposits were previously presented together with trade receivables but are now presented as a separate line item in the balance sheet, to reflect their different nature.

As a result, other than certain reclassifications of contract liabilities and other receivables, prepayments and deposits, the adoption of HKFRS 15 did not result in any impact to the financial statements as the timing of revenue recognition on sales of products is not changed.

3 Significant accounting policies *(continued)*

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

(iii) Accounting policies effective from 1 January 2018

Financial assets – impairment

From 1 January 2018, the Group assesses the expected credit losses associated with its financial assets on a forward looking basis. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Revenue Recognition

The Group manufactures and sells a range of tissue paper and personal care products in the market.

For the distributor customers, sales are recognised when control of the products has transferred, being when the products are delivered and the customers have inspected and accepted the products. Distributors have full discretion over the channel and price to sell the products, and there is no more unfulfilled obligation that could affect the acceptance of the products. Delivery occurs when the products have been shipped to the specific location. The risks of obsolescence and loss have been transferred to the customers when either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.

For supermarkets and e-commerce customers, revenue from the sale of products is recognised when the products are delivered and the Group received sales and acceptance confirmations from supermarkets and e-commerce clients. The risks of obsolescence and loss are not transferred to the customers until the Group received those confirmations.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2018

3 Significant accounting policies (continued)

- (b) The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning on 1 January 2018 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
HKFRS 16	Leases	1 January 2019 ⁱ⁾
HK (IFRIC) 23	Uncertainty over income tax treatments	1 January 2019
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
HKFRS 17	Insurance contracts	1 January 2021

i) HKFRS 16, *Leases*

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of HK\$154,037,749. Part of these are related to payments for short-term and low-value leases which will be recognised on a straight-line basis as an expense in profit or loss.

3 Significant accounting policies *(continued)*

(b) The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning on 1 January 2018 and have not been early adopted by the Group: *(continued)*

i) HKFRS 16, *Leases (continued)*

However, the Group has not yet assessed what other adjustments, if any, are necessary for example because of the change in the definition of the lease term and the different treatment of variable lease payments and of extension and termination options. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognised on adoption of the new standard and how this may affect the Group's profit or loss and classification of cash flows going forward.

The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

4 Estimates

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

Other than those impacts by adopting HKFRS 9 and HKFRS 15, in preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2017.

5 Financial risk management

5.1 Financial risk factors

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

The interim condensed consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2017.

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2018

5 Financial risk management *(continued)*

5.2 Liquidity risk

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

As at 30 June 2018, the contractual maturities of the Group's non-derivative financial liabilities were as follows:

	Less than 1 year HK\$	Between 1 and 2 years HK\$	Between 2 and 5 years HK\$	Over 5 years HK\$	Total Amount HK\$
As at 30 June 2018					
Bank loans and interest payables (i)	1,612,883,616	1,401,894,981	1,451,837,803	239,355,158	4,705,971,558
Loans from a related party and interest payables (i)	214,559,528	371,857,573	901,287,115	–	1,487,704,216
Other borrowings	59,304,946	–	–	–	59,304,946
Trade payables	2,139,163,631	–	–	–	2,139,163,631
Notes payable	343,369,747	–	–	–	343,369,747
Other payables	486,108,794	–	–	–	486,108,794
As at 31 December 2017					
Bank loans and interest payables (i)	799,442,304	1,861,278,298	1,577,089,958	65,861,748	4,303,672,308
Loans from a related party and interest payables (i)	35,538,875	1,247,554,540	–	–	1,283,093,415
Other borrowings	59,815,052	–	–	–	59,815,052
Trade payables	2,358,159,286	–	–	–	2,358,159,286
Notes payable	323,445,538	–	–	–	323,445,538
Other payables	447,894,109	–	–	–	447,894,109

- (i) The interest on borrowings is calculated based on borrowings held as at 30 June 2018 and 31 December 2017 without taking account of future issues. Floating-rate interest is estimated using interest rate prevailing as at 30 June 2018 and 31 December 2017 respectively.

5.3 Fair value estimation

There were no changes on valuation techniques during the period.

In preparing the condensed consolidated interim financial statements, the significant judgements made by management in applying the valuation method for the financial instruments carried at fair value and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2017.

6 Segment information

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

The executive committee has determined that no geographical segment information is presented as management reviews the business performance primarily based on type of business, not geographically. Instead, the executive committee assesses the performance of household paper products and personal care products.

The executive committee assesses the performance of the operating segments based on a measure of segment results without considering amortisation of trademarks, licences and contractual customer relationships, unallocated costs, finance income/(costs) and income tax expense which is consistent with that in the annual consolidated financial statements. Unallocated costs are mainly the central expenses (including acquisition cost).

Sales between segments are carried out on terms equivalent to those that prevail in arm's length transactions. The revenue from external parties reported to the executive committee is measured in a manner consistent with that in the interim consolidated income statement.

The Company is domiciled in Hong Kong. The amount of its revenue from external customers in Mainland China, Hong Kong and overseas for the six months ended 30 June 2018 is HK\$5,439,541,556 (for the six months ended 30 June 2017: HK\$4,642,459,259), HK\$547,420,666 (for the six months ended 30 June 2017: HK\$520,898,878) and HK\$1,347,461,099 (for the six months ended 30 June 2017: HK\$1,144,161,883) respectively.

Additions to non-current assets comprise additions to property, plant and equipment, leasehold land and land use rights and intangible assets.

The total non-current assets are analysed as follows:

	As at	
	30 June 2018 Unaudited HK\$	31 December 2017 Audited HK\$
Total non-current assets other than deferred tax assets		
– Mainland China	9,548,920,276	9,335,005,596
– Hong Kong and overseas	3,342,554,007	3,368,558,209
Deferred tax assets	359,906,026	348,762,906
Total non-current assets	13,251,380,309	13,052,326,711

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2018

6 Segment information *(continued)*

The segment information for the six months ended 30 June 2018 and 2017 are as follows:

Six months ended 30 June 2018	Six months ended 30 June 2018 (Unaudited)			Total HK\$
	Household paper products HK\$	Personal care products HK\$	Elimination HK\$	
Segment revenue	5,927,715,524	1,406,707,797	-	7,334,423,321
Segment results	592,094,742	125,445,466	-	717,540,208
Amortisation of trademarks, licences and contractual customer relationships	(5,481,938)	(29,885,370)	-	(35,367,308)
Segment profit	586,612,804	95,560,096	-	682,172,900
Other income and gains – net				4,092,810
Unallocated costs				(42,800,464)
Operating profit				643,465,246
Finance costs – net				(114,454,615)
Profit before income tax				529,010,631
Income tax expense				(111,645,526)
Profit for the period				417,365,105
Other segment items included in the income statement				
Depreciation of property, plant and equipment	(357,750,414)	(54,687,504)	-	(412,437,918)
Amortisation of leasehold land and land use rights, investment properties and intangible assets other than trademarks, licences and contractual customer relationships	(24,264,626)	(1,505,211)	-	(25,769,837)
Additions to non-current assets	667,743,372	84,510,358	-	752,253,730

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2018

6 Segment information *(continued)*

Six months ended 30 June 2017	Six months ended 30 June 2017 (Unaudited)			Total HK\$
	Household paper products HK\$	Personal care products HK\$	Elimination HK\$	
Segment revenue	5,072,589,596	1,234,930,424	–	6,307,520,020
Segment results	488,541,859	84,725,158	–	573,267,017
Amortisation of trademarks, licences and contractual customer relationships	(10,380,586)	(27,710,346)	–	(38,090,932)
Segment profit	478,161,273	57,014,812	–	535,176,085
Other income and gains – net				16,526,405
Unallocated costs				(42,901,255)
Operating profit				508,801,235
Finance costs – net				(101,280,637)
Profit before income tax				407,520,598
Income tax expense				(86,806,053)
Profit for the period				320,714,545
Other segment items included in the income statement				
Depreciation of property, plant and equipment	(280,327,569)	(47,399,579)	–	(327,727,148)
Amortisation of leasehold land and land use rights, investment properties and intangible assets other than trademarks, licences and contractual customer relationships	(17,499,952)	(1,172,002)	–	(18,671,954)
Additions to non-current assets	1,353,414,807	91,233,506	–	1,444,648,313

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2018

6 Segment information (continued)

As at 30 June 2018	As at 30 June 2018 (Unaudited)			Total HK\$
	Household paper products HK\$	Personal care products HK\$	Elimination HK\$	
Segment assets	15,129,752,254	3,922,644,403	–	19,052,396,657
Deferred income tax assets				359,906,026
Prepaid income tax recoverable				39,273,128
Total assets				19,451,575,811
Segment liabilities	9,229,267,847	968,834,309	–	10,198,102,156
Deferred income tax liabilities				211,017,484
Current income tax liabilities				121,594,637
Total liabilities				10,530,714,277

As at 31 December 2017	As at 31 December 2017 (Audited)			Total HK\$
	Household paper products HK\$	Personal care products HK\$	Elimination HK\$	
Segment assets	14,647,757,242	3,965,254,881	–	18,613,012,123
Deferred income tax assets				348,762,906
Prepaid income tax recoverable				12,133,319
Total assets				18,973,908,348
Segment liabilities	8,843,848,525	1,117,670,164	–	9,961,518,689
Deferred income tax liabilities				211,437,204
Current income tax liabilities				64,484,079
Total liabilities				10,237,439,972

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

	Unaudited			
	Property, plant and equipment HK\$	Leasehold land and land use rights HK\$	Intangible assets HK\$	Investment properties HK\$
Six months ended 30 June 2017				
Opening net book amount as at 1 January 2017	7,281,873,804	432,130,671	2,796,001,162	4,859,059
Acquisition of a subsidiary (Note 22)	345,346,510	578,105,752	–	–
Additions	509,731,036	6,873,710	4,591,305	–
Disposals	(5,316,315)	–	–	–
Transfers	(2,952,711)	–	–	2,952,711
Depreciation and amortisation (Note 15)	(327,727,148)	(8,342,371)	(48,267,315)	(153,200)
Exchange differences	247,123,058	26,475,629	81,313,821	46,985
Closing net book amount as at 30 June 2017	8,048,078,234	1,035,243,391	2,833,638,973	7,705,555
Six months ended 30 June 2018				
Opening net book amount as at 1 January 2018	8,739,887,326	1,042,127,885	2,913,888,055	7,660,539
Additions	730,768,161	4,059,457	17,426,112	–
Disposals	(5,605,909)	–	–	–
Depreciation and amortisation (Note 15)	(412,437,918)	(12,714,846)	(48,263,813)	(158,486)
Exchange differences	(81,761,811)	(8,599,684)	5,221,966	(22,751)
Closing net book amount as at 30 June 2018	8,970,849,849	1,024,872,812	2,888,272,320	7,479,302

During the Period, the Group has capitalized borrowing costs amounting to HK\$12,715,273 (for the six months ended 30 June 2017: HK\$18,038,655) on qualifying assets. Borrowing costs were capitalized at the weighted average rate of its general borrowings of 2.17% (for the six months ended 30 June 2017: 2.24%).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2018

8 Trade and notes receivables, other receivables, prepayments and deposits

	As at	
	30 June 2018 Unaudited HK\$	31 December 2017 Audited HK\$
Trade receivables	1,777,650,618	1,879,614,993
Other receivables (Note (a))	546,534,665	416,583,907
Notes receivable	1,297,118	3,601,536
Prepayments	81,181,548	35,793,081
Less: Provision for impairment of trade receivables	(26,445,426)	(25,730,315)
	2,380,218,523	2,309,863,202

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

Customers who are given credit are generally granted with credit terms ranging from 60 to 90 days.

Ageing analysis of trade receivables of the Group based on invoice date as at 30 June 2018 and 31 December 2017 is as below:

	As at	
	30 June 2018 Unaudited HK\$	31 December 2017 Audited HK\$
Within 3 months	1,635,695,933	1,758,571,667
4 months to 6 months	105,136,916	87,153,393
7 months to 12 months	16,013,499	13,958,877
Over 1 year	20,804,270	19,931,056
	1,777,650,618	1,879,614,993

9 Share capital and share premium

	Number of issued and fully paid shares	Unaudited Amount	
		Share capital HK\$	Share premium HK\$
Opening balance as at 1 January 2017	1,137,412,373	113,741,237	3,498,754,174
Employee share option scheme (Note 10)			
– Exercise of options	1,720,000	172,000	32,266,080
Allotment of shares (i)	55,000,000	5,500,000	814,000,000
As at 30 June 2017	1,194,132,373	119,413,237	4,345,020,254
Opening balance as at 1 January 2018	1,194,167,373	119,416,737	4,345,689,034
Employee share option scheme (Note 10)			
– Exercise of options	225,000	22,500	4,299,300
As at 30 June 2018	1,194,392,373	119,439,237	4,349,988,334

- (i) On 31 March 2017, the Group completed the acquisition of 100% equity interest of Jiangmen Dynasty Fortune Paper Limited at a consideration of HK\$924,275,889 by way of allotment of 55,000,000 shares at the price of HK\$14.90 per share and cash of HK\$104,775,889 (Note 22).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2018

10 Share-based payment

Movements in the number of share options outstanding and their related weighted average exercise prices for the six months period ended 30 June 2018 and 2017 were as follows:

	For the six months period ended 30 June			
	2018 Unaudited		2017 Unaudited	
	Weighted average exercise price in HK\$	Number of options	Weighted average exercise price in HK\$	Number of options
At 1 January	12.34	9,528,000	12.57	11,283,000
Exercised	14.06	(225,000)	13.81	(1,720,000)
Lapsed	14.06	(120,000)	–	–
At 30 June	12.28	9,183,000	12.35	9,563,000

Share options outstanding as at 30 June 2018 have the following expiry dates and exercise prices:

Expiry date	Exercise price HK\$ per share	Number of options
23 February 2019	2.98	460,000
14 April 2021	8.648	1,310,000
1 May 2022	14.06	6,294,000
1 May 2023	10.34	1,119,000

11 Borrowings

	As at	
	30 June 2018 Unaudited HK\$	31 December 2017 Audited HK\$
Non-current – unsecured		
Bank borrowings	2,895,636,945	3,310,130,427
Loans from a related party (Note 23(c))	1,224,957,846	1,236,403,002
Total non-current borrowings	4,120,594,791	4,546,533,429
Current – unsecured		
Bank borrowings	1,451,419,251	629,925,889
Other borrowings	59,304,946	59,815,052
Loan from a related party (Note 23(c))	182,310,000	–
Total current borrowings	1,693,034,197	689,740,941
Total borrowings	5,813,628,988	5,236,274,370

Movements in borrowings are analysed as follows:

	Unaudited HK\$
Six months ended 30 June 2017	
Opening amount as at 1 January 2017	5,016,746,026
Acquisition of a subsidiary (Note 22)	47,572,933
New borrowings	2,384,700,582
Repayments of borrowings	(2,604,206,448)
Exchange differences, net	126,551,721
Closing amount as at 30 June 2017	4,971,364,814
Six months ended 30 June 2018	
Opening amount as at 1 January 2018	5,236,274,370
New borrowings	3,034,769,532
Repayments of borrowings	(2,429,948,991)
Exchange differences, net	(27,465,923)
Closing amount as at 30 June 2018	5,813,628,988

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2018

12 Post-employment Benefits

The Group operates defined benefit pension plans in Korea and Taiwan.

In the Korean plan, according to the payment provision of the employees and directors' severance benefit, employees and directors with at least one year of service are entitled to receive a lump-sum payment upon termination of their employment with Vinda Korea Co., Ltd. based on their length of service and rate of pay at the time of termination.

In the Taiwan plan, net periodic pension costs are recognised in accordance with the actuarial calculations. Net periodic pension costs include service cost, interest cost, expected return on plan assets, and amortization of unrecognised net transition obligation and gains or losses on plan assets. Unrecognised net transition obligation is amortized on a straight-line basis over 17 years.

The amounts recognised within administrative expenses in the interim condensed consolidated income statement were as follows:

	Unaudited	
	Six months ended 30 June	
	2018	2017
	HK\$	HK\$
Current service costs	718,390	762,315
Interest costs	233,028	254,833
	951,418	1,017,148

The amounts recognised in the interim consolidated balance sheet were as follows:

	As at	
	30 June	31 December
	2018	2017
	Unaudited	Audited
	HK\$	HK\$
Present value of funded obligations	46,471,893	47,257,288
Fair value of plan assets	(20,827,615)	(19,521,391)
Present value of unfunded obligations	5,783,441	5,478,111
Liability in the balance sheet	31,427,719	33,214,008

13 Other non-current liabilities

	As at	
	30 June 2018 Unaudited HK\$	31 December 2017 Audited HK\$
Long term incentive plans (i)	25,851,873	17,675,709

- (i) On 7 April 2017, in order to provide a more competitive salary structure to employees and to increase the retention rate of key talents, the Board of Directors approved two cash settled share-based long term incentive plans for the Executive Directors and Chief Financial Officer ("CFO") and the selected senior managements.

Long term incentive plan for Executive Directors and CFO

A total of 6,840,000 compensation units ("CU") were granted to Executive Directors and CFO at a nominal price of HK\$15.31. The exercise price of a CU is capped at HK\$30. The vesting period is from 1 January 2017 to 1 July 2020.

As at 30 June 2018, the fair value of each CU granted determined by using the Binomial Model was HK\$3.81. The significant inputs into the model were share price at the valuation date, the grant price, volatility of 35%, dividend yield of 1.23%, and annual risk-free interest rate of 2.19%. 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 relevant period matching the life of the incentive plan.

Long term incentive program for selected senior management

Program participants will receive a bonus up to 100% of their annual salary based on a payout ratio depending on the total shareholder return ("TSR") of the Company versus peer group companies and 2 indexes. The TSR is calculated based on the future share price and the potential dividend yield. There will be two measurement periods for this program, from 2017 to 2019 and from 2019 to 2021.

As at 30 June 2018, the TSR is determined by using the Monte Carlo Simulation Model. The significant inputs into the model were annualized drift rate of 11.01% of the Company and 8.14% of the peer group, dividend yield of 1.04% of the Company and 2.44% of the peer group and annualized asset price volatility of 30% of the Company and 15% of the peer group matching the life of the incentive program.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2018

14 Trade payables, other payables and accrued expenses

	As at	
	30 June 2018 Unaudited HK\$	31 December 2017 Audited HK\$
Trade payables	2,139,163,631	2,358,159,286
Notes payable	343,369,747	323,445,538
Other payables	712,949,121	833,634,638
Accrued expenses	912,523,080	978,578,631
	4,108,005,579	4,493,818,093

The credit period granted by the creditors generally ranged from 30 to 90 days. Ageing analysis of trade payables and notes payable as at 30 June 2018 and 31 December 2017 is as follows:

	As at	
	30 June 2018 Unaudited HK\$	31 December 2017 Audited HK\$
Within 3 months	1,726,922,168	2,147,550,537
4 months to 6 months	747,301,135	528,324,145
7 months to 12 months	5,082,522	2,374,856
Over 1 year	3,227,553	3,355,286
	2,482,533,378	2,681,604,824

15 Operating profit

The following items have been charged/(credited) to the operating profit during the six months ended 30 June 2018 and 2017:

	Unaudited	
	Six months ended 30 June	
	2018	2017
	HK\$	HK\$
Amortisation of deferred government grants	(5,384,127)	(3,734,158)
Foreign exchange loss, net	12,291,502	11,202,972
Provision for impairment of receivables	1,315,551	6,497,666
(Reversal)/provision for impairment of inventories	(227,327)	1,357,673
Depreciation of property, plant and equipment (Note 7)	412,437,918	327,727,148
Amortisation of intangible assets (Note 7)	48,263,813	48,267,315
Amortisation of leasehold land and land use rights (Note 7)	12,714,846	8,342,371
Amortisation of investment properties (Note 7)	158,486	153,200
(Gain)/loss on disposal of property, plant and equipment	(1,290,070)	1,775,754
Transaction cost in relation to acquisition of a subsidiary	–	525,562

16 Finance costs – net

	Unaudited	
	Six months ended 30 June	
	2018	2017
	HK\$	HK\$
Interest expenses	(110,937,971)	(95,845,750)
Net foreign exchange transaction losses	(9,897,485)	(11,254,093)
Interest income	6,380,841	5,819,206
Finance costs – net	(114,454,615)	(101,280,637)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2018

17 Income tax expense

The applicable corporate income tax rate for Mainland China subsidiaries is 25% except for subsidiaries which are qualified as High and New Technology Enterprises (“HNTE”) and would be entitled to enjoy a beneficial tax rate of 15%. The subsidiaries which are qualified as HNTE may additionally deduct 50% of qualified research and development expenses when calculating the taxable income.

Hong Kong and overseas profits tax has been provided at the rates of taxation prevailing in the countries in which the Group operates respectively.

	Unaudited	
	Six months ended 30 June	
	2018	2017
	HK\$	HK\$
Current income tax		
– Overseas and Hong Kong profits tax	97,724,633	43,137,073
– Mainland China income tax	27,765,972	71,989,486
Deferred income tax	(13,845,079)	(28,320,506)
	111,645,526	86,806,053

Income tax expense is recognised based on management’s best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the six months ended 30 June 2018 is 21.1% (the estimated average annual tax rate for the six months ended 30 June 2017 was 21.3%).

18 Earnings per share

(a) Basic

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

	Unaudited	
	Six months ended 30 June	
	2018	2017
Profit attributable to equity holders of the Company (HK\$)	417,365,105	320,714,545
Weighted average number of ordinary shares in issue	1,194,326,263	1,166,070,672
Basic earnings per share (HK\$ per share)	0.349	0.275

(b) Diluted

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

	Unaudited	
	Six months ended 30 June	
	2018	2017
Profit attributable to equity holders of the Company (HK\$)	417,365,105	320,714,545
Weighted average number of ordinary shares in issue	1,194,326,263	1,166,070,672
Adjustments for share options	1,325,827	1,881,358
Weighted average number of ordinary shares for diluted earnings per share	1,195,652,090	1,167,952,030
Diluted earnings per share (HK\$ per share)	0.349	0.275

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2018

19 Dividends

On 25 January 2017, the Board of Directors proposed a final dividend in respect of the year ended 31 December 2016 of HK\$136,489,485, representing HK\$0.120 per ordinary share. The actual final dividend of HK\$143,220,765 was paid in May 2017 based on the 1,193,506,375 issued shares at that time.

On 25 January 2018, the Board proposed a final dividend in respect of the year ended 31 December 2017 of HK\$167,183,432, representing HK\$0.140 per ordinary share. The actual final dividend of HK\$167,214,932 was paid in May 2018 based on the 1,194,392,373 issued shares at that time.

On 18 July 2018, the Board has resolved to declare an interim dividend of HK\$0.06 per share (2017: HK\$0.05 per share). This interim dividend, amounting to HK\$71,663,542 (2017: HK\$59,706,619) based on the 1,194,392,373 issued shares as at 30 June 2018, has not been recognised as a liability in this interim financial information. It will be recognised in shareholders' equity in the year ending 31 December 2018.

20 Commitments

(a) Capital Commitments

	As at	
	30 June 2018 Unaudited HK\$	31 December 2017 Audited HK\$
Property, plant and equipment and intangible assets	718,941,542	948,727,954
Equity investment (i)	2,846,637	2,871,122
	721,788,179	951,599,076

- (i) On 1 December 2017, China-Euro Healthcare Management Limited ("CEHM"), a subsidiary of the Company entered into an investment agreement with Wu Yi Charity Federation, an independent third party, pursuant to which, CEHM and Wu Yi Charity Federation agreed to invest RMB2,400,000 and RMB9,600,000 respectively to set up China-Euro Healthcare Management (Guangdong) Limited, a limited liability company. Upon completion, CEHM will hold 20% of the equity interest of China-Euro Healthcare Management (Guangdong) Limited.

20 Commitments *(continued)*

(b) Commitments under operating leases

As at 30 June 2018, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	As at	
	30 June 2018 Unaudited HK\$	31 December 2017 Audited HK\$
Not later than one year	78,972,286	66,220,097
Later than one year but not later than two years	49,770,147	47,469,621
Later than two years but not later than five years	25,182,250	37,249,679
Later than five years	113,066	347,223
	154,037,749	151,286,620

21 Contingent liabilities

As at 30 June 2018 and 31 December 2017, the Group had no material contingent liabilities.

22 Acquisition of a subsidiary

On 31 March 2017, the Group completed the acquisition of 100% equity interest of Jiangmen Dynasty Fortune Paper Limited at a consideration of HK\$924,275,889 by way of allotment of 55,000,000 shares at the price of HK\$14.90 per share and cash of HK\$104,775,889. Jiangmen Dynasty Fortune Paper Limited was established on 12 October 2015 from a spin-off of Jiangmen Taiyuan Paper Limited ("Taiyuan Paper"). Taiyuan Paper is principally engaged in wholesale and retail of household paper products in the PRC. Jiangmen Dynasty Fortune Paper Limited's major properties including two land use rights, together with all of the factories, buildings and the ancillary infrastructures and facilities thereon were leased to the Group under the three lease agreements signed on 22 November 2011, 27 March 2012 and 10 April 2014 between Vinda Paper (China) Company Limited ("Vinda Paper (China)") and Taiyuan Paper.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2018

22 Acquisition of a subsidiary (continued)

The Group acquired Jiangmen Dynasty Fortune Paper Limited in order to obtain the ownership of the aforesaid leasing properties. As a result, the accounting treatment for this acquisition is acquisition of assets and liabilities instead of business combination.

The fair value of assets acquired and liabilities assumed at the acquisition date are analysed as follows:

	HK\$
Consideration as at 31 March 2017:	
– Allotment of shares	819,500,000
– Cash	104,775,889
Total consideration	924,275,889
Assets and liabilities	
Property, plant and equipment (Note 7)	345,346,510
Land use rights (Note 7)	578,105,752
Prepayments to and receivables from related parties	62,930,074
Prepayments, deposits and other receivables	238,692
Cash and cash equivalents	23,059,438
Trade and other payables	(1,244,866)
Due to related parties	(34,917,774)
Current income tax liabilities	(1,669,004)
Borrowings	(47,572,933)
Total identifiable net assets acquired	924,275,889
Cash consideration	104,775,889
Less: cash and cash equivalents acquired	(23,059,438)
Less: due to a related party	(40,984,970)
Net cash outflow	40,731,481

23 Related-party transactions

The immediate holding company of the Group is Essity Group Holding BV ("Essity BV", formerly known as SCA Group Holding BV) (incorporated in Netherlands). Svenska Cellulosa Aktiebolaget ("SCA") was the ultimate holding company of the Group. SCA spun off its hygiene unit into a new listed company, namely Essity in June 2017. Since 14 June 2017, Essity has become Vinda's ultimate controlling shareholder in place of SCA.

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

Name of related party	Relationship
Uni-Charm Mölnlycke KK ("Uni-Charm")	Subsidiary of Essity Aktiebolag (publ)
Asaleo Care Australia Pty Ltd.	Associate of Essity Aktiebolag (publ)
Productos Familia, S.A., Colombia	Subsidiary of Essity Aktiebolag (publ)
Asaleo Care (Fiji) Limited	Associate of Essity Aktiebolag (publ)
Essity Hygiene and Health AB ("Essity HH", formerly known as SCA Hygiene Products AB)	Subsidiary of Essity Aktiebolag (publ)
Essity Hygiene Y Salud Mexico, S.A. de C.V. ("Essity Mexico")	Subsidiary of Essity Aktiebolag (publ)
Essity Operations Hoogezand B.V. ("Essity Hoogezand B.V.", formerly known as SCA Hygiene Products Hoogezand B.V.)	Subsidiary of Essity Aktiebolag (publ)
Essity Canada Inc. ("Essity Canada Inc.", formerly known as SCA North America-Canada, Inc.)	Subsidiary of Essity Aktiebolag (publ)
Asaleo Care New Zealand Ltd.	Associate of Essity Aktiebolag (publ)
SCA Yıldız Kagıt ve Kisise ("SCA YKK")	Subsidiary of Essity Aktiebolag (publ)
SCA Hygiene Products India Pvt. Ltd. ("SCA HP India")	Subsidiary of Essity Aktiebolag (publ)
Essity Poland Sp.z o.o. ("Essity Poland Sp.z o.o.", formerly known as SCA Hygien Sp. Z o.o)	Subsidiary of Essity Aktiebolag (publ)
Essity Operations Gennep B.V. ("Essity OG B.V.", formerly known as SCA Hygiene Products Gennep B.V.)	Subsidiary of Essity Aktiebolag (publ)
Essity Operations Mainz-Kostheim GmbH ("Essity Kostheim", formerly known as SCA Hygiene Products GmbH, Mainz- Kostheim)	Subsidiary of Essity Aktiebolag (publ)
Essity Operations Neuss GmbH ("Essity ON GmbH", formerly known as SCA Hygiene Products GmbH Neuss)	Subsidiary of Essity Aktiebolag (publ)
Essity Slovakia s.r.o. ("Essity Slovakia s.r.o.", formerly known as SCA Hygiene Products Slovakia, S.R.O.)	Subsidiary of Essity Aktiebolag (publ)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2018

23 Related-party transactions *(continued)*

- (a) Information on those related parties that had transactions with the Group and their relationships with the Group are as follows *(continued)*:

Name of related party	Relationship
Essity Operations Mannheim GmbH ("Essity OM", formerly known as SCA Hygiene Products GmbH)	Subsidiary of Essity Aktiebolag (publ)
Essity Professional Hygiene North America LLC ("Essity NA", formerly known as SCA Tissue North America LLC)	Subsidiary of Essity Aktiebolag (publ)
Essity Operations France (formerly known as SCA Tissue France SAS)	Subsidiary of Essity Aktiebolag (publ)
SCA Graphic Sundsvall AB ("SCA GS AB")	Subsidiary of Svenska Cellulosa Aktiebolaget
SCA Logistics AB	Subsidiary of Svenska Cellulosa Aktiebolaget
SCA Hygiene Products GmbH, Mannheim ("SCA Mannheim")	Subsidiary of Essity Aktiebolag (publ)
SCA Hygiene Products GmbH, Wiesbaden ("SCA Wiesbaden")	Subsidiary of Essity Aktiebolag (publ)
Jiangmen Dynasty Fortune Paper Limited ("Taiyuan Paper", formerly known as Jiangmen Taiyuan Paper Limited)	Subsidiary of Fu An
Essity Treasury AB (formerly known as AB SCA Finans (Publ))	Subsidiary of Essity Aktiebolag (publ)
Essity BV	Shareholder
Essity HMS North America Inc. ("Essity HMS", formerly known as SCA Personal Care Inc.)	Subsidiary of Essity Aktiebolag (publ)

23 Related-party transactions *(continued)*

(b) Significant related party transactions

In the opinion of the Company's directors, the related party transactions were conducted in the ordinary course of business and based on terms mutually agreed by the underlying parties. Significant related party transactions of the Group during the six months ended 30 June 2018 include:

(1) Sales of products to related parties:

	Unaudited	
	Six months ended 30 June	
	2018	2017
	HK\$	HK\$
– Uni-Charm	55,033,452	48,678,821
– Asaleo Care Australia Pty Ltd	14,431,672	12,077,701
– Productos Familia, S.A., Colombia	10,313,159	–
– Asaleo Care Fiji Ltd	3,590,738	3,787,769
– Essity HH	2,896,614	1,325,365
– Essity Mexico	2,703,998	–
– Essity Hoogezand B.V.	1,582,520	611,090
– Essity Canada Inc.	1,521,370	2,060,525
– Asaleo Care New Zealand Ltd	1,130,857	1,719,162
– SCA YKK	816,982	1,810,642
– SCA HP India	–	1,168,052
	94,021,362	73,239,127

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2018

23 Related-party transactions *(continued)*

(b) Significant related party transactions *(continued)*

(2) Purchase of products from related parties:

	Unaudited	
	Six months ended 30 June	
	2018	2017
	HK\$	HK\$
– Essity Poland Sp.z o.o.	34,246,837	34,805,706
– Essity HH	31,731,661	21,747,882
– Essity OG B.V.	23,372,754	20,617,339
– Essity Hoogezand B.V.	14,010,637	12,870,062
– Essity Kostheim	13,168,571	6,021,255
– Essity ON GmbH	2,854,249	529,129
– Essity Slovakia s.r.o.	930,029	591,276
– Essity OM	625,111	8,232,372
– Essity NA	250,964	4,982
– Essity Operations France	177,224	432,030
– SCA GS AB (Note (a))	–	4,767,544
– SCA Logistics AB (Note (a))	–	4,630,345
– SCA Mannheim	–	2,242,814
– SCA Wiesbaden	–	149,089
	121,368,037	117,641,825

(a) Due to the spin-off of SCA, these companies ceased to be related parties of the Company from 14 June 2017. The disclosed amount for 2017 included the transactions between the Group and these companies during the period from 1 January 2017 to 14 June 2017.

(3) Rental expenses paid to related parties:

	Unaudited	
	Six months ended 30 June	
	2018	2017
	HK\$	HK\$
– Taiyuan Paper (Note (b))	–	17,859,200

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

On 31 March 2017, the Group acquired 100% equity interest in Dynasty Paper. Following the completion of the acquisition, the above transactions ceased to be related party transactions.

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

- (4) Research and development expenses charge by the Group to a related party:

	Unaudited	
	Six months ended 30 June	
	2018	2017
	HK\$	HK\$
– Essity HH	5,757,758	8,864,165

- (5) IT costs charged to the Group by a related party:

	Unaudited	
	Six months ended 30 June	
	2018	2017
	HK\$	HK\$
– Essity HH	4,411,169	6,216,454

- (6) Loans obtained from a related party:

	Unaudited	
	Six months ended 30 June	
	2018	2017
	HK\$	HK\$
– Essity Treasury AB (Note (c))	168,000,000	300,000,000

- (7) Interest expenses accrued to a related party:

	Unaudited	
	Six months ended 30 June	
	2018	2017
	HK\$	HK\$
– Essity Treasury AB (Note (c))	16,814,054	19,486,742

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2018

23 Related-party transactions *(continued)*

(b) Significant related party transactions *(continued)*

(7) Interest expenses accrued to a related party: *(continued)*

- (c) On 19 December 2014, 1 April 2016, 8 June 2017 and 9 May 2018, the Group entered into four term facility agreements with Essity Treasury AB, in relation to term loans of an aggregate amount not exceeding HK\$3,000,000,000, HK\$1,140,116,846, HK\$400,000,000 and HK\$200,000,000 (or an equivalent amount) respectively.

On 19 January 2015 and 11 March 2015, the Group made two loan drawdowns under the term facility agreement dated 19 December 2014 with principal amounts of RMB150,000,000 and RMB150,000,000 respectively. The loans' maturity dates were 18 January 2019 and 11 March 2019 respectively. On 11 December 2017 and 19 January 2018, the Group agreed with Essity Treasury AB to shift the loan currency from RMB to HK\$. The new principal amounts were HK\$176,841,000 and HK\$182,310,000 respectively. The maturity dates shall be on 11 December 2019 and 18 January 2019 respectively. The interest rate of the agreement was 2.37%.

On 1 April 2016, the Group made one loan drawdown under the term facility agreements dated 1 April 2016 with principal amount of HK\$1,140,116,846. The loan's maturity date was 31 March 2019. On 30 December 2016, the Group partially repaid HK\$560,000,000. On 26 March 2018, the Group entered a new facility agreement with Essity Treasury AB to extend the maturity date to 7 April 2021 with principal amount of HK\$580,116,846. The interest rate of the agreement was 2.59%.

On 20 June 2017, the Group made one loan drawdown under the term facility agreement dated 8 June 2017 with principal amount of HK\$300,000,000 and the loan's maturity date was 20 June 2019. On 20 June 2018, the Group entered a new facility agreement with Essity Treasury AB to extend the maturity date to 21 June 2021 with principal amount of HK\$300,000,000. The interest rate of the agreement was 2.57%.

On 9 May 2018, the Group made one loan drawdown under the term facility agreement dated 9 May 2018 with principal amount of HK\$168,000,000 and the loan's maturity date is 11 May 2020. The interest rate of the agreement was 2.75%.

(8) Key management compensation:

	Unaudited	
	Six months ended 30 June	
	2018	2017
	HK\$	HK\$
Directors		
– Basic salaries, housing allowances, other allowances, benefits-in-kind, share-based payment and other benefits	23,605,679	19,602,945
– Long-term incentive plans	3,216,729	3,921,719
Senior management		
– Basic salaries, housing allowances, other allowances, benefits-in-kind, share-based payment and other benefits	19,358,971	17,499,864
– Long-term incentive plans	2,753,256	2,865,854
	48,934,635	43,890,382

23 Related-party transactions *(continued)***(c) Period-end/year-end balances with related parties****(1) Trade and other receivables from related parties:**

	As at	
	30 June 2018 Unaudited HK\$	31 December 2017 Audited HK\$
Trade receivables		
– Uni-Charm	14,789,272	10,038,967
– Productos Familia, S.A., Colombia	8,621,212	–
– Asaleo Care Australia Pty Ltd	8,607,439	6,018,228
– Essity Mexico	2,703,885	–
– Essity HH	881,813	2,735,945
– Asaleo Care New Zealand Ltd	618,078	754,936
– Asaleo Care Fiji Ltd	588,657	1,123,733
– Essity Canada Inc.	293,880	685,875
– Essity Hoogezand B.V.	272,745	370,646
– SCA YKK	–	288,860
Other receivables		
– Essity HH	3,921,241	4,082,087
– Essity BV	2,007,788	2,055,910
– Essity	300,000	300,000
– Asaleo Care Australia Pty Ltd	–	332,542
– Asaleo Care New Zealand Ltd	–	121,336
– Essity HMS	–	40,266
	43,606,010	28,949,331

(2) Trade and other payables to related parties:

	As at	
	30 June 2018 Unaudited HK\$	31 December 2017 Audited HK\$
– Essity HH	5,039,692	9,463,573
– Essity OG B.V.	3,467,195	7,744,202
– Essity Poland Sp.z o.o.	3,292,504	6,203,225
– Essity Kostheim	1,512,429	194,700
– Essity Hoogezand B.V.	1,403,445	3,764,979
– Essity Slovakia s.r.o.	39,986	826,903
– Uni-Charm	184	316
– Essity OM	–	2,752,095
– Essity ON GmbH	–	612,184
– Essity Operations France	–	69,997
	14,755,435	31,632,174

All the above payables are aged within 3 months based on invoice date as at 30 June 2018 and 31 December 2017.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2018

23 Related-party transactions *(continued)*

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

(3) Loans from a related party:

	As at	
	30 June 2018 Unaudited HK\$	31 December 2017 Audited HK\$
– Essity Treasury AB (Note (d))	1,407,267,846	1,236,403,002

(4) Interest payable to a related party:

	As at	
	30 June 2018 Unaudited HK\$	31 December 2017 Audited HK\$
– Essity Treasury AB (Note (d))	5,416,123	6,055,791

(d) As at 31 December 2017, loans from a related party represents long term loans with principal of RMB150,000,000, HK\$580,116,846, HK\$300,000,000 and HK\$176,841,000 respectively. The weighted average interest rate is 3.66%. These loans are due on 19 January 2019, 31 March 2019, 20 June 2019 and 11 December 2019.

As at 30 June 2018, loans from a related party represents long term loans including those to be repaid within one year with principal of HK\$182,310,000, HK\$580,116,846, HK\$300,000,000, HK\$176,841,000 and HK\$168,000,000 respectively. The weighted average interest rate is 2.58%. These loans are due on 19 January 2019, 7 April 2021, 21 June 2021, 11 December 2019 and 11 May 2020, respectively.