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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3331)

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

HIGHLIGHTS

- **Double-digit growth in both revenue and net profit despite challenging market conditions**
  - Total revenue grew by 16.3% to HK$7,334 million, driven by strong sales in all regions
  - Net profit increased by 30.1% to HK$417 million
- **Improving gross margin due to effective price increase initiatives and favourable mix, despite the significant increase in wood pulp cost**
  - Gross margin in 2018 first half was 29.7%, up 0.8 percentage point ("ppt") compared to that in 2017 second half
  - Gross margin in 2018Q2 was 31.0%, 0.4 ppt higher than that in 2017Q2
- **Increase in EBITDA margin, reflecting our cash generating ability**
  - EBITDA margin in 2018 first half was 15.2%, up 1.0 ppt year on year ("yoy")
  - EBITDA margin in 2018Q2 was 15.4%, 2.5 ppts higher than that in 2017Q2
- **Total SG&A expense ratio dropped by 1.8 ppts through active cost saving initiatives and operation efficiency improvement**
- **Operating margin grew 0.7 ppt to 8.8%**
- **Net margin grew 0.6 ppt to 5.7%**
- **Increase in interim dividend**
  - An interim dividend of 6.0 HK cents per share has been declared (1H2017: 5.0 HK cents per share)

The Board of Directors (the "Board") of Vinda International Holdings Limited ("Vinda" or the "Company") is pleased to present the interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2018 (the "Period").

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

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

Financial Highlights

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

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

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

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

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

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

Effective tax rate stood at 21.1%.

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

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

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

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

Business Review

Tissue Segment

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

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

Vinda has maintained its online leadership[2] and fostered the consumer experience through a number of innovative marketing campaigns, such as *"Vinda Sixth China Tour"* and *"6.18 Festival Campaign"*. We have also engaged a renowned celebrity, *Ms. Sun Li*, as *Vinda* brand ambassador for two consecutive years. *Tempo* has gained market share[2] in mainland China and extended its sales network. *Tork* made good progress in opening up the premium away-from-home clientele.

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

Personal Care Segment

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

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

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

In feminine care, *VIA* continued to roll out the pant products. Leveraging social media campaigns coupled with endorsement from the brand ambassador *Ms. Tan Songyun*, *VIA* successfully stimulated the repurchase rate of young consumers. *Libresse*, starring famous photographer *Ms. Chen Man*, has extended its presence on more e-commerce platforms. In Malaysia, *Libresse*, ranked No. 1[3] in terms of market share, and tapped into the intimate care market by launching wash gel, liners and wipes.

The majority of our baby care business is conducted in Southeast Asia. In Malaysia, *Drypers* maintained its No. 1 position[3]. The new *Drypers Wee Wee Dry (Ironman)* and *Drypers Bola (Football)* campaigns also successfully drove the sales.

Production Capacity Plan

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

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

Human Resources Management and Internal Control

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

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

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

Health and Safety Performance

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

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

Corporate Social Responsibility

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

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

Outlook

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

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

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

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

Remarks

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

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Unaudited	
		Six months ended 30 June	
		2018	2017
	Note	***HK$***	*HK$*
Revenue	*4*	**7,334,423,321**	6,307,520,020
Cost of sales		**(5,156,455,109)**	(4,381,521,987)
Gross profit		**2,177,968,212**	1,925,998,033
Selling and marketing costs		**(1,164,141,304)**	(1,088,809,774)
Administrative expenses		**(373,138,921)**	(344,913,429)
Net impairment losses on financial assets		**(1,315,551)**	–
Other income and gains – net		**4,092,810**	16,526,405
Operating profit	*5*	**643,465,246**	508,801,235
Finance costs, net	*6*	**(114,454,615)**	(101,280,637)
Profit before income tax		**529,010,631**	407,520,598
Income tax expense	*7*	**(111,645,526)**	(86,806,053)
Profit attributable to equity holders of the Company		**417,365,105**	320,714,545
Other comprehensive income:			
Item that may be reclassified to profit or loss			
– Currency translation differences		**(68,854,054)**	306,518,763
Total comprehensive income attributable to equity holders of the Company		**348,511,051**	627,233,308
Earnings per share for profit attributable to the equity holders of the Company			
– basic	*8(a)*	**0.349**	0.275
– diluted	*8(b)*	**0.349**	0.275

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Note	Unaudited 30 June 2018 *HK$*	Audited 31 December 2017 *HK$*
ASSETS			
Non-current assets			
Property, plant and equipment	*10*	**8,970,849,849**	8,739,887,326
Leasehold land and land use rights	*10*	**1,024,872,812**	1,042,127,885
Intangible assets	*10*	**2,888,272,320**	2,913,888,055
Deferred income tax assets		**359,906,026**	348,762,906
Investment properties	*10*	**7,479,302**	7,660,539
Total non-current assets		**13,251,380,309**	13,052,326,711
Current assets			
Inventories		**3,285,029,757**	3,048,179,318
Trade receivables, other receivables and prepayments	*11*	**2,380,218,523**	2,309,863,202
Receivables from related parties		**43,606,010**	28,949,331
Cash and cash equivalents		**491,341,212**	534,589,786
Total current assets		**6,200,195,502**	5,921,581,637
Total assets		**19,451,575,811**	18,973,908,348
EQUITY			
Share capital		**119,439,237**	119,416,737
Share premium		**4,349,988,334**	4,345,689,034
Other reserves		**4,451,433,963**	4,271,362,605
Total equity		**8,920,861,534**	8,736,468,376

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (continued)

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Unaudited Six months ended 30 June 2018 HK$	2017 HK$
Cash flows from operating activities:			
– cash generated from operations		**273,139,637**	857,417,846
– interest paid		**(120,894,347)**	(112,582,430)
Cash flows generated from operating activities – net		**152,245,290**	744,835,416
Cash flows from investing activities:			
– purchases of property, plant and equipment		**(643,178,281)**	(565,520,651)
– cash paid through acquisition of a subsidiary	*15*	**–**	(40,731,481)
– purchases of intangible assets		**(17,426,112)**	(4,591,305)
– purchases of land use rights		**(4,059,457)**	(6,873,710)
– proceeds on disposal of property, plant and equipment		**6,895,979**	3,540,561
– government grants received		**5,712,064**	42,777,053
– interest received		**6,380,841**	5,819,206
Cash flows used in investing activities – net		**(645,674,966)**	(565,580,327)
Cash flows from financing activities:			
– dividends paid	*9*	**(167,214,932)**	(143,220,765)
– repayments of borrowings	*13*	**(2,429,948,991)**	(2,604,206,448)
– proceeds from borrowings	*13*	**2,866,769,532**	2,084,700,582
– proceeds from loans from a related party	*13*	**168,000,000**	300,000,000
– proceeds from shares issued		**3,163,500**	23,750,240
Cash flows generated from/(used in) financing activities – net		**440,769,109**	(338,976,391)
Net decrease in cash and cash equivalents		**(52,660,567)**	(159,721,302)
Cash and cash equivalents at beginning of the period		**534,589,786**	1,015,254,277
Exchange differences		**9,411,993**	59,181,986
Cash and cash equivalents at end of the period		**491,341,212**	914,714,961

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2018

1 GENERAL INFORMATION

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

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

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

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

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

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

This condensed consolidated interim financial information has not been audited.

2 BASIS OF PREPARATION

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

3 SIGNIFICANT ACCOUNTING POLICIES

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

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

(a) New and amended standards adopted by the Group

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

(i) HKFRS 9 Financial instruments, and

(ii) HKFRS 15 Revenue from contracts with customers.

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

	31 December 2017 As originally presented	**HKFRS 9**	**HKFRS 15**	**1 January 2018 Restated**
	HK$	*HK$*	*HK$*	*HK$*
ASSETS				
Non-current assets				
Property, plant and equipment	8,739,887,326	–	–	8,739,887,326
Leasehold land and land use rights	1,042,127,885	–	–	1,042,127,885
Intangible assets	2,913,888,055	–	–	2,913,888,055
Deferred income tax assets	348,762,906	–	–	348,762,906
Investment properties	7,660,539	–	–	7,660,539
Total non-current assets	13,052,326,711	–	–	13,052,326,711
Current assets				
Inventories	3,048,179,318	–	–	3,048,179,318
Trade receivables, other receivables and prepayments	2,309,863,202	(66,461)	–	2,309,796,741
Prepayments to and receivables from related parties	28,949,331	–	–	28,949,331
Cash and cash equivalents	534,589,786	–	–	534,589,786
Total current assets	5,921,581,637	(66,461)	–	5,921,515,176
Total assets	18,973,908,348	(66,461)	–	18,973,841,887

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

	31 December 2017 As originally presented	HKFRS 9	HKFRS 15	1 January 2018 Restated
	HK$	*HK$*	*HK$*	*HK$*
EQUITY				
Share capital	119,416,737	–	–	119,416,737
Share premium	4,345,689,034	–	–	4,345,689,034
Other reserves	4,271,362,605	(66,461)	–	4,271,296,144
Total equity	8,736,468,376	(66,461)	–	8,736,401,915
LIABILITIES				
Non-current liabilities				
Borrowings	3,310,130,427	–	–	3,310,130,427
Loans from a related party	1,236,403,002	–	–	1,236,403,002
Deferred government grants	142,848,544	–	–	142,848,544
Deferred income tax liabilities	211,437,204	–	–	211,437,204
Post-employment benefits	33,214,008	–	–	33,214,008
Other non-current liabilities	17,675,709	–	–	17,675,709
Total non-current liabilities	4,951,708,894	–	–	4,951,708,894
Current liabilities				
Trade payables, other payables and accrued expenses	4,493,818,093	–	(86,890,937)	4,406,927,156
Contract liabilities	–	–	86,890,937	86,890,937
Borrowings	689,740,941	–	–	689,740,941
Due to related parties	37,687,965	–	–	37,687,965
Current income tax liabilities	64,484,079	–	–	64,484,079
Total current liabilities	5,285,731,078	–	–	5,285,731,078
Total liabilities	10,237,439,972	–	–	10,237,439,972

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

(i) HKFRS 9, *Financial Instruments*

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

	HKAS 18 carrying amount 31 December 2017	**Reclassification**	**HKFRS 15 carrying amount 1 January 2018**
	HK$	***HK$***	***HK$***
Trade and other payables	4,493,818,093	(86,890,937)	4,406,927,156
Contract liabilities	–	86,890,937	86,890,937

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

No additional cost occurs to fulfil the contract was identified.

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

(iii) Accounting policies effective from 1 January 2018

Financial assets – impairment

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

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

Revenue Recognition

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

i) HKFRS 16, *Leases*

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

The accounting for lessors will not significantly change.

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

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

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

4 SEGMENT INFORMATION

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

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

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

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

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

4 SEGMENT INFORMATION (continued)

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

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

4 SEGMENT INFORMATION (continued)

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

4 SEGMENT INFORMATION (continued)

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

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

5 OPERATING PROFIT

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

	Unaudited	
	Six months ended 30 June	
	2018	2017
	HK$	*HK$*
Amortisation of deferred government grants	**(5,384,127)**	(3,734,158)
Foreign exchange loss, net	**12,291,502**	11,202,972
Provision for impairment of receivables	**1,315,551**	6,497,666
(Reversal)/provision for impairment of inventories	**(227,327)**	1,357,673
Depreciation of property, plant and equipment *(Note 10)*	**412,437,918**	327,727,148
Amortisation of intangible assets *(Note 10)*	**48,263,813**	48,267,315
Amortisation of leasehold land and land use rights *(Note 10)*	**12,714,846**	8,342,371
Amortisation of investment properties *(Note 10)*	**158,486**	153,200
(Gain)/loss on disposal of property, plant and equipment	**(1,290,070)**	1,775,754
Transaction cost in relation to acquisition of a subsidiary	**–**	525,562

6 FINANCE COSTS – NET

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

7 INCOME TAX EXPENSE

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

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

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

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

8 EARNINGS PER SHARE

(a) Basic

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

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

(b) Diluted

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

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

9 DIVIDENDS

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

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

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

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

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

10 PROPERTY, PLANT AND EQUIPMENT, LEASEHOLD LAND AND LAND USE RIGHTS, INTANGIBLE ASSETS AND INVESTMENT PROPERTIES (continued)

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

11 TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

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

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

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

11 TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS (continued)

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

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

12 TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES

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

12 TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES (continued)

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

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

13 BORROWINGS

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

13 BORROWINGS (continued)

Movements in borrowings are analysed as follows:

	Unaudited
	HK$
Six months ended 30 June 2017	
Opening amount as at 1 January 2017	5,016,746,026
Acquisition of a subsidiary *(Note 15)*	47,572,933
New borrowings	2,384,700,582
Repayments of borrowings	(2,604,206,448)
Exchange differences, net	126,551,721
Closing amount as at 30 June 2017	4,971,364,814
Six months ended 30 June 2018	
Opening amount as at 1 January 2018	5,236,274,370
New borrowings	3,034,769,532
Repayments of borrowings	(2,429,948,991)
Exchange differences, net	(27,465,923)
Closing amount as at 30 June 2018	5,813,628,988

14 OTHER NON-CURRENT LIABILITIES

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

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

14 OTHER NON-CURRENT LIABILITIES (continued)

Long term incentive plan for Executive Directors and CFO

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

As at 30 June 2018, the fair value of each CU granted determined by using the Binomial Model was HK$3.81. The significant inputs into the model were share price at the valuation date, the grant price, volatility of 35%, dividend yield of 1.23%, and annual risk-free interest rate of 2.19%. The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices of the Company over relevant period matching the life of the incentive plan.

Long term incentive program for selected senior management

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

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

15 ACQUISITION OF A SUBSIDIARY

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

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

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

	HK$
Consideration as at 31 March 2017:	
– Allotment of shares	819,500,000
– Cash	104,775,889
Total consideration	**924,275,889**
Assets and liabilities	
Property, plant and equipment *(Note 10)*	345,346,510
Land use rights *(Note 10)*	578,105,752
Prepayments to and receivables from related parties	62,930,074
Prepayments, deposits and other receivables	238,692
Cash and cash equivalents	23,059,438
Trade and other payables	(1,244,866)
Due to related parties	(34,917,774)
Current income tax liabilities	(1,669,004)
Borrowings	(47,572,933)
Total identifiable net assets acquired	**924,275,889**
Cash consideration	104,775,889
Less: cash and cash equivalents acquired	(23,059,438)
Less: due to a related party	(40,984,970)
Net cash outflow	**40,731,481**

Foreign Exchange and Fair Value Interest Rate Risk

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

Liquidity, Financial Resources and Borrowings

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

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

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

Charges on Group Assets

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

Contingent Liabilities

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

Interim Dividend

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

Closure of Register of Members

The register of members of the Company will be closed from 22 August 2018 to 24 August 2018, both days inclusive, during which period no transfer of shares will be registered. In order to establish entitlement to the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 pm on 21 August 2018 for registration of transfer.

Purchase, Sale or Redemption of the Securities

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

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Directors' Securities Transactions

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

Audit Committee

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

Remuneration Committee

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

Risk Management Committee

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

Publication of Results Announcement and Interim Report

This announcement is published on the websites of the Company (www.vinda.com) and The Stock Exchange of Hong Kong Limited (www.hkexnews.hk). The 2018 interim report of the Company will be dispatched to the shareholders of the Company and available on the same websites in due course.

Acknowledgement

On behalf of the Board, I extend my gratitude to all our staff for their hard work and dedication.

By Order of the Board
Vinda International Holdings Limited
LI Chao Wang
Chairman

Hong Kong, 18 July 2018

As at the date of this announcement, the Board comprises:

Executive Directors
Mr. LI Chao Wang
Ms. YU Yi Fang
Mr. Johann Christoph MICHALSKI
Ms. LI Jielin
Mr. DONG Yi Ping

Non-Executive Directors
Mr. Jan Christer JOHANSSON
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)