



Vinda International Holdings Limited

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



**INTERIM REPORT
2019**

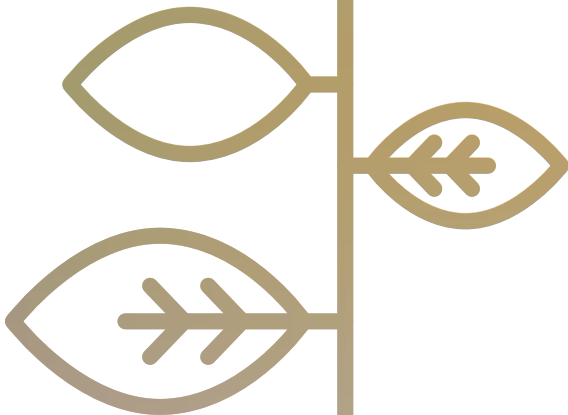
*Healthy Lifestyle
Starts with Vinda*

To Become
A Leading Hygiene
Company in Asia



TENA 添宁®

TENA
包大人™ Dr.P®



CONTENTS

- 2 Corporate Information
- 4 Interim Results and Financial Highlights
- 6 Management Discussion and Analysis
- 15 Other Information
- 24 Report on Review of Interim Financial Information
- INTERIM FINANCIAL INFORMATION
- 25 Interim Condensed Consolidated Balance Sheet
- 27 Interim Condensed Consolidated Statement of Comprehensive Income
- 28 Interim Condensed Consolidated Statement of Changes in Equity
- 29 Interim Condensed Consolidated Statement of Cash Flows
- 30 Notes to the Condensed Consolidated Interim Financial Information

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
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)
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
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
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
DBS Bank Limited
Industrial and Commercial Bank of China 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 2019, 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 2019 (the “Period” or “1H2019”), 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

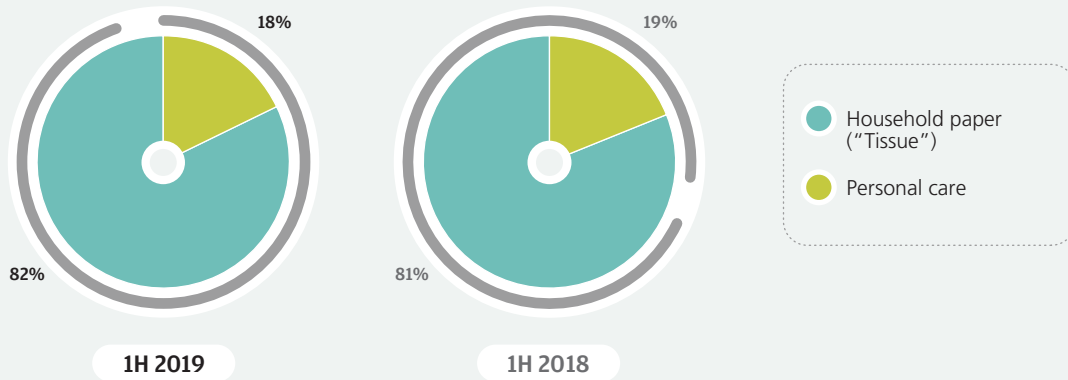
Interim Results for the Six Months Ended 30 June 2019

	2019	2018
Revenue growth rate (%)	7.6%	16.3%
Gross profit margin (%)	28.1%	29.7%
EBITDA margin (%)	14.9%	15.2%
Net profit margin (%)	5.6%	5.7%
Earnings per share (HK\$) – basic	36.8 cents	34.9 cents
Interim dividend declared (HK\$)	7.0 cents	6.0 cents
Finished goods turnover ¹	46 days	46 days
Debtors turnover ²	42 days	43 days
Creditors turnover ³	84 days	92 days
Current ratio (times)	1.06	1.03
Gearing ratio (%) ⁴	55.3%	65.2%
Net gearing ratio (%) ⁵	49.9%	59.7%

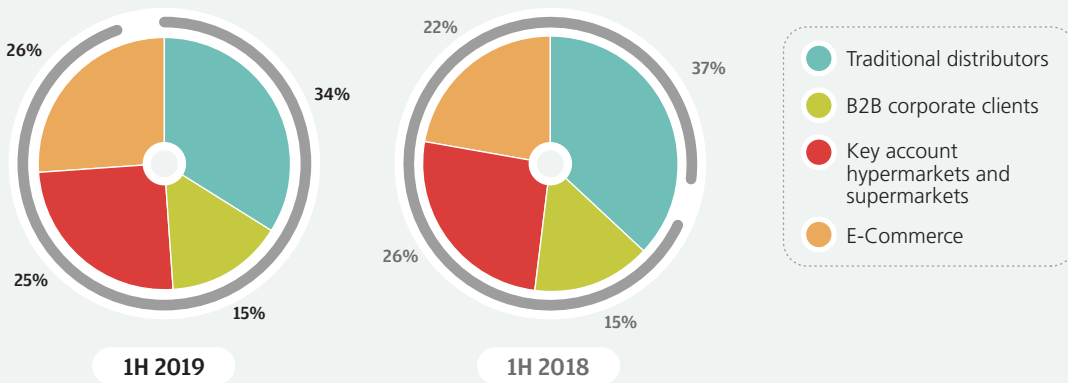
Notes:

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 and lease liabilities as a percentage of the total shareholders’ equity.
5. Calculated on the basis of the amount of total borrowings and lease liabilities less cash and cash equivalents and restricted bank deposits as a percentage of the total shareholders’ equity.

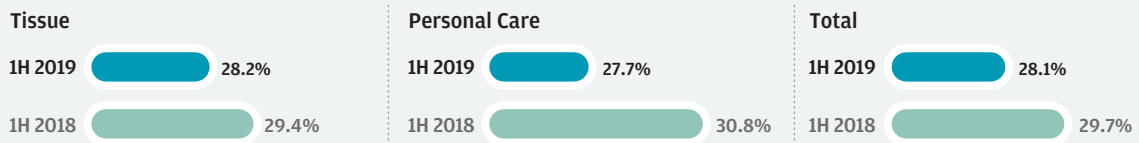
Revenue by Business Segment



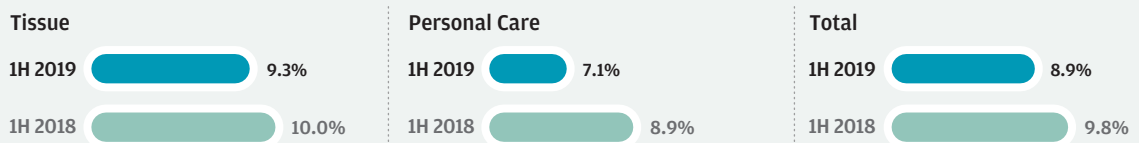
Revenue by Sales Channels



Gross Profit Margin



Segment Result¹ Margin



Note:

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

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

Wood pulp price has reached a record high since last year affecting the whole paper-making industry. Although the cost pressure was relatively eased during the Period, the overall business environment remained challenging due to the uncertain global economic situation, the volatility of Renminbi (“RMB”) exchange rate and the intensifying competition in China’s fast-moving consumer goods market. Nevertheless, the Group still managed to achieve double-digit organic growth¹ in revenue and our gross margin recorded quarter on quarter improvement. This was attributable to our persistent efforts to increase brand value, focus on value-added products and enhance portfolio mix as well as continuous cost control measures to maintain competitiveness in an ever-changing business environment.



Financial Highlights

Despite the fierce competition, thanks to new product launches and portfolio mix optimization, the Group's total revenue rose by 7.6% (13.0% at constant exchange rate) to HK\$7,891 million for 1H2019. The revenue growth in mainland China at a constant exchange rate was 15.0%.

In respect of business segment, Tissue and Personal Care contributed to 82% and 18% of the total revenue, respectively. In respect of sales channels, traditional distributors, key account managed supermarkets and hypermarkets, B2B corporate customers and e-commerce accounted for 34%, 25%, 15% and 26% respectively. E-commerce and B2B performed well with double-digit organic growth in revenue.

Gross profit rose by 1.8% to HK\$2,217 million year-on-year ("yoy"). Despite that we still experienced relatively high pressure of raw material cost in the first quarter of 2019 ("2019Q1"), leveraging efforts on favorable mix improvement and continuous cost-saving measures, gross margin in 1H2019 slipped by 1.6 ppts yoy, whilst it expanded 1.5 ppts compared to the second half of 2018 ("2H2018"). Gross margin in the second quarter of 2019 ("2019Q2") was 30.0%, 3.7 ppts higher than that in 2019Q1.

EBITDA grew by 5.6% to HK\$1,179 million. EBITDA margin was stable at 14.9% and improved by 3.7 ppts compared to 2H2018, reflecting our sustainable cash generation ability.



Thanks to our solid control of cost, total administrative costs as a percentage of sales was down by 0.5 ppt to 4.6% (1H2018: 5.1%). Total selling & marketing costs as a percentage of sales was down by 0.3 ppt to 15.6% (1H2018: 15.9%). Operating margin was 8.0%, contracted by 0.8 ppt (1H2018: 8.8%). Compared to 2H2018, operating margin improved by 3.0 ppts.

Total foreign exchange losses was HK\$10 million (1H2018: losses of HK\$22 million), of which HK\$13 million losses was reported in operating items (1H2018: losses of HK\$12 million), and HK\$3 million gain in financing items (1H2018: losses of HK\$10 million).

Net gearing ratio² dropped by 9.8 ppts to 49.9% (1H2018: 59.7%).

Effective tax rate decreased by 5.1 ppts to 16.0% (1H2018: 21.1%).

Net profit increased by 5.4% to HK\$440 million (1H2018: HK\$417 million). Net margin stood at 5.6% (1H2018: 5.7%).

Basic earnings per share was 36.8 HK cents (1H2018: 34.9 HK cents).

The Board has resolved to declare an interim dividend of 7.0 HK cents per share for the Period (1H2018: 6.0 HK cents per share).



Business Review

Tissue Segment

Revenue from the Tissue segment amounted to HK\$6,502 million, representing a growth of 15.5% at a constant exchange rate and accounting for 82% of the Group's total revenue (1H2018: 81%).

During the Period, we continued to optimise the Tissue portfolio by focusing on the promotion of higher-margin products such as *Vinda Deluxe*, *Vinda Ultra Strong* and *Tempo*. Softpack, kitchen towel and wet wipes continued to record double-digit growth in revenue. The gross margin and segment result margin of the Tissue segment were able to maintain at 28.2% and 9.3% respectively.

On the back of effective brand management and sales execution, *Vinda* brand maintained a strong growth momentum and led the market share in terms of tissue category³. Various diversified marketing campaigns were introduced including the "*Vinda Seventh China Tour*" as a means of consumer engagement, and the debut of limited edition products through the cooperation with well-known IP, such as "*Wu Huang Wan Shui*" (吾皇萬睡), "*B. Duck*" and "*Avengers*". In Hong Kong, the launch of *Vinda 4D Deluxe baby soft series* were well received by the market. The embossed series of box tissue under Deluxe are also available in Hong Kong, further enriching product offering. *Tempo* attracted high-end consumers by launching limited artist edition in collaboration with the world renowned Metropolitan Museum of Art. We have also engaged a famous celebrity, William Chan, as a brand ambassador for *Tempo* in mainland China.



The limited edition of *Tempo sakura* received overwhelming market response since its launch in mainland China and Hong Kong. *Tork* made good progress in broadening the premium away-from-home clientele.

In Malaysia, we successfully enhanced the brand awareness of *Vinda Deluxe* through brand activation campaign "*Tears to celebrate women's true strength*". We also enriched our product mix by launching kitchen towels and wet wipes.



Personal Care Segment

Revenue from the Personal Care segment reached HK\$1,388 million, representing a growth of 2.9% at a constant exchange rate and accounting for 18% of the Group's total revenue (1H2018: 19%).

Gross profit margin and segment result margin of the Personal Care segment were 27.7% and 7.1% respectively. The segment result margin reflected the investment stage of the Personal Care business in China.

In incontinence care, we continue to enhance our efforts in broadening the institutional sales network in several key cities in mainland China and in selling and marketing our products on e-commerce platforms. In Taiwan, *TENA* teamed up with the Taiwanese Continence Society to raise awareness of incontinence care. Meanwhile, *Dr. P's* marketing campaign named "*Breathable in a soft cotton touch* (棉柔好透氣)" also helped to drive up the sales. In Singapore, *TENA* further increased





the brand recognition for *TENA Lady range* in cooperation with Hong Huifang, a local celebrity as brand endorser.

In feminine care, we have streamlined and repositioned the feminine care brand. We relaunched *Libresse* in mainland China together with social media campaigns, covering *Imported Libresse series*, *Libresse V-comfort series* (*Libresse 薇爾舒適V感*) and *Libresse Puffy comfort series* (*Libresse 薇爾貼芯系列*). In Malaysia, *Libresse* fortified its No.1⁴ leading position in terms of market share. A number of innovative brand activities such as “*Get Your Fit*” campaign were conducted, successfully strengthening the brand leadership.

The majority of our baby care business came from Southeast Asia. We further reinforced *Drypers*'s leading⁴ position in Malaysia through the campaign of “*Drypers When it Fits*”.

Production Capacity

During the Period, 30,000 tons of new capacity have been added in Hubei. As planned, we discontinued the operation of one of the oldest and high energy-consuming paper-making machineries at Guangdong factory, which is equivalent to 30,000 tons of designed capacity. As of 30 June 2019, Vinda's annual designed production capacity for tissue paper therefore amounted to 1,220,000 tons. Additional 30,000 tons of new capacity will be added in Hubei in 2019Q4, thereby bringing the annual designed production capacity for tissue paper to 1,250,000 tons by the end of 2019.

In order to better satisfy Chinese consumers' preference in sanitary napkins and incontinence products, and shorten the response time to market, we have expanded local production for feminine and incontinence products in mainland China during the Period.

Human Resources Management and Internal Control

Employees are the most valuable contributors to Vinda's sustainable development. We strive to offer equal opportunities to all qualified candidates regardless of age, nationality, race, religion, sexual orientation, gender and etc. 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, Vinda won the "Malaysia Best Employer Brand Awards 2019".

During the Period, a total of 48,774 hours of training were conducted in mainland China for a total of 50,778 participants. In Malaysia, a total of 1,969 hours of trainings were provided to a total of 230 participants. In Taiwan, a total of 2,380 hours of trainings were provided to a total of 629 participants.

As of 30 June 2019, we had a total of 10,941 employees.

Vinda is committed to maintaining high standards of corporate governance. All employees are required to comply with Vinda's codes of conduct. We regularly review and update our internal control policies, handling procedures and guidelines to align with the latest external regulatory and internal control requirements. 99% of our employees have been trained on the code of conduct. While the heads of all functional departments and business units are responsible for identifying, handling and reporting major risks and inadequacies in internal control, the internal audit 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 of the Company.

Health and Safety Performance

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

In mainland China, 1,015 seminars were held for a total of 43,860 participants during the Period. The number of production safety accidents dropped by 28.6% to 5 compared with that in the 1H2018. The Lost Time Accidents ("LTA") was 6,336 hours, down by 17.2% yoy. The Lost Days from above Accident ("DLA") was 792 days, down by 17.2% yoy. In Malaysia, LTA was 1 case and DLA was 21 days, down by 72% yoy. 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 social service activities. During the Period, 343 participants of Vinda volunteers spent 1,401 hours on voluntary activities.

In Malaysia, we continued to refurbish children's home through a charity campaign entitled *Drypers Share A Little Comfort* which helped improve the living condition. In Taiwan, we donated *Dr. P* incontinence diapers to The Catholic Foundation of Alzheimer's Disease and Related Dementia.

Outlook

Looking forward to the second half of 2019, the prospect of business will be favoured by the stabilizing wood pulp price, while there are still uncertainties in respect of fierce market competition, Sino-US trade conflicts and the movement of RMB exchange rates.

In the medium to long term, increasing household disposable income will help drive up consumer demand for innovative and high-quality products. Other positive catalysts include lower-than-average per capita consumption of household paper, the merge of online and offline retail operations under new retail model, and the accelerating industry consolidation caused by the obsolete capacity under the stringent environmental regulations. The development of online shopping has provided more opportunities for marketing and selling new and quality products. Moreover, China's aging population means huge demand for professional incontinence care products. All these will definitely bring opportunities to Vinda's high-quality tissue and high-end personal care brands.

Our focus in 2019 is "Year of Excellence, Year of Personal Care", highlighting the importance of excellence in sales execution, brand management, product innovation and operational efficiency. While driving growth in our core tissue business, we will also build on the good progress in developing our personal care business in mainland China. The launch of *Libresse* and *TENA* pants in June marked another milestone for us. Both series are now self-produced in mainland China. Our strategy has not changed and we will continue to operate while focusing on the following five areas:

Firstly, we will continue to step up our effort to innovate, focus on value-added portfolio and product differentiation to enhance the brand competitiveness and broaden the profit margins.

Secondly, we will capture the growth opportunities by leveraging our competitive edge in e-commerce channel, efficient sales execution and channel expansion to add impetus to personal care business.

Thirdly, we will keep up efforts on cost control while ensuring the wise use of budgets and precise use of resources.

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 strive to maintain a healthy financial position, good cash generation ability and improve the management of working capital. In addition to ensuring growth, we will maintain the profitability of our products and strive to be a sustainable and risk-resilient company.

Remarks

- ¹ *Organic growth: Year on year growth at a constant exchange rate*
- ² *Net gearing ratio: Net debt divided by total shareholders' equity*
Net debt: Total borrowings plus lease liabilities less cash and cash equivalents and restricted bank deposits
- ³ *Source: Kantar Worldpanel, sales value 29 December 2018 to 14 June 2019*
- ⁴ *Source: Kantar Worldpanel, sales value year-to-date at 19 May 2019*

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 2019, the Group's bank and cash balances amounted to HK\$486,922,621 (31 December 2018: HK\$574,465,154), and short-term and long-term loans amounted to HK\$4,780,288,398 (31 December 2018: HK\$5,245,496,240), including the loans from a related party amounting to HK\$1,350,116,846 (31 December 2018: HK\$1,218,116,846). 91.7% of the borrowings are long-term (31 December 2018: 80.5%). The annual interest rates of bank loans ranged from 2.2% to 6.6%.

As at 30 June 2019, the net gearing ratio, which was calculated on the basis of the amount of net debt which is total borrowings plus lease liabilities less cash and cash equivalents and restricted bank deposits as a percentage of the total shareholders' equity, was 49.9% (31 December 2018: 53.5%).

As at 30 June 2019, unutilized credit facilities amounted to approximately HK\$6.59 billion (31 December 2018: HK\$6.79 billion).

Charges on Group Assets

As at 30 June 2019, the Group did not have any charges on assets (31 December 2018: nil).

Contingent Liabilities

As at 30 June 2019, the Group had no material contingent liabilities (31 December 2018: nil).

Interim Dividend

The Board has resolved to declare an interim dividend of HK\$0.07 per share for the Period (2018: HK\$0.06 per share) totaling approximately HK\$83,649,816, based on the 1,194,997,373 issued shares outstanding as at 30 June 2019. The interim dividend will be paid on or about 9 September 2019 to shareholders whose names appear on the register of members of the Company on 26 August 2019.

Closure of Register of Members

The register of members of the Company will be closed from 22 August 2019 to 26 August 2019, 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 2019 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 2019, 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	22.73
	Equity Derivatives – Share options	1,998,000 ⁽¹⁾	–	1,998,000	0.17
				273,639,581	22.90
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	48,900	–	48,900	0.0070
Carl Fredrik Stenson RYSTEDT	Essity Aktiebolag (publ)	Class B shares	18,800	–	18,800	0.0027
Gert Mikael SCHMIDT	Essity Aktiebolag (publ)	Class B shares	27,000	–	27,000	0.0038
Herve Stephane ROSE	Essity Aktiebolag (publ)	Class B shares	3,595	–	3,595	0.0005

Notes:

1. As at 30 June 2019, the total number of registered shares in the share capital of Essity Aktiebolag (publ) was 702,342,489, of which 63,934,642 are Class A shares and 638,407,847 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 2019, 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 2019 are as follows:

	Date of Grant	Exercise price per Share HK\$	Number of Shares issuable under the Options					as at 30/06/2019	Exercise period	Weighted average closing price of the Share immediately before the exercise date HK\$
			as at 01/01/2019	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 1)	-
	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 1)	-
DONG Yi Ping	02/05/2012	14.06	240,000	-	-	-	-	240,000	(Note 1)	-
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 1)	-
LI Jielin	02/05/2012	14.06	80,000	-	-	-	-	80,000	(Note 1)	-
TSUI King Fai	02/05/2012	14.06	140,000	-	-	-	-	140,000	(Note 1)	-
Employees of the Group										
In aggregate	15/04/2011	8.648	1,230,000	-	(45,000)	-	-	1,185,000	15/04/2011 to 14/04/2021	15.34
	02/05/2012	14.06	4,315,000	-	(100,000)	-	-	4,215,000	(Note 1)	15.34
	02/05/2013	10.34	120,000	-	-	-	-	120,000	(Note 2)	-
Total			8,583,000	-	(145,000)	-	-	8,438,000		-

OTHER INFORMATION

- Note 1:
- (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 2:
- (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 2019 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 2019, 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	51.94
Essity Aktiebolag (publ)	Shares	–	620,737,112 ⁽²⁾	620,737,112	51.94
Fu An International Company Limited	Shares	271,341,581 ^{(3) & (4)}	–	271,341,581	22.71
Sentential Holdings Limited	Shares	–	271,341,581 ⁽³⁾	271,341,581	22.71

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 2019, 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

Mr. WONG Kwai Huen, Albert has retired as an independent non-executive director of China International Marine Containers (Group) Co., Ltd. (stock code: 2039, "CIMC") at the conclusion of CIMC's annual general meeting for 2018 held on 3 June 2019.

Directors' Securities Transactions

The Company has adopted a code for securities transactions by Directors (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. 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 and Mr. CHIA Yen On, an Executive Director, Ms. LI Jielin, 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, 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

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 25 to 60 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 2019 and the 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 of the Group is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 17 July 2019

*PricewaterhouseCoopers, 22/F Prince’s Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com*

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2019

	Note	30 June 2019 Unaudited HK\$	31 December 2018 Audited HK\$
ASSETS			
Non-current assets			
Property, plant and equipment	7	9,126,577,827	8,997,273,418
Right-of-use assets	3(a)	1,220,481,859	–
Leasehold land and land use rights	3(a)	–	1,050,718,413
Intangible assets	7	2,803,954,998	2,823,114,342
Deferred income tax assets		457,994,546	403,828,940
Investment properties	7	7,137,016	7,217,853
Total non-current assets		13,616,146,246	13,282,152,966
Current assets			
Inventories		2,924,046,275	2,745,883,730
Trade and notes receivables	8	1,752,539,828	1,888,459,707
Other receivables	8	373,935,598	449,515,451
Prepayments	8	57,467,379	90,514,885
Due from related parties	21(c)	37,303,535	36,609,005
Cash and cash equivalents		486,922,621	574,465,154
Total current assets		5,632,215,236	5,785,447,932
Total assets		19,248,361,482	19,067,600,898
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	9	119,499,737	119,485,237
Share premium	9	4,354,214,570	4,351,781,230
Other reserves		4,496,440,331	4,258,649,944
Total equity		8,970,154,638	8,729,916,411

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2019

	Note	30 June 2019 Unaudited HK\$	31 December 2018 Audited HK\$
LIABILITIES			
Non-current liabilities			
Borrowings	11	3,034,416,954	3,004,812,188
Loans from a related party	11,21(c)	1,350,116,846	1,218,116,846
Lease liabilities	3(a)	113,412,347	–
Deferred government grants		234,660,839	215,070,111
Deferred income tax liabilities		197,959,459	208,522,060
Post-employment benefits	12	26,861,107	31,124,829
Other non-current liabilities	13	18,711,363	10,709,487
Total non-current liabilities		4,976,138,915	4,688,355,521
Current liabilities			
Trade payables, other payables and accrued expenses	14	4,597,781,375	4,436,032,657
Contract liabilities		80,293,289	72,527,241
Borrowings	11	395,754,598	1,022,567,206
Lease liabilities	3(a)	65,945,522	–
Due to related parties	21(c)	20,903,570	18,406,558
Current income tax liabilities		141,389,575	99,795,304
Total current liabilities		5,302,067,929	5,649,328,966
Total liabilities		10,278,206,844	10,337,684,487
Total equity and liabilities		19,248,361,482	19,067,600,898

The notes on pages 30 to 60 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 2019

	Note	Unaudited	
		Six months ended 30 June	
		2019	2018
		HK\$	HK\$
Revenue	6	7,890,727,154	7,334,423,321
Cost of sales		(5,673,422,318)	(5,156,455,109)
Gross profit		2,217,304,836	2,177,968,212
Selling and marketing costs		(1,230,433,416)	(1,164,141,304)
Administrative expenses		(359,645,696)	(373,138,921)
Net impairment losses on financial assets		(1,629,925)	(1,315,551)
Other income and gains/(losses) – net		4,130,044	4,092,810
Operating profit	15	629,725,843	643,465,246
Finance income and costs – net	16	(106,166,757)	(114,454,615)
Profit before income tax		523,559,086	529,010,631
Income tax expense	17	(83,697,831)	(111,645,526)
Profit attributable to the equity holders of the Company		439,861,255	417,365,105
Other comprehensive income:			
<i>Item that may be reclassified to profit or loss</i>			
– Currency translation differences		(34,118,556)	(68,854,054)
Total comprehensive income attributable to the equity holders of the Company		405,742,699	348,511,051
Earnings per share for profit attributable to the equity holders of the Company			
– basic	18	0.368	0.349
– diluted	18	0.368	0.349

The notes on pages 30 to 60 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 2019

	Note	Unaudited			Total HK\$
		Attributable to the equity holders of the Company			
		Share capital HK\$	Share premium HK\$	Other reserves HK\$	
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 (Restated)		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		–	–	(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
Balance as at 1 January 2019		119,485,237	4,351,781,230	4,258,649,944	8,729,916,411
Profit for the period		–	–	439,861,255	439,861,255
Other comprehensive income					
<i>Item that may be reclassified to profit or loss</i>					
– Currency translation differences		–	–	(34,118,556)	(34,118,556)
Total comprehensive income for the six months ended 30 June 2019		–	–	405,742,699	405,742,699
Transaction with owners					
Employees share option scheme					
– Exercise of share options	9	14,500	2,433,340	(652,680)	1,795,160
Dividends	19	–	–	(167,299,632)	(167,299,632)
Transaction with owners		14,500	2,433,340	(167,952,312)	(165,504,472)
Balance as at 30 June 2019		119,499,737	4,354,214,570	4,496,440,331	8,970,154,638

The notes on pages 30 to 60 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 2019

	Note	Unaudited	
		Six months ended 30 June	
		2019	2018
		HK\$	HK\$
Cash flows from operating activities:			
– cash generated from operations		1,490,649,248	273,139,637
– Interest paid		(112,729,406)	(120,894,347)
Cash flows generated from operating activities – net		1,377,919,842	152,245,290
Cash flows from investing activities:			
– purchases of property, plant and equipment		(801,791,094)	(643,178,281)
– purchases of intangible assets		(36,098,851)	(17,426,112)
– purchases of land use rights		(7,756,876)	(4,059,457)
– payment for addition of investment properties		(83,000)	–
– proceeds on disposal of property, plant and equipment		937,258	6,895,979
– government grants received		30,085,808	5,712,064
– interest received		6,563,226	6,380,841
Cash flows used in investing activities – net		(808,143,529)	(645,674,966)
Cash flows from financing activities:			
– dividends paid	19	(167,299,632)	(167,214,932)
– repayments of borrowings	11	(2,541,565,499)	(2,429,948,991)
– repayments of loans from a related party	11, 21(b)(6)	(168,000,000)	–
– proceeds from borrowings	11	1,946,284,946	2,866,769,532
– proceeds from loans from a related party	11, 21(b)(5)	300,000,000	168,000,000
– proceeds from shares issued		1,795,160	3,163,500
– lease payments		(35,264,474)	–
Cash flows (used in)/generated from financing activities – net		(664,049,499)	440,769,109
Net decrease in cash and cash equivalents		(94,273,186)	(52,660,567)
Cash and cash equivalents at beginning of the period		574,465,154	534,589,786
Exchange differences		6,730,653	9,411,993
Cash and cash equivalents at end of the period		486,922,621	491,341,212

The notes on pages 30 to 60 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 2019

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.

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

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

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 17 July 2019 by the Board of Directors.

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 2019 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 2018, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) except for 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 2018, 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. None of which has significant financial impact to the Group except for HKFRS 16:

		Effective for annual periods beginning on or after
HKFRS 16	Leases	1 January 2019
HK(IFRIC) 23	Uncertainty over income tax treatments	1 January 2019
HKFRS 9 (Amendments)	Prepayment features with negative compensation	1 January 2019
HKAS 28 (Amendments)	Long-term interests in associates and joint venture	1 January 2019
HKAS 19 (Amendments)	Plan amendment, curtailment or settlement	1 January 2019

The Group leases various offices, warehouses, equipment and vehicles. Rental contracts are typically made for fixed periods but may have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

3 Significant accounting policies *(continued)*

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

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments (including in-substance fixed payments).

The lease payments are discounted using incremental borrowing rate of the Group which the Group would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liabilities; and
- any lease payments made at or before the commencement date.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise small items of office furniture.

Extension options are included in a number of property and equipment leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension options held are exercisable only by the Group and not by the respective lessor. Approximately 7% of the total lease payments made in 2019 were optional.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option. Extension options are only included in the lease term if the lease is reasonably certain to be extended.

The Group has adopted HKFRS 16 *Leases* from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the simplified transition approach in the standard. The reclassifications and the adjustments arising from the new leasing standards are therefore recognised in the opening balance sheet on 1 January 2019.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of HKAS 17 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019 in each territory or region where the lease assets are located. The weighted average discount rate applied to the lease liabilities on 1 January 2019 was 4.74%.

3 Significant accounting policies *(continued)*

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

	HK\$
Operating lease commitments disclosed as at 31 December 2018	229,221,932
Lease liabilities recognised on extension option estimation	18,058,816
Less:	
Short-term leases recognised on a straight-line basis as expense	(14,050,113)
Low-value leases recognised on a straight-line basis as expense	(878,575)
	232,352,060
Discounted using the lessee's incremental borrowing rate at the date of initial application, lease liabilities recognised as at 1 January 2019	202,032,067
Add:	
Rental prepayments recognised as at 31 December 2018	1,844,109
Reclassification of leasehold land and land use rights	1,050,718,413
Right-of-use assets recognised as at 1 January 2019	1,254,594,589

The right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid rental expenses relating to that lease recognised in the balance sheet as at 1 January 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to the following types of assets:

	30 June 2019 Unaudited HK\$	1 January 2019 Audited HK\$
Leasehold land and land use rights	1,041,634,895	1,050,718,413
Buildings	176,468,523	201,018,771
Equipment and others	2,378,441	2,857,405
Total right-of-use assets	1,220,481,859	1,254,594,589
Current lease liabilities	65,945,522	61,063,540
Non-current lease liabilities	113,412,347	140,968,527
Total lease liabilities	179,357,869	202,032,067

3 Significant accounting policies *(continued)*

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

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- Right-of-use assets – increase by HK\$1,254,594,589
- Prepayments – decrease by HK\$1,844,109
- Leasehold land and land use rights – decrease by HK\$1,050,718,413
- Lease liabilities (current portion) – increase by HK\$61,063,540
- Lease liabilities (non-current portion) – increase by HK\$140,968,527

There was no impact on retained earnings on 1 January 2019.

(i) Impact on segment disclosures and profit

Segment profit for the six months ended 30 June 2019, segment assets and segment liabilities as at 30 June 2019 all increased as a result of the change in accounting policy. The following segments were affected by the change in policy:

	Segment profit HK\$	Segment assets HK\$	Segment liabilities HK\$
Household paper products	942,314	64,346,502	67,450,349
Personal care products	870,670	114,500,462	111,907,520
	1,812,984	178,846,964	179,357,869

3 Significant accounting policies *(continued)*

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

(ii) Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HKFRIC 4 *Determining whether an Arrangement contains a Lease*.

- (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 2019 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
Amendments to HKAS 1 and HKAS 8	Definition of Material	1 January 2020
Amendments to HKFRS 3	Definition of a Business	1 January 2020
Revised Conceptual Framework	Revised Conceptual Framework for Financial Reporting	1 January 2020
HKFRS 17	Insurance contracts	1 January 2021

The Group is assessing the full impact of the new standards, new interpretations and amendments to standards and interpretations.

4 Estimates

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

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2018, except for the estimates and judgements applied under the adoption of HKFRS 16 as described below.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option. Extension options are only included in the lease term if the lease is reasonably certain to be extended. Potential future cash outflows have been included in the lease liabilities because it is reasonably certain that the leases will be extended. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

5 Financial risk management

5.1 Financial risk factors

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

The 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 2018.

There have been no changes in the risk management policies approved by the Board of Directors since year end.

5.2 Liquidity risk

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

5 Financial risk management *(continued)*

5.2 Liquidity risk *(continued)*

As at 30 June 2019, 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 2019					
Bank loans and interest payables (i)	476,046,581	1,548,771,766	1,447,749,932	231,862,256	3,704,430,535
Loans from a related party and interest payables (i)	41,384,376	1,384,085,875	-	-	1,425,470,251
Lease liability	67,253,985	43,562,396	38,824,952	56,624,112	206,265,445
Other borrowings	56,840,143	-	-	-	56,840,143
Trade payables	2,507,598,510	-	-	-	2,507,598,510
Notes payable	324,408,235	-	-	-	324,408,235
Other payables	733,427,954	-	-	-	733,427,954
As at 31 December 2018					
Bank loans and interest payables (i)	1,123,834,969	1,880,560,856	1,346,532,757	-	4,350,928,582
Loans from a related party and interest payables (i)	40,231,985	374,985,990	890,310,287	-	1,305,528,262
Other borrowings	57,064,597	-	-	-	57,064,597
Trade payables	2,071,567,933	-	-	-	2,071,567,933
Notes payable	322,676,392	-	-	-	322,676,392
Other payables	1,049,791,672	-	-	-	1,049,791,672

- (i) The interest on borrowings is calculated based on borrowings held as at 30 June 2019 and 31 December 2018 without taking account of future issues. Floating-rate interest is estimated using interest rate prevailing as at 30 June 2019 and 31 December 2018 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 2018.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019

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 headquarters' 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 annual 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 2019 is HK\$5,905,617,632 (for the six months ended 30 June 2018: HK\$5,439,541,556), HK\$621,365,554 (for the six months ended 30 June 2018: HK\$547,420,666) and HK\$1,363,743,968 (for the six months ended 30 June 2018: HK\$1,347,461,099) 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 2019 Unaudited HK\$	31 December 2018 Audited HK\$
Total non-current assets other than deferred tax assets		
– Mainland China	9,682,403,795	9,641,915,154
– Hong Kong and overseas	3,475,747,905	3,236,408,872
Deferred tax assets	457,994,546	403,828,940
Total non-current assets	13,616,146,246	13,282,152,966

6 Segment information (continued)

The segment information for the six months ended 30 June 2019 and 2018 are as follows:

Six months ended 30 June 2019	Six months ended 30 June 2019 (Unaudited)		
	Household paper products HK\$	Personal care products HK\$	Total HK\$
Segment revenue	6,502,415,293	1,388,311,861	7,890,727,154
Segment results	603,139,270	98,880,514	702,019,784
Amortisation of trademarks, licences and contractual customer relationships	(5,536,031)	(28,637,643)	(34,173,674)
Segment profit	597,603,239	70,242,871	667,846,110
Other income and gains/(losses) – net			4,130,044
Unallocated costs			(42,250,311)
Operating profit			629,725,843
Finance income and costs – net			(106,166,757)
Profit before income tax			523,559,086
Income tax expense			(83,697,831)
Profit for the period			439,861,255
Other segment items included in the income statement			
Depreciation of property, plant and equipment	(392,997,140)	(57,372,219)	(450,369,359)
Depreciation and amortisation of right-of-use assets	(30,004,784)	(16,105,229)	(46,110,013)
Depreciation and amortisation of investment properties and intangible assets other than trademarks, licences and contractual customer relationships	(17,064,492)	(1,826,599)	(18,891,091)
Additions to non-current assets	511,530,824	362,880,138	874,410,962

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019

6 Segment information *(continued)*

Six months ended 30 June 2018	Six months ended 30 June 2018 (Unaudited)		
	Household paper products HK\$	Personal care products HK\$	Total 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/(losses) – net			4,092,810
Unallocated costs			(42,800,464)
Operating profit			643,465,246
Finance income and 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)
Depreciation and 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

6 Segment information (continued)

As at 30 June 2019	As at 30 June 2019 (Unaudited)		Total HK\$
	Household paper products HK\$	Personal care products HK\$	
Segment assets	14,737,039,643	4,036,561,630	18,773,601,273
Deferred income tax assets			457,994,546
Prepaid income tax recoverable			16,765,663
Total assets			19,248,361,482
Segment liabilities	8,916,215,417	1,022,642,393	9,938,857,810
Deferred income tax liabilities			197,959,459
Current income tax liabilities			141,389,575
Total liabilities			10,278,206,844

As at 31 December 2018	As at 31 December 2018 (Audited)		Total HK\$
	Household paper products HK\$	Personal care products HK\$	
Segment assets	14,798,339,760	3,850,103,102	18,648,442,862
Deferred income tax assets			403,828,940
Prepaid income tax recoverable			15,329,096
Total assets			19,067,600,898
Segment liabilities	9,123,781,804	905,585,319	10,029,367,123
Deferred income tax liabilities			208,522,060
Current income tax liabilities			99,795,304
Total liabilities			10,337,684,487

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019

7 Property, plant and equipment, intangible assets and investment properties

	Property, plant and equipment HK\$	Unaudited	
		Intangible assets HK\$	Investment properties HK\$
Six months ended 30 June 2018			
Opening net book amount as at 1 January 2018	8,739,887,326	2,913,888,055	7,660,539
Additions	730,768,161	17,426,112	–
Disposals	(5,605,909)	–	–
Depreciation and amortisation (Note 15)	(412,437,918)	(48,263,813)	(158,486)
Exchange differences	(81,761,811)	5,221,966	(22,751)
Closing net book amount as at 30 June 2018	8,970,849,849	2,888,272,320	7,479,302
Six months ended 30 June 2019			
Opening net book amount as at 1 January 2019	8,997,273,418	2,823,114,342	7,217,853
Additions	617,308,505	35,310,207	83,000
Disposals	(1,419,198)	–	–
Depreciation and amortisation (Note 15)	(450,369,359)	(52,910,175)	(154,590)
Exchange differences	(36,215,539)	(1,559,376)	(9,247)
Closing net book amount as at 30 June 2019	9,126,577,827	2,803,954,998	7,137,016

During the period, the Group has capitalized borrowing costs amounting to HK\$711,014 (for the six months ended 30 June 2018: HK\$12,715,273) on qualifying assets. Borrowing costs were capitalized at the weighted average rate of its general borrowings of 2.18% (for the six months ended 30 June 2018: 2.17%).

8 Trade and notes receivables, other receivables and prepayments

	As at	
	30 June 2019 Unaudited HK\$	31 December 2018 Audited HK\$
Trade receivables	1,769,796,636	1,909,762,277
Notes receivable	7,875,351	4,684,938
Other receivables (Note(a))	373,935,598	449,515,451
Prepayments	57,467,379	90,514,885
Less: Provision for impairment of receivables	(25,132,159)	(25,987,508)
	2,183,942,805	2,428,490,043

(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 2019 and 31 December 2018 is as below:

	As at	
	30 June 2019 Unaudited HK\$	31 December 2018 Audited HK\$
Within 3 months	1,614,487,452	1,784,440,966
4 months to 6 months	123,634,751	89,596,135
7 months to 12 months	10,491,093	15,950,020
Over 1 year	21,183,340	19,775,156
	1,769,796,636	1,909,762,277

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019

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 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
Opening balance as at 1 January 2019	1,194,852,373	119,485,237	4,351,781,230
Employee share option scheme (Note 10)			
– Exercise of options	145,000	14,500	2,433,340
As at 30 June 2019	1,194,997,373	119,499,737	4,354,214,570

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 2019 and 2018 were as follows:

	For the six months period ended 30 June			
	2019 Unaudited		2018 Unaudited	
	Weighted average exercise price in HK\$	Number of options	Weighted average exercise price in HK\$	Number of options
At 1 January	12.75	8,583,000	12.34	9,528,000
Exercised	12.38	(145,000)	14.06	(225,000)
Lapsed	-	-	14.06	(120,000)
At 30 June	12.76	8,438,000	12.28	9,183,000

Share options outstanding as at 30 June 2019 have the following expiry dates and exercise prices:

Expiry date	Exercise price HK\$ per share	Number of options
14 April 2021	8.648	1,265,000
1 May 2022	14.06	6,054,000
1 May 2023	10.34	1,119,000

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019

11 Borrowings

	As at	
	30 June 2019 Unaudited HK\$	31 December 2018 Audited HK\$
Non-current – unsecured		
Bank borrowings	3,034,416,954	3,004,812,188
Loans from a related party (Note 21(c))	1,350,116,846	1,218,116,846
Total non-current borrowings	4,384,533,800	4,222,929,034
Current – unsecured		
Bank borrowings	338,914,455	965,502,609
Other borrowings	56,840,143	57,064,597
Total current borrowings	395,754,598	1,022,567,206
Total borrowings	4,780,288,398	5,245,496,240

Movements in borrowings are analysed as follows:

	Unaudited HK\$
Six months ended 30 June 2018	
Opening amount as at 1 January 2018	5,236,274,370
New borrowings and loans from a related party	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
Six months ended 30 June 2019	
Opening amount as at 1 January 2019	5,245,496,240
New borrowings and loan from a related party	2,246,284,946
Repayments of borrowings and loan from a related party	(2,709,565,499)
Exchange differences, net	(1,927,289)
Closing amount as at 30 June 2019	4,780,288,398

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 recognized in accordance with the actuarial calculations. Net periodic pension costs include service cost, interest cost, expected return on plan assets, and amortisation of unrecognized net transition obligation and gains or losses on plan assets. Unrecognized net transition obligation is amortised 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	
	2019	2018
	HK\$	HK\$
Current service costs	828,644	718,390
Interest costs	183,515	233,028
	1,012,159	951,418

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

	As at	
	30 June	31 December
	2019	2018
	Unaudited	Audited
	HK\$	HK\$
Present value of funded obligations	43,164,550	43,337,876
Fair value of plan assets	(23,132,978)	(18,801,602)
Present value of unfunded obligations	6,829,535	6,588,555
Liability in the balance sheet	26,861,107	31,124,829

13 Other non-current liabilities

	As at	
	30 June 2019 Unaudited HK\$	31 December 2018 Audited HK\$
Long term incentive plans	18,711,363	10,709,487

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.

(i) 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 2019, the fair value of each CU granted determined by using the Binomial Model was HK\$2.85. The significant inputs into the model were share price at the valuation date, the grant price, volatility of 30%, dividend yield of 1.25%, and annual risk-free interest rate of 1.44%. 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.

(ii) 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 two 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 2019, the TSR is determined by using the Monte Carlo Simulation Model. The significant inputs into the model were annualized drift rate of 6.65% of the Company and 7.35% of the peer group, dividend yield of 1.24% of the Company and 2.50% of the peer group and annualized asset price volatility of 25% of the Company and 15% of the peer group matching the life of the incentive program.

14 Trade payables, other payables and accrued expenses

	As at	
	30 June 2019 Unaudited HK\$	31 December 2018 Audited HK\$
Trade payables	2,507,598,510	2,071,567,933
Notes payable	324,408,235	322,676,392
Other payables	733,427,954	1,019,542,617
Accrued expenses	1,032,346,676	1,022,245,715
	4,597,781,375	4,436,032,657

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 2019 and 31 December 2018 is as follows:

	As at	
	30 June 2019 Unaudited HK\$	31 December 2018 Audited HK\$
Within 3 months	2,088,601,480	1,829,550,803
4 months to 6 months	741,140,640	562,254,130
7 months to 12 months	1,181,456	522,231
Over 1 year	1,083,169	1,917,161
	2,832,006,745	2,394,244,325

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019

15 Operating profit

The following items have been charged/(credited) to the operating profit during the six months ended 30 June 2019 and 2018:

	Unaudited	
	Six months ended 30 June	
	2019	2018
	HK\$	HK\$
Amortisation of deferred government grants	(9,267,880)	(5,384,127)
Foreign exchange loss, net	13,110,028	12,291,502
Net impairment losses on financial assets	1,629,925	1,315,551
Reversal for impairment of inventories	(10,327,809)	(227,327)
Depreciation of property, plant and equipment (Note 7)	450,369,359	412,437,918
Depreciation and amortisation of right-of-use assets	46,110,013	–
Amortisation of intangible assets (Note 7)	52,910,175	48,263,813
Amortisation of leasehold land and land use rights	–	12,714,846
Depreciation and amortisation of investment properties (Note 7)	154,590	158,486
Loss/(Gain) on disposal of property, plant and equipment	460,039	(1,290,070)

16 Finance income and costs – net

	Unaudited	
	Six months ended 30 June	
	2019	2018
	HK\$	HK\$
Interest expenses	(115,450,380)	(110,937,971)
Foreign exchange gain/(loss) – net	2,720,397	(9,897,485)
Interest income	6,563,226	6,380,841
Net finance costs	(106,166,757)	(114,454,615)

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 and would be entitled to enjoy a beneficial tax rate of 15%. The subsidiaries may additionally deduct 75% 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	
	2019	2018
	HK\$	HK\$
Current income tax		
– Overseas and Hong Kong profits tax	100,432,923	97,724,633
– Mainland China income tax	50,025,772	27,765,972
Deferred income tax	(66,760,864)	(13,845,079)
	83,697,831	111,645,526

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 2019 is 16.0% (for the six months ended 30 June 2018: 21.1%).

18 Earnings per share

(a) Basic

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

	Unaudited Six months ended 30 June	
	2019	2018
Profit attributable to the equity holders of the Company (HK\$)	439,861,255	417,365,105
Weighted average number of ordinary shares in issue	1,194,960,522	1,194,326,263
Basic earnings per share (HK\$ per share)	0.368	0.349

(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	
	2019	2018
Profit attributable to the equity holders of the Company (HK\$)	439,861,255	417,365,105
Weighted average number of ordinary shares in issue	1,194,960,522	1,194,326,263
Adjustments for share options	938,643	1,325,827
Weighted average number of ordinary shares for diluted earnings per share	1,195,899,165	1,195,652,090
Diluted earnings per share (HK\$ per share)	0.368	0.349

19 Dividends

On 30 January 2019, the Board of Directors proposed a final dividend in respect of the year ended 31 December 2018 of HK\$167,279,332, representing HK\$0.140 per ordinary share. The actual final dividend of HK\$167,299,632 was paid in May 2019 based on the 1,194,997,373 issued shares at that time.

On 17 July 2019, the Board of Directors has resolved to declare an interim dividend of HK\$0.07 per share (2018: HK\$0.06 per share). This interim dividend, amounting to HK\$83,649,816 (2018: HK\$71,663,542) based on the 1,194,997,373 issued shares as at 30 June 2019, 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 2019.

20 Contingent liabilities

As at 30 June 2019 and 31 December 2018, the Group had no material contingent liabilities.

21 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
Asaleo Care Australia Pty Ltd.	Associate of Essity
Productos Familia, S.A., Colombia	Subsidiary of Essity
Essity Hygiene Y Salud Mexico, S.A. de C.V. ("Essity Mexico")	Subsidiary of Essity
Asaleo Care (Fiji) Limited	Associate of Essity
Essity Hygiene and Health AB ("Essity HH")	Subsidiary of Essity
Essity Canada Inc.	Subsidiary of Essity
Essity Operations Hoogezand B.V. ("Essity Hoogezand B.V.")	Subsidiary of Essity

21 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
Asaleo Care New Zealand Ltd.	Associate of Essity
SCA Yildiz Kagit ve Kisise ("SCA YKK")	Subsidiary of Essity
Essity Poland Sp.z o.o.	Subsidiary of Essity
Essity Operations Gennep B.V. ("Essity OG B.V.")	Subsidiary of Essity
Essity Operations Mainz-Kostheim GmbH ("Essity Kostheim")	Subsidiary of Essity
Essity Operations Neuss GmbH ("Essity ON GmbH")	Subsidiary of Essity
Essity Slovakia s.r.o.	Subsidiary of Essity
Essity Operations France	Subsidiary of Essity
Essity Professional Hygiene North America LLC ("Essity NA")	Subsidiary of Essity
Essity Operations Mannheim GmbH ("Essity OM")	Subsidiary of Essity
Essity GmbH	Subsidiary of Essity
Essity Treasury AB	Subsidiary of Essity
Essity BV	Shareholder
Essity HMS North America Inc ("Essity HMS")	Subsidiary of Essity

21 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 2019 include:

(1) Sales of products to related parties:

	Unaudited	
	Six months ended 30 June	
	2019	2018
	HK\$	HK\$
– Uni-Charm	55,711,523	55,033,452
– Asaleo Care Australia Pty Ltd	10,547,819	14,431,672
– Asaleo Care Fiji Ltd	8,579,830	3,590,738
– Productos Familia, S.A., Colombia	5,645,808	10,313,159
– Essity HH	4,236,703	2,896,614
– Essity Canada Inc.	2,226,432	1,521,370
– Asaleo Care New Zealand Ltd	1,377,541	1,130,857
– Essity Hoogezand B.V.	1,006,751	1,582,520
– Essity Mexico	949,199	2,703,998
– SCA YKK	–	816,982
	90,281,606	94,021,362

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

(2) Purchase of products from related parties:

	Unaudited	
	Six months ended 30 June	
	2019	2018
	HK\$	HK\$
– Essity OG B.V.	24,024,573	23,372,754
– Essity Hoogezand B.V.	20,194,763	14,010,637
– Essity HH	18,914,048	31,731,661
– Essity Kostheim	18,777,410	13,168,571
– Essity Poland Sp.z o.o.	13,620,583	34,246,837
– Essity Slovakia s.r.o.	1,350,307	930,029
– Essity ON GmbH	855,657	2,854,249
– Essity OM	–	625,111
– Essity NA	–	250,964
– Essity Operations France	–	177,224
	97,737,341	121,368,037

(3) Research and development expenses charged by the Group to a related party:

	Unaudited	
	Six months ended 30 June	
	2019	2018
	HK\$	HK\$
– Essity HH	9,961,746	5,757,758

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

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

	Unaudited	
	Six months ended 30 June	
	2019	2018
	HK\$	HK\$
– Essity HH	1,728,728	4,411,169

(5) Loans borrowed from a related party:

	Unaudited	
	Six months ended 30 June	
	2019	2018
	HK\$	HK\$
– Essity Treasury AB (Note (a))	300,000,000	168,000,000

(6) Loans repaid to a related party:

	Unaudited	
	Six months ended 30 June	
	2019	2018
	HK\$	HK\$
– Essity Treasury AB (Note (a))	168,000,000	–

(7) Interest expenses accrued to a related party:

	Unaudited	
	Six months ended 30 June	
	2019	2018
	HK\$	HK\$
– Essity Treasury AB (Note (a))	18,869,276	16,814,054

21 Related-party transactions *(continued)*

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

- (a) On 1 April 2016, 8 June 2017, 9 May 2018, 5 December 2018 and 5 June 2019, the Group entered into five term facility agreements with Essity Treasury AB, in relation to term loans of an aggregate amount not exceeding HK\$1,140,116,846, HK\$400,000,000, HK\$200,000,000, HK\$170,000,000 and HK\$300,000,000 (or an equivalent amount) respectively.

On 1 April 2016, the Group made one loan drawdown under the term facility agreement 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 into 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 weighted average interest rate is 3.24% for the six months ended 30 June 2019.

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 into 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 weighted average interest rate is 3.19% for the six months ended 30 June 2019.

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 weighted average interest rate is 2.85% for the period from 1 January 2019 to 10 June 2019. This loan has been repaid on 10 June 2019.

On 5 December 2018, the Group made one loan drawdown under the term facility agreement dated 5 December 2018 with principal amount of HK\$170,000,000 and the loan's maturity date is 11 December 2020. The weighted average interest rate is 2.91% for the six months ended 30 June 2019.

On 10 June 2019, the Group made one loan drawdown under the term facility agreement dated 5 June 2019 with principal amount of HK\$300,000,000 and the loan's maturity date is 10 June 2021. The weighted average interest rate is 2.94% for the period from 10 June 2019 to 30 June 2019.

21 Related-party transactions *(continued)*

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

(8) Key management compensation:

	Unaudited Six months ended 30 June	
	2019 HK\$	2018 HK\$
Directors		
– Basic salaries, housing allowances, other allowances, benefits-in-kind, share-based payment and other benefits	25,020,130	23,605,679
– Long-term incentive plans	2,777,700	3,216,729
Senior management		
– Basic salaries, housing allowances, other allowances, benefits-in-kind, share-based payment and other benefits	21,335,118	19,358,971
– Long-term incentive plans	2,893,127	2,753,256
	52,026,075	48,934,635

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

(1) Due from related parties:

	As at	
	30 June 2019 Unaudited HK\$	31 December 2018 Audited HK\$
– Uni-Charm	17,020,807	11,310,986
– Essity HH	6,875,442	6,829,578
– Asaleo Care Australia Pty Ltd	5,980,223	4,323,334
– Asaleo Care Fiji Ltd	3,351,399	1,922,768
– Productos Familia, S.A., Colombia	1,897,062	4,667,659
– Asaleo Care New Zealand Ltd	766,252	499,200
– Essity Mexico	494,243	3,830,112
– Essity Canada Inc.	445,900	409,222
– Essity	341,545	330,000
– Essity Hoogezand B.V.	130,662	277,278
– Essity BV	–	1,992,592
– Essity GmbH	–	173,353
– Essity HMS	–	42,923
	37,303,535	36,609,005

All the above receivables are aged within 3 months based on invoice date as at 30 June 2019 and 31 December 2018.

21 Related-party transactions *(continued)***(c) Period-end/year-end balances with related parties** *(continued)*

(2) Due to related parties:

	As at	
	30 June 2019 Unaudited HK\$	31 December 2018 Audited HK\$
– Essity Treasury AB (Note (b))	5,092,752	6,129,663
– Essity HH	4,428,171	3,199,428
– Essity Hoogezand B.V.	3,577,708	2,252,429
– Essity OG B.V.	3,184,741	4,096,997
– Essity Poland Sp.z o.o.	1,917,788	1,841,251
– Essity Kostheim	1,305,175	831,625
– Essity ON GmbH	661,894	–
– Essity Slovakia s.r.o.	449,075	–
– Essity OM	257,557	47,773
– Essity	28,658	–
– Uni-Charm	51	243
– Essity Mexico	–	7,149
	20,903,570	18,406,558

All the above payables are aged within 3 months based on invoice date as at 30 June 2019 and 31 December 2018.

(3) Loans from a related party:

	As at	
	30 June 2019 Unaudited HK\$	31 December 2018 Audited HK\$
– Essity Treasury AB (Note (b))	1,350,116,846	1,218,116,846

(b) As at 31 December 2018, loans from a related party represent long term loans with principal amounts of HK\$170,000,000, HK\$300,000,000, HK\$580,116,846 and HK\$168,000,000 respectively. The weighted average interest rate is 2.84%. These loans are due on 11 December 2020, 21 June 2021, 7 April 2021 and 11 May 2020.

As at 30 June 2019, loans from a related party represent long term loans with principal amounts of HK\$170,000,000, HK\$300,000,000, HK\$300,000,000 and HK\$580,116,846 respectively. The weighted average interest rate is 3.13%. These loans are due on 11 December 2020, 21 June 2021, 10 June 2021 and 7 April 2021 respectively.