



# Vinda International Holdings Limited

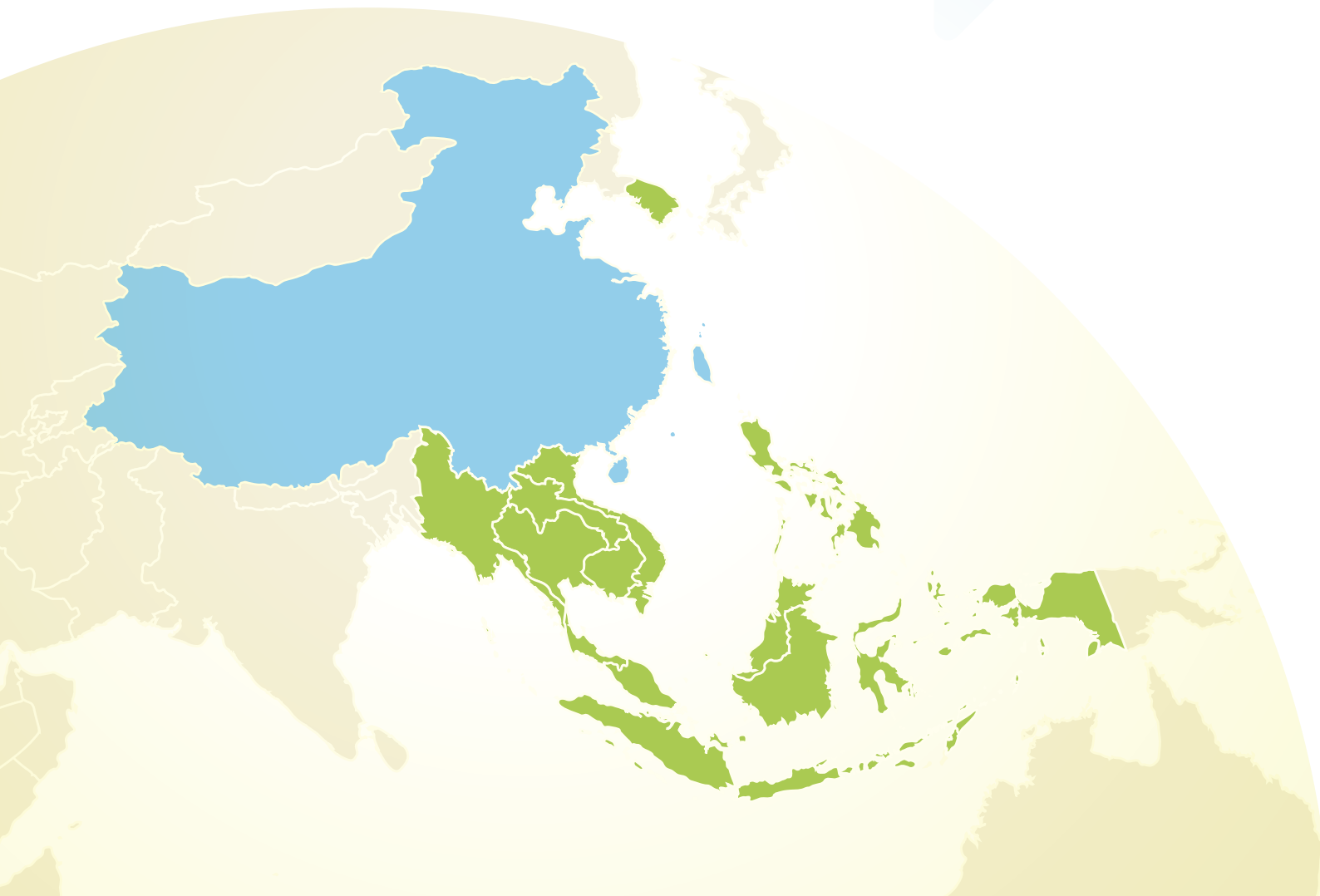
(incorporated in the Cayman Islands with limited liability)  
Stock Code: 3331

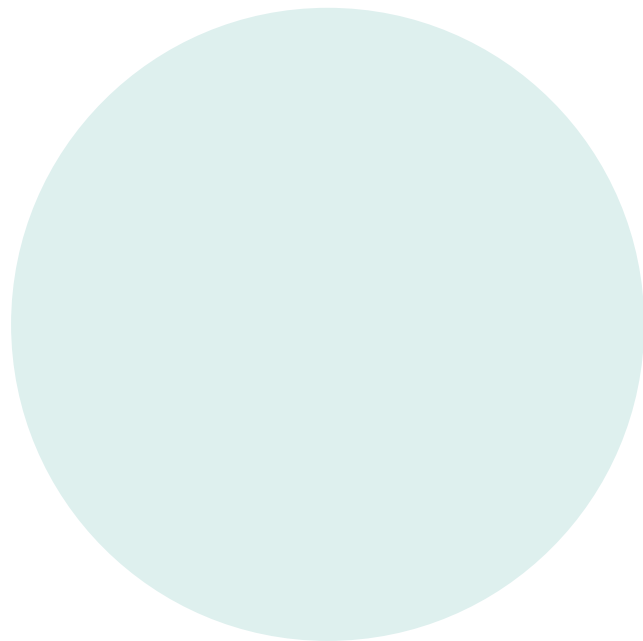
Interim Report **2017**

*Healthy Lifestyle  
Starts with Vinda*



*To Become a*  
**Leading Hygiene**  
**Company** *in Asia*





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# CORPORATE INFORMATION

## Directors

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### 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  
(appointed on 1 March 2017)

### Independent Non-Executive Directors

Mr. CHIA Yen On  
Mr. KAM Robert  
Mr. TSUI King Fai  
Mr. WONG Kwai Huen, Albert

## Alternate Directors

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Mr. Gert Mikael SCHMIDT (alternate to  
Mr. JOHANSSON and Mr. GROTH)  
Mr. Ulf Olof Lennart SODERSTROM  
(alternate to Mr. RYSTEDT)  
(appointed on 1 March 2017)

## Audit Committee

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Mr. KAM Robert (Committee Chairman)  
Mr. TSUI King Fai  
Mr. Carl Fredrik Stenson RYSTEDT  
(appointed on 1 March 2017)  
Mr. WONG Kwai Huen, Albert

## Remuneration Committee

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Mr. TSUI King Fai (Committee Chairman)  
Mr. Jan Christer JOHANSSON  
(appointed on 7 April 2017)  
Ms. LI Jielin  
Mr. CHIA Yen On  
Mr. KAM Robert

## Nomination Committee

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Mr. LI Chao Wang (Committee Chairman)  
Mr. Jan Christer JOHANSSON  
Mr. CHIA Yen On  
Mr. KAM Robert  
Mr. WONG Kwai Huen, Albert

## Risk Management Committee

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Mr. Jan Christer JOHANSSON (Committee Chairman)  
Ms. YU Yi Fang  
Mr. Johann Christoph MICHALSKI  
Mr. Carl Fredrik Stenson RYSTEDT  
(appointed on 1 March 2017)  
Mr. TSUI King Fai

## Executive Committee

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

## Strategic Development Committee

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

### Authorised Representatives

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Ms. LI Jielin  
Ms. TAN Yi Yi

### Company Secretary

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Ms. TAN Yi Yi, FCCA

### Auditors

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PricewaterhouseCoopers

### Legal Advisers to the Company

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White & Case (as to Hong Kong law)  
Conyers Dill & Pearman (as to Cayman Islands law)

### Registered Office

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

### Principal Place of Business in Hong Kong

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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

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The Stock Exchange of Hong Kong Limited  
Stock Code: 3331

### Principal Share Registrar and Transfer Office

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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

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

### Principal Bankers

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

### Company Website

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<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 2017 and the unaudited interim condensed consolidated statement of comprehensive income, unaudited interim condensed consolidated statement of cash flows and unaudited interim condensed consolidated statement of changes in equity of the Company and its subsidiaries (the “Group”) for the period ended 30 June 2017 (the “Period”), together with the comparative figures and selected explanatory notes. The unaudited interim financial statements have been reviewed by the Company’s independent auditors and audit committee.

## Financial Highlights

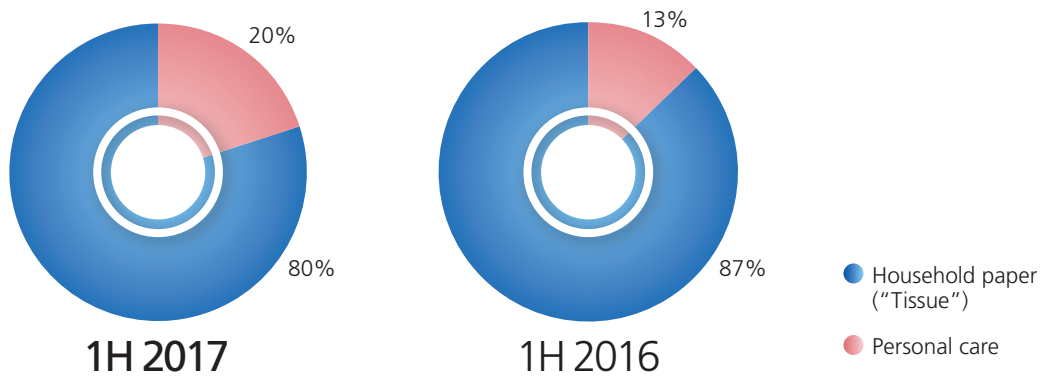
### Interim Results for the Six Months Ended 30 June 2017

	2017	2016
Organic revenue growth rate (%) <sup>1</sup>	<b>6.8%</b>	14.5%
Gross profit margin (%)	<b>30.5%</b>	31.3%
EBITDA margin (%)	<b>14.2%</b>	14.7%
Net profit margin (%)	<b>5.1%</b>	5.7%
Earnings per share (HK\$) – basic	<b>27.5 cents</b>	30.6 cents
Interim dividend declared (HK\$)	<b>5.0 cents</b>	5.0 cents
Stock turnover	<b>86 days</b>	103 days
Debtors turnover	<b>48 days</b>	44 days
Creditors turnover	<b>85 days</b>	66 days
Current ratio (times)	<b>1.07</b>	1.14
Gearing ratio (%) <sup>2</sup>	<b>61.3%</b>	82.9%
Net gearing ratio (%) <sup>3</sup>	<b>50.0%</b>	73.7%

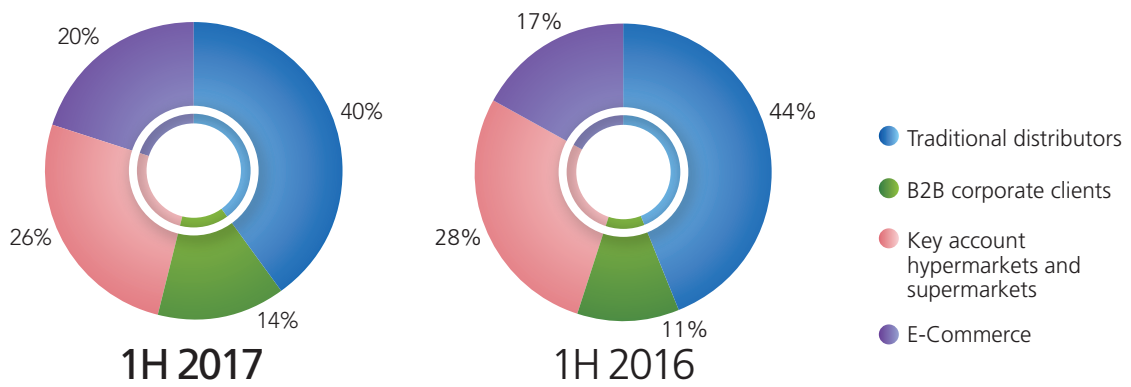
Notes:

1. Since 1 April 2016, the completion date of the acquisition of SCA Asia business in Malaysia, Taiwan and Korea by the Group, the financial figures of SCA Asia business have been consolidated into the financial results of the Group. Therefore, with respect to the calculation of the organic revenue growth for the first half of 2017, the data recorded between January and March excluded the acquired Asia business in Malaysia, Taiwan and Korea, as well as the exchange rate effects; whereas for the calculation of the organic revenue growth between April and June, only the exchange rate effects were excluded (i.e. for the calculation of the organic revenue growth in the first quarter of 2017, the acquired Asia business in Malaysia, Taiwan and Korea, as well as the exchange rate effects were excluded; for the calculation of the organic revenue growth in the second quarter of 2017, only the exchange rate effects were excluded).
2. Calculated on the basis of the amount of total borrowings as a percentage of the total shareholders’ equity.
3. Calculated on the basis of the amount of total borrowings less cash and cash equivalents and restricted bank deposits as a percentage of the total shareholders’ equity.

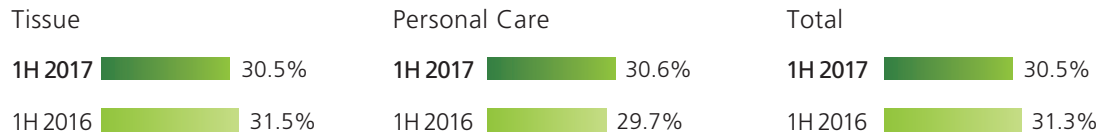
### Revenue by Business Segment



### Revenue by Sales Channels



### Gross Profit Margin



### Segment Result<sup>1</sup> Margin



Note:

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

# MANAGEMENT DISCUSSION AND ANALYSIS

China witnessed steady economic growth in the first half of 2017. The upgrade in most quality market segments continues. The increasing penetration of e-commerce and the expansion of convenience store networks have adversely affected the traditional offline retail sector. Most economies in the rest of Asia experienced reasonable economic growth, though at a slower growth rate relative to that in China.

Facing the ever-changing business environment, we adhered to our four principal strategies of brand building, channel expansion, cost control and people development. Focusing on product innovation and customer needs, we launched high value-added embossed tissue products, promoted our international personal care brands, increased the penetration of both our online and offline sales channels and enhanced our operational efficiency. We also launched consumer tissue in Malaysia, one of our strongest markets in Southeast Asia.

## Financial Highlights

For the first half of the year, the Group's total revenue increased by 11.3% year on year to HK\$6,308 million, with 80% and 20% generated from the Tissue business and the Personal Care business respectively. The Group achieved 6.8% organic growth<sup>1</sup> in total revenue, driven by strong sales in mainland China. Organic growth in mainland China in Q2 was close to double-digit, higher than that in Q1.

The traditional distributors contributed 40% of the total revenue, while key account managed supermarkets and hypermarkets, B2B corporate customers and e-commerce accounted for 26%, 14% and 20% respectively. Revenue growth from e-commerce customers and B2B stood out among other channels.

Gross profit rose by 8.7% year on year to HK\$1,926 million. Pulp prices have risen significantly since the fourth quarter of 2016 and started to stabilise in the end of the Period. Overall gross profit margin in the second quarter was 30.6%, 0.2 percentage points ("pps") higher than that in the first quarter, thanks to our efforts in portfolio management and cost saving initiatives. Nevertheless, overall gross profit margin for the first half of the year still contracted by 0.8 pps to 30.5% year on year.





## MANAGEMENT DISCUSSION AND ANALYSIS

Total administrative costs as a percentage of sales was 5.5%, down by 0.6 pps on the back of effective cost-control measures. Total selling and marketing costs as a percentage of sales was 17.3%, up by 1.2 pps. The increase was partly attributable to the intensive marketing activities for tissue and feminine care products launched in the second quarter, increased logistics costs and higher amortisation expenses for intangible assets resulting from the acquisition of the SCA<sup>2</sup> Asia business.

EBITDA grew by 7.5% and EBITDA margin stood at 14.2%, reflecting strong cash generation from our business. While operating profit slightly decreased by 1.1% year on year to HK\$509 million, operating margin reached 8.1%.

The net gearing ratio<sup>3</sup> was 50%, down from 59% at last year. We continued to balance our borrowings to assets to mitigate the foreign exchange rate risk but to increase some interest payments. Total foreign exchange losses amounted to HK\$22 million in the first half of 2017 (1H2016: HK\$15 million), of which HK\$11 million was reported in operating items (1H2016: HK\$14 million), and HK\$11 million in financing items (1H2016: HK\$1 million).

The effective tax rate was 21.3%, down by 1.0 pps year on year. The lower effective tax rate was mainly attributable to the additional deduction of 50% of qualified research and development expenses from two subsidiaries.

Net profit stabilised at HK\$321 million. Since we have completed the acquisition of Sanjiang factory and have issued 55,000,000 shares to Fu An International Company Limited during the Period, basic earnings per share decreased to 27.5 HK cents (1H2016: 30.6 HK cents).

The Board recommends the payment of an interim dividend of 5 HK cents per share for the six months ended 30 June 2017 (1H2016: 5 HK cents per share).



## Business Review

### Tissue Segment

In the first half of the year, the competitive environment, the transitional change of sales channels and the higher raw material price have posed great challenges to all tissue players.

Despite all the challenges, our revenue from the Tissue segment was HK\$5,073 million, representing 7.2% of organic growth<sup>1</sup> and accounting for 80% of the Group's total revenue (1H2016: 87%). To cope with the notable year on year increase in pulp prices, we optimised our product mix which has resulted in a significant increase in the sales of softpack and wet wipes. Meanwhile, we have moderately increased the prices of certain products. The gross profit margin and segment result<sup>4</sup> margin of the Tissue segment were 30.5% and 9.6% respectively.

According to the statistics of Kantar Worldpanel, Vinda has increased its share leadership in the tissue category<sup>5</sup>. Marketing campaigns launched during the Period included Vinda's "Fifth Ultra Strong China Tour" as a means of consumer engagement, as well as the debut of limited edition products through the cooperation with "Star Wars" and "Emoji". Tempo has extended its presence in the cities in South China and Central China, and successfully caught the eyes of high-end consumers by launching vintage edition products in celebration of its 88th anniversary.

Tapping into the potential of Malaysia's premium tissue market, we launched Vinda Deluxe series with first shipment in May.

### Personal Care Segment

Revenue from the Personal Care segment reached HK\$1,235 million in the first half of the year, accounting for 20% of the Group's total revenue (1H2016: 13%). The increase in segment revenue was primarily contributed by the income of personal care operations of the SCA<sup>2</sup> Asia business, which has been consolidated into the Group's results since 1 April 2016, as well as the growth from China personal care business. The gross profit margin and segment result<sup>4</sup> margin of the Personal Care segment were 30.6% and 6.9% respectively. The lower segment result margin reflected the investment stage of the Personal Care business in China.





In incontinence care, we have expanded the China's offline retail market, and boosted institutional sales channels by actively working with local governments and nursing homes. We continued to build brands and raise public awareness of quality incontinence care via online platforms. Our *Dr. P* and *TENA* brands were the leading incontinence brands in the cities of Beijing, Shanghai and Guangzhou<sup>6</sup>, building a solid foundation for the long-term development of the business. To further raise the awareness of incontinence pants in the Malaysian market, *TENA* hosted a motorcycle tour with "*Harley Davidson*".





Feminine care business has recorded very good revenue growth in the first half of the year. VIA has upgraded its products and expanded its offline customer base. *Libresse*, positioned as an imported European brand, re-launched in June and are now available on both cross-border e-commerce platforms and boutique personal cares stores in China. *Libresse* also launched the “Let’s Get Real” campaign in Malaysia to step up its marketing efforts to promote the *Confidence On-The-Go* product line, which has effectively reinforced its leading position in the market.

The majority of our baby care business is in Southeast Asia. *Drypers* ranked No. 1<sup>7</sup> and No. 3<sup>8</sup> respectively in Malaysia and Singapore in terms of market share. The “*Robocar Poli*” edition of *Drypers Wee Wee Dry* was well received by the market. In mainland China and Taiwan, we maintained our high-end differentiation approach by uplifting the brand awareness of *Libero* as an imported Nordic brand.

### Production Capacity Plan

Vinda’s annual designed production capacity for tissue paper amounted to 1,040,000 tons as at 30 June 2017. An additional capacity of 60,000 tons in our Zhejiang factory has started operation since July, bringing the total to 1,100,000 tons by the end of the year. Construction of the factory in Yangjiang, Guangdong, which is our tenth factory in China, is expected to be completed in 2018. The factory will have initial annual designed capacity of 60,000 tons in the first year of its operation, and its production capacity will possibly expand in the future to meet the strong demand in South China. The said projects will be financed by the Company’s operating cashflow and loans.

We have fully equipped facilities in mainland China for the production of incontinence care products, and have three production bases in Malaysia and Taiwan. These facilities will provide strong support for the rapid development of our Personal Care business.





## Internal Control and Human Resources Management

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All Vinda employees are required to follow Vinda's codes of conduct and core principles. The heads of all the 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 the cases to the senior management and advising on how to handle the 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 under the ambit of the corporate management and legal departments. In the first half of the year, we reviewed and updated our policies on issues including communications with shareholders, handling and dissemination of inside information, and the code for securities transactions by directors and employees.

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. In the first half of the year, we rolled out a talent management cycle initiative to identify, screen, develop and retain our talent. We have also introduced a long term incentive scheme for key senior executives to retain key talents. For all the factories in China, we put in place a set of qualifications standards for the appointment of technical staff, so as to ensure a systematic management of our technical team. After going through technical training and all-round qualifications certification, our technical staff can clearly demonstrate their capability and chart their routes in career development.

As at 30 June 2017, we had a total of 11,196 employees.

## Corporate Social Responsibility

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

In mainland China, the Vinda Volunteer Team teamed up with local social service centres and the Vinda Charity Foundation (the "Foundation") to organise various professional social services activities. During the Period, 352 Vinda volunteers spent 1,424 hours on 22 voluntary activities. With the support from the Foundation, 11 canteens are now providing free meals to the elderly in need, and 222 elderly people had benefited from this service. Vinda Volunteer Team also regularly host recreational and cultural activities on festive occasions, visit the elderly living alone and render health management services.

To help underprivileged children, our team in Malaysia launched a voluntary charitable activity entitled *Share a Little Comfort* through the mothers' club of *Drypers*.

## Outlook

Looking ahead to the second half of 2017, we expect market competition to continue, pulp prices to stabilize, the movement of exchange rates of RMB and Malaysian Ringgit to remain uncertain.

Faced with two billion potential consumers, Vinda sees abundant opportunities in the medium to long run. The significant increase in household disposable income and education level, the pursuit of innovative and quality products as well as convenient lifestyle by consumers, the opportunities brought by booming e-commerce, the increasing demand for professional incontinence care due to aging population, and the elimination of obsolete production capacity as a result of tightening environmental protection regulations, will all contribute to a solid foundation for the development of Vinda's tissue and high-end personal care brands.

With the above challenges and potentials in mind, we are cautiously optimistic about the second half of the year. We will focus on innovation, brand development, product portfolio management, channel expansion, cost control and operational efficiency improvement. We will grow our business in the following order of priorities:

1. To drive Tissue business in China
2. To broaden the presence of Personal Care business in China
3. To drive the growth of Personal Care business in Asia and roll out Tissue business to the region
4. To develop B2B business

July 2017 marks the tenth anniversary of the listing of the Group on Hong Kong's stock market. As we steer ahead to become a leading hygiene company in Asia, we would like to take this opportunity to extend our gratitude to our investors for their confidence in Vinda over the years, and we will make every effort to attain good results.

Note:

<sup>1</sup> Since 1 April 2016, the completion date of the acquisition of SCA Asia business in Malaysia, Taiwan and Korea by the Group, the financial figures of SCA Asia business have been consolidated into the financial results of the Group. Therefore, with respect to the calculation of the organic revenue growth for the first half of 2017, the data recorded between January and March excluded the acquired Asia business in Malaysia, Taiwan and Korea, as well as the exchange rate effects; whereas for the calculation of the organic revenue growth between April and June, only the exchange rate effects were excluded (i.e. for the calculation of the organic revenue growth in the first quarter of 2017, the acquired Asia business in Malaysia, Taiwan and Korea, as well as the exchange rate effects were excluded; for the calculation of the organic revenue growth in the second quarter of 2017, only the exchange rate effects were excluded).

<sup>2</sup> SCA (Svenska Cellulosa Aktiebolaget) spun off its hygiene unit into a new listed company, namely Essity Aktiebolag (publ) ("Essity") in June 2017. Since 14 June 2017, Essity has become Vinda's ultimate controlling shareholder in place of SCA.

<sup>3</sup> Net gearing ratio: Total borrowings less bank balances and cash and restricted deposits divided by total shareholders' equity

<sup>4</sup> Segment result: Segment profit before amortization of trademarks, licences & contractual customer relationship

<sup>5</sup> Source: Kantar Worldpanel, based on sales value for the period 1-6 ended June 2017

<sup>6</sup> Source: Intage China first half 2016

<sup>7</sup> Source: Kantar Worldpanel, sales value MAT May 2017

<sup>8</sup> Source: Nielsen, volume share MAT May 2017

## Foreign Exchange and Fair Value Interest Rate Risk

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The majority of the Group's assets and sales business are located in the PRC, 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 Bank Loans

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The Group's financial position remained healthy. As at 30 June 2017, the Group's bank and cash balances amounted to HK\$914,714,961 (31 December 2016: HK\$1,015,254,277), and short-term and long-term loans amounted to HK\$4,971,364,814 (31 December 2016: HK\$5,016,746,026), including the loans from a related party amounting to HK\$1,225,778,789 (31 December 2016: HK\$915,499,741). 82.0% of the borrowings are medium- to long-term (31 December 2016: 75.6%). The annual interest rates of bank loans ranged from 0.80% to 9.80%.

As at 30 June 2017, 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 50% (31 December 2016: 59%).

As at 30 June 2017, unutilized credit facilities amounted to approximately HK\$3.7 billion (31 December 2016: HK\$4.0 billion).

## Material Acquisition

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On 1 November 2015, Fu An Trading (Hong Kong) Limited as transferor, Vinda Paper (China) Company Limited as transferee and the Company entered into an equity transfer agreement, pursuant to which the entire equity interest in Jiangmen Dynasty Fortune Paper Limited ("Dynasty Paper") will be acquired by the Group. Details of the transaction are disclosed in the announcement of the Company dated 2 November 2015 and the circular of the Company dated 28 December 2015. The transaction was completed on 31 March 2017. Upon completion, Dynasty Paper has become an indirect wholly-owned subsidiary of the Company.

## Charges on Group Assets

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As at 30 June 2017, the Group did not have any charges on assets (31 December 2016: nil).

## Contingent Liabilities

As at 30 June 2017, the Group had no material contingent liabilities (31 December 2016: nil).

## Capital Commitments

	As at	
	30 June 2017 Unaudited HK\$	31 December 2016 Audited HK\$
Property, plant and equipment and intangible assets	744,376,686	770,104,565

## Interim Dividend

The Board has resolved to declare an interim dividend of HK\$0.05 per share for the period ended 30 June 2017 (2016: HK\$0.05 per share) totaling approximately HK\$59,706,619, based on the 1,194,132,373 issued shares outstanding as at 30 June 2017. The interim dividend will be paid on or about 7 September 2017 to shareholders whose names appear on the register of members of the Company on 24 August 2017.

## Closure of Register of Members

The register of members of the Company will be closed from 22 August 2017 to 24 August 2017, 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 2017 for registration of transfer.

## OTHER INFORMATION

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

As at 30 June 2017, 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 of 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 <sup>(3)</sup>
		Personal interests (held as beneficial owner)	Corporate interests (interests of controlled corporations)	Total interests	
LI Chao Wang	Shares	–	271,341,581 <sup>(2)</sup>	271,341,581	22.72
	Equity Derivatives – Share options	1,998,000 <sup>(1)</sup>	–	1,998,000	0.17
				<b>273,339,581</b>	<b>22.89</b>
YU Yi Fang	Shares	50,000	–	50,000	0.004
	Equity Derivatives – Share options	240,000 <sup>(1)</sup>	–	240,000	0.02
				<b>290,000</b>	<b>0.02</b>
DONG Yi Ping	Shares	–	–	–	–
	Equity Derivatives – Share options	240,000 <sup>(1)</sup>	–	240,000	0.02
				<b>240,000</b>	<b>0.02</b>
LI Jielin	Shares	–	–	–	–
	Equity Derivatives – Share options	80,000 <sup>(1)</sup>	–	80,000	0.01
				<b>80,000</b>	<b>0.01</b>
Johann Christoph MICHALSKI	Shares	39,000	–	39,000	0.003
	Equity Derivatives – Share options	220,000 <sup>(1)</sup>	–	220,000	0.02
				<b>259,000</b>	<b>0.02</b>
KAM Robert	Shares	–	–	–	–
	Equity Derivatives – Share options	140,000 <sup>(1)</sup>	–	140,000	0.01
				<b>140,000</b>	<b>0.01</b>
TSUI King Fai	Shares	–	–	–	–
	Equity Derivatives – Share options	140,000 <sup>(1)</sup>	–	140,000	0.01
				<b>140,000</b>	<b>0.01</b>



## 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 <sup>(1&amp;2)</sup>
			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	21,000	–	21,000	0.0030
Ulf Olof Lennart SODERSTROM	Essity Aktiebolag (publ)	Class B shares	12,000	–	12,000	0.0017
Carl Fredrik Stenson RYSTEDT	Essity Aktiebolag (publ)	Class B shares	10,000	–	10,000	0.0014
Gert Mikael SCHMIDT	Essity Aktiebolag (publ)	Class B shares	19,000	–	19,000	0.0027

### Notes:

1. As at 30 June 2017, the total number of registered shares in the share capital of Essity Aktiebolag (publ) was 702,342,489, of which 64,593,939 are Class A shares and 637,748,550 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 2017, 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

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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 period 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.

## OTHER INFORMATION

Details of movements of the Options granted under the Scheme for the six months ended 30 June 2017 are as follows:

	Date of Grant	Exercise price per Share HK\$	Number of Shares issuable under the Options						as at 30/06/2017	Exercise period	Weighted average closing price of the Share immediately before the exercise date HK\$
			as at 01/01/2017	granted during the period	exercised during the period	lapsed during the period	cancelled during the period				
<b>Directors</b>											
LI Chao Wang	02/05/2012	14.06	999,000	-	-	-	-	999,000	(Note 2)	-	
	02/05/2013	10.34	999,000	-	-	-	-	999,000	02/05/2013 to 01/05/2023	-	
YU Yi Fang	02/05/2012	14.06	240,000	-	-	-	-	240,000	(Note 2)	-	
DONG Yi Ping	02/05/2012	14.06	240,000	-	-	-	-	240,000	(Note 2)	-	
Johann Christoph MICHALSKI	15/04/2011	8.648	80,000	-	-	-	-	80,000	15/04/2011 to 14/04/2021	-	
	02/05/2012	14.06	140,000	-	-	-	-	140,000	(Note 2)	-	
LI Jielin	02/05/2012	14.06	80,000	-	-	-	-	80,000	(Note 2)	-	
Ulf Olof Lennart SODERSTROM	15/04/2011	8.648	80,000	-	(80,000)	-	-	-	15/04/2011 to 14/04/2021	15.60	
	02/05/2012	14.06	140,000	-	(140,000)	-	-	-	(Note 2)	15.60	
KAM Robert	02/05/2012	14.06	140,000	-	-	-	-	140,000	(Note 2)	-	
TSUI King Fai	02/05/2012	14.06	140,000	-	-	-	-	140,000	(Note 2)	-	
<b>Employees of the Group</b>											
In aggregate	24/02/2009	2.98	460,000	-	-	-	-	460,000	(Note 1)	-	
	15/04/2011	8.648	1,230,000	-	-	-	-	1,230,000	15/04/2011 to 14/04/2021	-	
	02/05/2012	14.06	6,195,000	-	(1,500,000)	-	-	4,695,000	(Note 2)	15.22	
	02/05/2013	10.34	120,000	-	-	-	-	120,000	(Note 3)	-	
Total			11,283,000	-	(1,720,000)	-	-	9,563,000		-	

## OTHER INFORMATION

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

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

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

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

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

## Arrangement to Purchase Shares or Debentures

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Save as disclosed above, at no time during the six months ended 30 June 2017 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

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As at 30 June 2017, 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 <sup>(1)</sup>
		Personal interests (held as beneficial owner)	Corporate interests (interests of controlled corporations)	Total interests	
SCA Group Holding BV	Shares	620,737,112 <sup>(2)</sup>	–	620,737,112	51.98
Essity Aktiebolag (publ)	Shares	–	620,737,112 <sup>(2)</sup>	620,737,112	51.98
Fu An International Company Limited	Shares	271,341,581 <sup>(3) &amp; (5)</sup>	–	271,341,581	22.72
Sentential Holdings Limited	Shares	–	271,341,581 <sup>(3)</sup>	271,341,581	22.72
Nordinvest AB	Shares	97,000,000 <sup>(4)</sup>	–	97,000,000	8.12
Floras Kulle AB	Shares	–	97,000,000 <sup>(4)</sup>	97,000,000	8.12
AB Industrivarden (publ)	Shares	–	97,000,000 <sup>(4)</sup>	97,000,000	8.12

Notes:

- Actual percentages may not equal to the stated figures due to rounding.
- SCA 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 Depositary 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 SCA 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.
- Nordinvest AB is directly wholly-owned by Floras Kulle AB, which, in turn, is directly wholly-owned by AB Industrivarden (publ). Floras Kulle AB and AB Industrivarden (publ) are deemed to be interested in the 97,000,000 shares in the Company held by Nordinvest AB 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.

## OTHER INFORMATION

Save as disclosed above, as at 30 June 2017, 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

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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 six months ended 30 June 2017, the Company has complied with all the code provisions set out in the Corporate Governance Code, as set out in Appendix 14 of the Listing Rules.

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

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- (1) With effect from 1 March 2017:
- i. Mr. Ulf Olof Lennart SODERSTROM ("Mr. SODERSTROM") resigned as a non-executive director, a member of the audit committee and a member of the risk management committee of the Company;
  - ii. Mr. Carl Fredrik Stenson RYSTEDT ("Mr. RYSTEDT") ceased to act as alternate director to Mr. SODERSTROM;
  - iii. Mr. RYSTEDT was appointed as a non-executive director, a member of the audit committee and a member of the risk management committee of the Company; and
  - iv. Mr. SODERSTROM was appointed as the alternate director to Mr. RYSTEDT.

Details of the above changes are set out in the announcement of the Company dated 1 March 2017.

## OTHER INFORMATION

(2) With effect from 7 April 2017:

- i. Mr. Johann Christoph MICHALSKI (“Mr. MICHALSKI”) has stepped down as a member of the remuneration committee of the Company (the “Remuneration Committee”); and
- ii. Mr. Jan Christer JOHANSSON has been appointed as a member of the Remuneration Committee in place of Mr. MICHALSKI.

Details of the above changes are set out in the announcement of the Company dated 7 April 2017.

(3) Subsequent to Svenska Cellulosa Aktiebolaget (“SCA”) spun off its hygiene unit into a new listed company, namely Essity Aktiebolag (publ) (“Essity”), effective from 14 June 2017:

- i. Mr. Carl Magnus GROTH ceased to be the President and CEO of SCA and became the President and CEO of Essity;
- ii. Mr. RYSTEDT ceased to be the Executive Vice President and Chief Financial Officer of SCA and became the Executive Vice President and Chief Financial Officer of Essity;
- iii. Mr. SODERSTROM ceased to be the Senior Vice President Strategic Projects of SCA and became the Senior Vice President Strategic Projects of Essity; and
- iv. Mr. Gert Mikael SCHMIDT ceased to be the Senior Vice President and General Counsel of SCA and became the Senior Vice President and General Counsel of Essity.

## Directors’ Securities Transactions

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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. 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 six months ended 30 June 2017.

## Audit Committee

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The Company’s audit committee has four members comprising three Independent Non-Executive Directors, namely, Mr. KAM Robert, Mr. WONG Kwai Huen, Albert and Mr. TSUI King Fai and a Non-Executive Director, Mr. Carl Fredrik Stenson RYSTEDT (appointed on 1 March 2017). The chairman of the audit committee is Mr. KAM Robert. 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 six months ended 30 June 2017 have been reviewed by the audit committee of the Company.

## Remuneration Committee

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The Company's remuneration committee has five members comprising three Independent Non-Executive Directors, namely Mr. TSUI King Fai, Mr. KAM Robert and Mr. CHIA Yen On, an Executive Director, Ms. LI Jielin and a Non-Executive Director, Mr. Jan Christer JOHANSSON (appointed on 7 April 2017). 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 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-base remuneration.

## Nomination Committee

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The Company's nomination committee has five members comprising three Independent Non-Executive Directors, namely, Mr. KAM Robert, 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 duty of the nomination committee is to consider and recommend to the Board suitably qualified persons to become Directors and is responsible for reviewing the structure, size, diversity and composition of the Board on a regular basis.

## Risk Management Committee

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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 (appointed on 1 March 2017); 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

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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

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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

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The Company has not redeemed any of the Company's Shares during the six months ended 30 June 2017. 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

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We have reviewed the interim financial information set out on pages 28 to 70 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 2017 and the related interim condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### Scope of Review

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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

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

#### **PricewaterhouseCoopers**

Certified Public Accountants

Hong Kong, 18 July 2017

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# INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2017

	Note	Unaudited 30 June 2017 HK\$	Audited 31 December 2016 HK\$
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	7	8,048,078,234	7,281,873,804
Leasehold land and land use rights	7	1,035,243,391	432,130,671
Intangible assets	7	2,833,638,973	2,796,001,162
Deferred income tax assets		303,855,476	268,225,330
Investment properties	7	7,705,555	4,859,059
<b>Total non-current assets</b>		<b>12,228,521,629</b>	10,783,090,026
<b>Current assets</b>			
Inventories		2,405,557,300	1,785,142,568
Trade receivables, other receivables and prepayments	8	1,939,121,810	1,938,829,069
Prepayments to and receivables from related parties	24	36,743,008	106,197,276
Cash and cash equivalents		914,714,961	1,015,254,277
<b>Total current assets</b>		<b>5,296,137,079</b>	4,845,423,190
<b>Total assets</b>		<b>17,524,658,708</b>	15,628,513,216
<b>EQUITY</b>			
Share capital	9	119,413,237	113,741,237
Share premium	9	4,345,020,254	3,498,754,174
Other reserves		3,642,393,514	3,167,068,811
<b>Total equity</b>		<b>8,106,827,005</b>	6,779,564,222

# INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2017

	Note	Unaudited 30 June 2017 HK\$	Audited 31 December 2016 HK\$
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	11	2,849,114,000	2,879,551,662
Loans from a related party	11,24	1,225,778,789	915,499,741
Deferred government grants		132,939,022	90,486,296
Deferred income tax liabilities		207,481,444	203,135,117
Post-employment benefits	12	35,338,349	36,601,481
Other non-current liabilities	13	8,993,752	–
<b>Total non-current liabilities</b>		<b>4,459,645,356</b>	4,125,274,297
<b>Current liabilities</b>			
Trade payables, other payables and accrued expenses	14	3,841,047,409	3,384,235,435
Borrowings	11	896,472,025	1,221,694,623
Due to related parties	24	117,866,149	37,775,333
Current income tax liabilities		102,800,764	79,969,306
<b>Total current liabilities</b>		<b>4,958,186,347</b>	4,723,674,697
<b>Total liabilities</b>		<b>9,417,831,703</b>	8,848,948,994
<b>Total equity and liabilities</b>		<b>17,524,658,708</b>	15,628,513,216
<b>Net current assets</b>		<b>337,950,732</b>	121,748,493
<b>Total assets less current liabilities</b>		<b>12,566,472,361</b>	10,904,838,519

The notes on pages 33 to 70 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 2017

	Note	Unaudited Six months ended 30 June	
		2017 HK\$	2016 HK\$
Revenue	6	6,307,520,020	5,666,328,422
Cost of sales		(4,381,521,987)	(3,893,849,634)
<b>Gross profit</b>		<b>1,925,998,033</b>	1,772,478,788
Selling and marketing costs		(1,088,809,774)	(910,786,386)
Administrative expenses		(344,913,429)	(348,305,667)
Other income and gains – net		16,526,405	1,197,747
<b>Operating profit</b>	15	<b>508,801,235</b>	514,584,482
Finance costs, net	16	(101,280,637)	(100,939,368)
<b>Profit before income tax</b>		<b>407,520,598</b>	413,645,114
Income tax expense	17	(86,806,053)	(92,290,289)
<b>Profit attributable to equity holders of the Company</b>		<b>320,714,545</b>	321,354,825
<b>Other comprehensive income:</b>			
<i>Item that may be reclassified to profit or loss</i>			
– Currency translation differences		306,518,763	(192,670,362)
<b>Total comprehensive income attributable to equity holders of the Company</b>		<b>627,233,308</b>	128,684,463
<b>Earnings per share for profit attributable to the equity holders of the Company</b>			
– basic	18	0.275	0.306
– diluted	18	0.275	0.306

The notes on pages 33 to 70 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 2017

	Note	Unaudited			Total HK\$
		Attributable to equity holders of the Company			
		Share capital HK\$	Share premium HK\$	Other reserves HK\$	
<b>Balance as at 1 January 2016</b>		99,908,769	1,688,013,706	3,159,837,388	4,947,759,863
Profit for the period		–	–	321,354,825	321,354,825
Other comprehensive income					
Item that may be reclassified to profit or loss					
– Currency translation differences		–	–	(192,670,362)	(192,670,362)
<b>Total comprehensive income for the six months ended 30 June 2016</b>		–	–	128,684,463	128,684,463
<b>Transaction with owners</b>					
Allotment of shares	9	10,589,703	1,358,735,030	–	1,369,324,733
Conversion of convertible notes	9	3,163,965	436,627,214	–	439,791,179
Dividends	19	–	–	(53,749,236)	(53,749,236)
<b>Transaction with owners</b>		13,753,668	1,795,362,244	(53,749,236)	1,755,366,676
<b>Balance as at 30 June 2016</b>		113,662,437	3,483,375,950	3,234,772,615	6,831,811,002
<b>Balance as at 1 January 2017</b>		<b>113,741,237</b>	<b>3,498,754,174</b>	<b>3,167,068,811</b>	<b>6,779,564,222</b>
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
<b>Total comprehensive income for the six months ended 30 June 2017</b>		–	–	627,233,308	627,233,308
<b>Transaction with owners</b>					
Allotment of shares	9	5,500,000	814,000,000	–	819,500,000
Employees share option scheme					
– Exercise of share options	10	172,000	32,266,080	(8,687,840)	23,750,240
Dividends	19	–	–	(143,220,765)	(143,220,765)
<b>Transaction with owners</b>		<b>5,672,000</b>	<b>846,266,080</b>	<b>(151,908,605)</b>	<b>700,029,475</b>
<b>Balance as at 30 June 2017</b>		<b>119,413,237</b>	<b>4,345,020,254</b>	<b>3,642,393,514</b>	<b>8,106,827,005</b>

The notes on pages 33 to 70 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 2017

	Note	Unaudited	
		Six months ended 30 June	
		2017	2016
		HK\$	HK\$
<b>Cash flows from operating activities:</b>			
– cash generated from operations		857,417,846	726,364,899
– interest paid		(112,582,430)	(82,019,490)
<b>Cash flows generated from operating activities – net</b>		<b>744,835,416</b>	644,345,409
<b>Cash flows from investing activities:</b>			
– purchases of property, plant and equipment		(565,520,651)	(599,666,936)
– cash (paid)/acquired through acquisition of subsidiaries	22,23	(40,731,481)	317,264,006
– purchases of intangible assets		(4,591,305)	(11,729,877)
– purchases of land use rights		(6,873,710)	(77,862,227)
– proceeds on disposal of property, plant and equipment		3,540,561	129,527
– government grants received		42,777,053	–
– interest received		5,819,206	1,876,626
<b>Cash flows used in investing activities – net</b>		<b>(565,580,327)</b>	(369,988,881)
<b>Cash flows from financing activities:</b>			
– dividends paid	19	(143,220,765)	(53,749,236)
– repayments of borrowings	11	(2,604,206,448)	(3,166,172,136)
– proceeds from borrowings	11	2,084,700,582	3,458,208,262
– proceeds from loans from a related party	11, 24	300,000,000	–
– repayments of loans from a related party	11, 24	–	(655,750,267)
– proceeds from shares issued	9	23,750,240	390,252,992
<b>Cash flows used in financing activities – net</b>		<b>(338,976,391)</b>	(27,210,385)
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(159,721,302)</b>	247,146,143
Cash and cash equivalents at beginning of the period		1,015,254,277	393,247,986
Exchange differences		59,181,986	(8,624,278)
<b>Cash and cash equivalents at end of the period</b>		<b>914,714,961</b>	631,769,851

## Non-cash transactions

The principal non-cash transaction is the issue of shares, convertible notes and shareholder loan as consideration for the acquisition disclosed in Note 22 and 23.

The notes on pages 33 to 70 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 2017

## 1 General information

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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.

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 Aktiebolag (publ) (“Essity”) in June 2017. Since 14 June 2017, Essity has become Vinda’s ultimate controlling shareholder in place of SCA.

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 2017.

This condensed consolidated interim financial information has not been audited.

## 2 Basis of preparation

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This condensed consolidated interim financial information for the six months ended 30 June 2017 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 2016, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

### 2.1 Going-concern basis

The Group meets its day-to-day working capital requirements through its bank facilities and loans from a related party. After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its condensed consolidated interim financial information.



### 3 Significant accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2016, as described in those annual financial statements.

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

#### 3.1 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

HKAS 7 (Amendments) "Statement of cash flows" is effective for annual periods beginning on or after 1 January 2017. The amendments introduced an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

Amendments to HKFRSs effective for the financial year ending 31 December 2017 do not have a material impact on the Group.

(b) Standards, amendments and interpretations to existing standards effective in 2017 but not relevant to the Group.

		<b>Effective for annual periods beginning on or after</b>
HKAS 12 (Amendments)	Income taxes	1 January 2017
HKFRS 12 (Amendment)	Disclosure of interest in other entities	1 January 2017

### 3 Significant accounting policies *(continued)*

#### 3.1 Changes in accounting policy and disclosures *(continued)*

- (c) The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning on 1 January 2017 and have not been early adopted by the Group:

		<b>Effective for annual periods beginning on or after</b>
HKFRS 1 (Amendment)	First time adoption of HKFRS	1 January 2018
HKFRS 2 (Amendments)	Share-based payment	1 January 2018
HKFRS 4 (Amendments)	Insurance contracts	1 January 2018
HKFRS 9	Financial instruments	1 January 2018 (i)
HKFRS 15	Revenue from contracts with customers	1 January 2018 (ii)
HK (IFRIC) 22	Foreign currency transactions and advance consideration	1 January 2018
HKAS 28 (Amendment)	Investments in associates and joint ventures	1 January 2018
HKAS 40 (Amendments)	Investment property	1 January 2018
HKFRS 16	Leases	1 January 2019 (iii)
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

Note:

- (i) HKFRS 9, *Financial Instruments*

HKFRS 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The Group has decided not to adopt HKFRS 9 until it becomes mandatory on 1 January 2018.

The Group does not expect the new guidance to have significant impact on the classification and measurement of its financial assets as the Group does not have:

- Debt instrument that are classified as available-for-sale financial assets;
- Debt instrument classified as held-to-maturity and measured at amortised cost;
- Equity investment measured at fair value through profit or loss.

### 3 Significant accounting policies *(continued)*

#### 3.1 Changes in accounting policy and disclosures *(continued)*

- (c) The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning on 1 January 2017 and have not been early adopted by the Group: *(continued)*

Note: *(continued)*

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

The new requirements affect the accounting for non-derivative financial liabilities that are designated at fair value through profit or loss. The changes in the fair value due to changes in the liability's own credit risk are recognized in other comprehensive income ("OCI"), unless such changes in fair value would create an accounting mismatch in profit or loss. There is no subsequent recycling of the amounts in OCI to profit or loss. The Group does not have financial liabilities subject to HKFRS 9 that are designated at fair value through profit or loss. The derecognition rules have been transferred from HKAS 39 *Financial Instruments: Recognition and Measurement* and have not been changed.

The new hedge accounting rules will align the accounting for hedging instruments more closely with the Group's risk management practices. The Group does not have any hedge instruments. Therefore, the Group does not expect any impact on the new hedge accounting rules.

The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through other comprehensive income, contract assets under HKFRS 15 *Revenue from Contracts with Customers*, lease receivables, loan commitments and certain financial guarantee contracts. The Group is still assessing the actual impact affected by the new model, it may result in an earlier recognition of credit losses for trade receivables. But according to the preliminary result, the financial impact is expected to be immaterial.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

The Group does not intend to adopt HKFRS 9 before its mandatory date.

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

HKFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and will supersede HKAS 18, HKAS 11 and a number of revenue related interpretations.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption. The new standard is effective for first interim periods within annual reporting periods beginning on or after 1 January 2018. The Group will adopt the new standard from 1 January 2018.

### 3 Significant accounting policies *(continued)*

#### 3.1 Changes in accounting policy and disclosures *(continued)*

- (c) The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning on 1 January 2017 and have not been early adopted by the Group: *(continued)*

Note: *(continued)*

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

When applying HKFRS 15, revenue shall be recognized by applying following steps:

- identify the contract with customer;
- identify the performance obligations in the contract;
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contracts;
- recognize revenue when (or as) the entity satisfies a performance obligation.

The Group engaged in providing paper and personal care consumer products business. The Group didn't introduce any customer loyalty programme which is likely to be affected by the new HKFRS 15.

Management has identified the following areas that are likely to be affected:

- bundle sales – the application of HKFRS 15 may result in the identification of separate performance obligations which could affect the timing of the recognition of revenue. But bundle sales is not the usual business model and the Group did not have large volume of bundle sales. The impact of this new standard is limited;
- rights of return – HKFRS 15 requires separate presentation on the balance sheet of the right to recover the goods from the customer and the refund obligation. Due to the large size and low value of the Group's products, the historical goods return rate is very low. The financial impact of applying new HKFRS 15 is not material.

Based on the preliminary assessment result, the Group does not expect a material impact on the adoption of new HKFRS 15.

The Group does not intend to adopt HKFRS 15 before its mandatory date.

- (iii) 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.

As at 30 June 2017, the Group has non-cancellable operating lease commitments of HK\$152.4 million. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

Management is still assessing the financial impact. 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.

The Group is assessing the full impact of the new standards, new interpretations and amendments to standards and interpretations. According to the preliminary assessment, other than the assessment results of HKFRS 9, 15 and 16 stated above, none of these is expected to have a significant effect on the consolidated financial statements of the Group.

### 3 Significant accounting policies *(continued)*

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#### 3.2 Foreign currency translation

(a) Functional and presentation currency

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

Following by the acquisition of SCA Hygiene Malaysia Sdn Bhd. ("SCA Malaysia") and its subsidiaries (together as "SCA Malaysia Group"), SCA Hygiene Korea Co. Ltd. ("SCA Korea") and SCA Taiwan Ltd. ("SCA Taiwan") (collectively, SCA Asia business), the Directors regarded the pricing strategy for certain intermediate holding companies shall change from RMB to HK\$ to better reflect their business circumstance change and business substance from 1 April 2016 (acquisition completion day) prospectively.

(b) Transactions and balances

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

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

(c) Group companies

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

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

### 3 Significant accounting policies *(continued)*

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#### 3.2 Foreign currency translation *(continued)*

(c) Group companies *(continued)*

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

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

### 4 Estimates

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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 2016.

### 5 Financial risk management

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#### 5.1 Financial risk factors

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

The interim condensed consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2016.

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

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

### 5 Financial risk management *(continued)*

#### 5.2 Liquidity risk

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

As at 30 June 2017, 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\$	Total Amount HK\$
<b>As at 30 June 2017</b>				
Bank loans and interest payables (i)	1,042,938,051	1,970,680,320	998,026,239	4,011,644,610
Loans from a related party and interest payables (i)	42,067,744	1,256,293,936	–	1,298,361,680
Trade payables	2,174,929,467	–	–	2,174,929,467
Other payables	554,312,971	–	–	554,312,971
<b>As at 31 December 2016</b>				
Bank loans and interest payables (i)	1,343,842,152	1,839,719,042	1,154,503,107	4,338,064,301
Loans from a related party and interest payables (i)	30,147,341	30,147,341	920,954,241	981,248,923
Other borrowings	5,589,715	–	–	5,589,715
Trade payables	1,570,545,171	–	–	1,570,545,171
Other payables	670,687,368	–	–	670,687,368

- (i) The interest on borrowings is calculated based on borrowings held as at 30 June 2017 and 31 December 2016 without taking account of future issues. Floating-rate interest is estimated using interest rate prevailing as at 30 June 2017 and 31 December 2016 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 2016.



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

### 6 Segment information

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

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

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

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

The Company is domiciled in Hong Kong. The amount of its revenue from external customers in Mainland China, Hong Kong and overseas for the six months ended 30 June 2017 is HK\$4,642,459,259 (for the six months ended 30 June 2016: HK\$4,482,928,639), HK\$520,898,878 (for the six months ended 30 June 2016: HK\$545,475,311) and HK\$1,144,161,883 (for the six months ended 30 June 2016: HK\$637,924,472) 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 2017	31 December 2016
	Unaudited HK\$	Audited HK\$
Total non-current assets other than deferred tax assets		
– Mainland China	8,636,853,236	7,225,031,254
– Hong Kong	1,056,291,138	1,131,212,210
– Overseas	2,231,521,779	2,158,621,232
Deferred tax assets	303,855,476	268,225,330
Total non-current assets	12,228,521,629	10,783,090,026

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

### 6 Segment information *(continued)*

The segment information for the six months ended 30 June 2017 and 2016 are as follows:

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

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

### 6 Segment information (continued)

Six months ended 30 June 2016	Six months ended 30 June 2016 (Unaudited)			Total HK\$
	Household paper products HK\$	Personal care products HK\$	Elimination HK\$	
Segment revenue	4,922,671,291	743,657,131	–	5,666,328,422
Segment results	546,690,688	40,095,054	–	586,785,742
Amortisation of trademarks, licences and contractual customer relationships	(9,931,073)	(15,488,214)	–	(25,419,287)
Segment profit	536,759,615	24,606,840	–	561,366,455
Other income and gains – net				1,197,747
Unallocated costs				(47,979,720)
Operating profit				514,584,482
Finance costs – net				(100,939,368)
Profit before income tax				413,645,114
Income tax expense				(92,290,289)
Profit for the period				321,354,825
<b>Other segment items included in the income statement</b>				
Depreciation of property, plant and equipment	(238,873,813)	(38,377,708)	–	(277,251,521)
Amortisation of leasehold land and land use rights, intangible assets other than trademarks, licences and contractual customer relationships	(11,280,507)	(2,060,654)	–	(13,341,161)
Additions to non-current assets	574,525,799	2,523,884,044	–	3,098,409,843

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

### 6 Segment information (continued)

As at 30 June 2017	As at 30 June 2017 (Unaudited)			Total HK\$
	Household paper products HK\$	Personal care products HK\$	Elimination HK\$	
Segment assets	13,390,563,483	3,824,158,878	–	17,214,722,361
Deferred income tax assets				303,855,476
Prepaid income tax recoverable				6,080,871
<b>Total assets</b>				<b>17,524,658,708</b>
Segment liabilities	7,988,098,990	1,119,450,505	–	9,107,549,495
Deferred income tax liabilities				207,481,444
Current income tax liabilities				102,800,764
<b>Total liabilities</b>				<b>9,417,831,703</b>

As at 31 December 2016	As at 31 December 2016 (Audited)			Total HK\$
	Household paper products HK\$	Personal care products HK\$	Elimination HK\$	
Segment assets	11,605,532,703	3,750,133,253	–	15,355,665,956
Deferred income tax assets				268,225,330
Prepaid income tax recoverable				4,621,930
<b>Total assets</b>				<b>15,628,513,216</b>
Segment liabilities	7,444,434,544	1,121,410,027	–	8,565,844,571
Deferred income tax liabilities				203,135,117
Current income tax liabilities				79,969,306
<b>Total liabilities</b>				<b>8,848,948,994</b>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

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

	Unaudited			
	Property, plant and equipment HK\$	Leasehold land and land use rights HK\$	Intangible assets HK\$	Investment properties HK\$
<b>Six months ended 30 June 2016</b>				
Opening net book amount as at 1 January 2016	6,261,216,698	387,818,653	1,306,968,419	–
Acquisition of subsidiaries (Note 22)	743,301,199	–	1,705,833,995	–
Additions	559,682,545	77,862,227	11,729,877	–
Disposals	(4,028,433)	–	–	–
Depreciation and amortisation (Note 15)	(277,251,521)	(4,848,203)	(33,912,245)	–
Exchange differences	(135,334,377)	(8,778,891)	(62,343,090)	–
Closing net book amount as at 30 June 2016	7,147,586,111	452,053,786	2,928,276,956	–
<b>Six months ended 30 June 2017</b>				
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 23)	345,346,510	578,105,752	–	–
Additions	509,731,036	6,873,710	4,591,305	–
Disposals	(5,316,315)	–	–	–
Transfers	(2,952,711)	–	–	2,952,711
Depreciation and amortisation (Note 15)	(327,727,148)	(8,342,371)	(48,267,315)	(153,200)
Exchange differences	247,123,058	26,475,629	81,313,821	46,985
Closing net book amount as at 30 June 2017	8,048,078,234	1,035,243,391	2,833,638,973	7,705,555

During the period, the Group has capitalized borrowing costs amounting to HK\$18,038,655 (for the six months ended 30 June 2016: HK\$5,590,098) on qualifying assets. Borrowing costs were capitalized at the weighted average rate of its general borrowings of 2.24% (for the six months ended 30 June 2016: 2.84%) per annum.

In March 2016, Vinda Personal Care (China) Limited merged two other subsidiaries in Hubei province. The related land use right, building and property certificates are pending for renewal as at 30 June 2017.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

### 8 Trade receivables, other receivables and prepayments

	As at	
	30 June 2017 Unaudited HK\$	31 December 2016 Audited HK\$
Trade receivables	1,603,317,460	1,677,649,089
Other receivables (Note (a))	312,215,858	228,601,718
Notes receivable	2,375,804	4,972,221
Prepayments	44,135,146	43,590,997
Less: Provision for impairment of trade receivables	(22,922,458)	(15,984,956)
	<b>1,939,121,810</b>	1,938,829,069

(a) Other receivables mainly comprised creditable 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 2017 and 31 December 2016 is as below:

	As at	
	30 June 2017 Unaudited HK\$	31 December 2016 Audited HK\$
Within 3 months	1,494,655,203	1,585,320,865
4 months to 6 months	73,324,654	62,558,295
7 months to 12 months	16,735,130	24,863,757
Over 1 year	18,602,473	4,906,172
	<b>1,603,317,460</b>	1,677,649,089

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

### 9 Share capital and share premium

	Number of authorised shares	Number of issued and fully paid shares	Unaudited Amount	
			Share capital HK\$	Share premium HK\$
<b>As at 1 January 2016</b>	80,000,000,000	999,087,686	99,908,769	1,688,013,706
<b>Opening balance as at 1 January 2016</b>	80,000,000,000	999,087,686	99,908,769	1,688,013,706
Allotment of shares (i)	–	105,897,034	10,589,703	1,358,735,030
Conversion of convertible notes (i)	–	31,639,653	3,163,965	436,627,214
<b>As at 30 June 2016</b>	80,000,000,000	1,136,624,373	113,662,437	3,483,375,950
<b>Opening balance as at 1 January 2017</b>	<b>80,000,000,000</b>	<b>1,137,412,373</b>	<b>113,741,237</b>	<b>3,498,754,174</b>
Employee share option scheme (Note 10)				
– Exercise of options	–	1,720,000	172,000	32,266,080
Allotment of shares (ii)	–	55,000,000	5,500,000	814,000,000
<b>As at 30 June 2017</b>	<b>80,000,000,000</b>	<b>1,194,132,373</b>	<b>119,413,237</b>	<b>4,345,020,254</b>

As at 30 June 2016 and 30 June 2017, the par value of authorised and issued ordinary shares is HK\$0.1 per share.

- (i) On 18 May 2016, the Company, Fu An International Company Limited (“Fu An”) and Merrill Lynch Far East Limited (“Merrill Lynch”) entered into an agreement, pursuant to which, Fu An engaged Merrill Lynch, as the placing agent to place 30,000,000 existing shares, at the placing price of HK\$13.25 per share, to certain independent investors.

Upon the completion of the placing on 23 May 2016, the Company issued 30,000,000 new shares to Fu An. The fair value of the shares issued was HK\$397,500,000 (HK\$13.25 per share). The related transaction costs of HK\$7,247,008 had been netted off with the actual proceeds.

On 1 April 2016, the Company allotted and issued 75,897,034 consideration shares at the market price of HK\$12.90 per share and 31,639,653 convertible notes to SCA Group Holding BV for the acquisition of entire issued share capital in SCA Malaysia Group, SCA Korea and SCA Taiwan, etc.

On 26 May 2016, SCA Group fully converted the convertible note into 31,639,653 shares at the market price of HK\$13.90 per conversion share.

- (ii) On 31 March 2017, the Company allotted and issued 55,000,000 consideration shares at the market price of HK\$14.90 per share to Fu An International Company Limited for the acquisition of entire issued share capital of Jiangmen Dynasty Fortune Paper Limited (Note 23).

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

### 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 2017 and 2016 were as follows:

	For the six months period ended 30 June			
	2017		2016	
	Unaudited		Unaudited	
	Weighted average exercise price in HK\$	Number of options	Weighted average exercise price in HK\$	Number of options
At 1 January	12.57	11,283,000	12.67	12,191,000
Exercised	13.81	(1,720,000)	–	–
Lapsed	–	–	14.06	(90,000)
At 30 June	12.35	9,563,000	12.66	12,101,000

Share options outstanding as at 30 June 2017 have the following expiry dates and exercise prices:

Expiry date	Exercise price HK\$ per share	Number of options
23 February 2019	2.98	460,000
14 April 2021	8.648	1,310,000
1 May 2022	14.06	6,674,000
1 May 2023	10.34	1,119,000



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

### 11 Borrowings

	As at	
	30 June 2017 Unaudited HK\$	31 December 2016 Audited HK\$
<b>Non-current</b>		
Unsecured bank borrowings	2,849,114,000	2,879,551,662
Loans from a related party (Note 24(c))	1,225,778,789	915,499,741
Total non-current borrowings	4,074,892,789	3,795,051,403
<b>Current</b>		
Portion of loans from banks due for repayment within one year – Unsecured	896,472,025	1,216,104,908
Other borrowings due for repayment within one year – Unsecured	–	5,589,715
Total current borrowings	896,472,025	1,221,694,623
<b>Total borrowings</b>	<b>4,971,364,814</b>	<b>5,016,746,026</b>

Movements in borrowings are analysed as follows:

	Unaudited HK\$
<b>Six months ended 30 June 2016</b>	
Opening amount as at 1 January 2016	4,738,538,802
Acquisition of subsidiaries (Note 22)	203,120,745
New borrowings	4,598,325,108
Repayments of borrowings	(3,821,922,403)
Exchange differences, net	(51,786,516)
Closing amount as at 30 June 2016	5,666,275,736
<b>Six months ended 30 June 2017</b>	
Opening amount as at 1 January 2017	5,016,746,026
Acquisition of a subsidiary (Note 23)	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

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

### 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 SCA Korea 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 amortization of unrecognized net transition obligation and gains or losses on plan assets. Unrecognized net transition obligation is amortized on a straight-line basis over 17 years.

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

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2017</b>	2016
	<b>HK\$</b>	HK\$
Current service costs	<b>762,315</b>	304,524
Interest costs	<b>254,833</b>	116,056
	<b>1,017,148</b>	420,580

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

	<b>As at</b>	
	<b>30 June</b>	31 December
	<b>2017</b>	2016
	<b>Unaudited</b>	Audited
	<b>HK\$</b>	HK\$
Present value of funded obligations	<b>51,261,064</b>	47,712,823
Fair value of plan assets	<b>(20,516,153)</b>	(15,406,829)
Present value of unfunded obligations	<b>4,593,438</b>	4,295,487
<b>Liability in the balance sheet</b>	<b>35,338,349</b>	36,601,481

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

### 13 Other non-current liabilities

	As at	
	30 June 2017 Unaudited HK\$	31 December 2016 Audited HK\$
Long term incentive plans (i)	8,993,752	–

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

#### Long term incentive plan for Executive Directors and CFO

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

As at 30 June 2017, the fair value of each CU granted determined by using the Binomial Model was HK\$4.66. The significant inputs into the model were share price at the valuation date, the grant price, volatility of 35%, dividend yield of 1.17%, and annual risk-free interest rate of 1.40%. 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 2017, the TSR is determined by using the Monte Carlo Simulation Model. The significant inputs into the model were annualized drift rate of 13.77% of the Company and 9.09% of the peer group, dividend yield of 1.14% of the Company and 2.30% of the peer group and annualized asset price volatility of 35.0% of the Company and 15.0% of the peer group matching the life of the incentive program.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

### 14 Trade payables, other payables and accrued expenses

	As at	
	30 June 2017 Unaudited HK\$	31 December 2016 Audited HK\$
Trade payables	2,174,929,467	1,570,545,171
Notes payable	157,832,765	143,880,249
Other payables	659,418,235	847,517,458
Accrued expenses	848,866,942	822,292,557
	<b>3,841,047,409</b>	3,384,235,435

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 2017 and 31 December 2016 is as follows:

	As at	
	30 June 2017 Unaudited HK\$	31 December 2016 Audited HK\$
Within 3 months	1,882,965,134	1,450,098,495
4 months to 6 months	439,030,532	259,108,821
7 months to 12 months	8,957,601	5,076,188
Over 1 year	1,808,965	141,916
	<b>2,332,762,232</b>	1,714,425,420

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

### 15 Operating profit

The following items have been (credited)/charged to the operating profit during the six months ended 30 June 2017 and 2016:

	Unaudited	
	Six months ended 30 June	
	2017	2016
	HK\$	HK\$
Amortisation of deferred government grants	(3,734,158)	(1,877,816)
Foreign exchange loss, net	11,202,972	13,708,788
Provision for impairment of receivables	6,497,666	9,189,652
Provision for impairment of inventories	1,357,673	907,468
Depreciation of property, plant and equipment (Note 7)	327,727,148	277,251,521
Amortisation of intangible assets (Note 7)	48,267,315	33,912,245
Amortisation of leasehold land and land use rights (Note 7)	8,342,371	4,848,203
Amortisation of investment properties (Note 7)	153,200	–
Loss on disposal of property, plant and equipment	1,775,754	3,898,906
Transaction cost in relation to acquisition of subsidiaries (Note 22 and 23)	525,562	3,025,820

### 16 Finance costs – net

	Unaudited	
	Six months ended 30 June	
	2017	2016
	HK\$	HK\$
Interest expenses	(95,845,750)	(83,483,801)
Other financial costs (i)	–	(18,664,352)
Net foreign exchange transaction losses	(11,254,093)	(667,841)
Interest income	5,819,206	1,876,626
Finance costs – net	(101,280,637)	(100,939,368)

(i) Other financial costs mainly comprise the change in fair value of convertible notes.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

### 17 Income tax expense

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

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

	Unaudited	
	Six months ended 30 June	
	2017	2016
	HK\$	HK\$
Current income tax		
– Overseas and Hong Kong profits tax	43,137,073	39,769,946
– PRC enterprise income tax	71,989,486	40,821,243
Deferred income tax	(28,320,506)	11,699,100
	<b>86,806,053</b>	92,290,289

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 2017 is 21.30% (the estimated average annual tax rate for the six months ended 30 June 2016 was 22.31%).



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

### 18 Earnings per share

#### (a) Basic

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

	Unaudited Six months ended 30 June	
	2017	2016
Profit attributable to equity holders of the Company (HK\$)	320,714,545	321,354,825
Weighted average number of ordinary shares in issue	1,166,070,672	1,048,472,966
Basic earnings per share (HK\$ per share)	0.275	0.306

#### (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	
	2017	2016
Profit attributable to equity holders of the Company (HK\$)	320,714,545	321,354,825
Weighted average number of ordinary shares in issue	1,166,070,672	1,048,472,966
Adjustments for share options	1,881,358	984,118
Weighted average number of ordinary shares for diluted earnings per share	1,167,952,030	1,049,457,084
Diluted earnings per share (HK\$ per share)	0.275	0.306

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

### 19 Dividends

On 27 January 2016, the Board of Directors proposed a final dividend in respect of the year ended 31 December 2015 of HK\$0.050 per ordinary share. The actual final dividends paid for the year ended 31 December 2015 was HK\$53,749,236 based on the 1,074,984,720 issued shares at that time.

On 25 January 2017, the Board of Directors proposed a final dividend in respect of the year ended 31 December 2016 of HK\$136,489,485, representing HK\$0.120 per ordinary share. The 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 18 July 2017, the Board of Directors has resolved to declare an interim dividend of HK\$0.05 per share (2016: HK\$0.05 per share). This interim dividend, amounting to HK\$59,706,619 (2016: HK\$56,831,219) based on the 1,194,132,373 issued shares as at 30 June 2017, 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 2017.

### 20 Commitments

#### (a) Capital Commitments

	As at	
	30 June 2017	31 December 2016
	Unaudited	Audited
	HK\$	HK\$
Property, plant and equipment and intangible assets	744,376,686	770,104,565

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

### 20 Commitments *(continued)*

#### (b) Commitments under operating leases

As at 30 June 2017, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	As at	
	30 June 2017 Unaudited HK\$	31 December 2016 Audited HK\$
Not later than one year	57,454,335	125,295,733
Later than one year but not later than two years	42,329,151	102,913,054
Later than two years but not later than five years	52,339,384	262,765,885
Later than five years	277,172	299,866,082
	<b>152,400,042</b>	790,840,754

### 21 Contingent liabilities

As at 30 June 2017 and 31 December 2016, the Group had no material contingent liabilities.

### 22 Business Combination

On 1 April 2016, the Group acquired 100% of the share capital of SCA Asia business at a consideration of HK\$2,561,252,078. The subsidiaries are as follows:

Subsidiaries acquired	Acquired interests %
SCA Malaysia	100%
SCA Korea	100%
SCA Taiwan	100%
PT SCA Hygiene Indonesia	100%
SCA Hygiene Singapore Pte Ltd.	100%
SCA Hygiene Marketing (M) Sdn. Bhd.	100%
SCA Hygiene (Thailand) Ltd.	100%

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

### 22 Business Combination (continued)

As a result of the acquisition, the Group is expected to increase its presence in Asian personal care markets, and to reduce costs through economies of scale. The goodwill of HK\$840,754,294 arising from the acquisition is attributable to the acquired customer base, economies of scale and synergy expected from combining the operations of the Group and these subsidiaries acquired.

The following table summarises the consideration paid for SCA Asia business, the fair value of assets acquired and liabilities assumed at the acquisition date.

Consideration as at 1 April 2016:	HK\$
– Cash by the way of shareholder loan	1,140,116,846
– Allotment of shares (Note 9)	979,071,739
– Convertible note	426,607,492
– Cash payables	15,456,001
<b>Total consideration</b>	<b>2,561,252,078</b>
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	317,264,006
Property, plant and equipment (Note 7)	743,301,199
Intangible assets (Note 7)	865,079,701
Inventories	253,767,285
Trade and other receivables	440,433,939
Deferred tax assets	20,103,747
Trade and other payables	(563,554,095)
Post-employment benefits	(36,468,537)
Borrowings (Note 11)	(203,120,745)
Deferred tax liabilities	(116,308,716)
<b>Total identifiable net assets</b>	<b>1,720,497,784</b>
Goodwill (Note 7)	840,754,294
	<b>2,561,252,078</b>

## 22 Business Combination *(continued)*

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Acquisition-related costs of HK\$3,025,820 have been charged to administrative expenses in the consolidated income statement for the period ended 30 June 2016.

The revenue included in the consolidated income statement since 1 April 2016 contributed by SCA Asia business was HK\$567,625,993. SCA Asia business also contributed net profit of HK\$16,396,527 over the same period.

Had SCA Asia business been consolidated from 1 January 2016, the Group's consolidated income statement would show pro-forma revenue of HK\$6,245,041,089 and net profit of HK\$333,954,319.

## 23 Acquisition of a subsidiary

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

The Group acquired Jiangmen Dynasty Fortune Paper Limited in order to obtain the ownership of the aforesaid leasing properties.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

### 23 Acquisition of a subsidiary (continued)

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
<b>Total consideration</b>	<b>924,275,889</b>
Assets and liabilities	
Property, plant and equipment (Note 7)	345,346,510
Land use rights (Note 7)	578,105,752
Prepayments to and receivables from related parties	62,930,074
Prepayments, deposits and other receivables	238,692
Cash and cash equivalents	23,059,438
Trade and other payables	(1,244,866)
Due to related parties	(34,917,774)
Current income tax liabilities	(1,669,004)
Borrowings (Note 11)	(47,572,933)
<b>Total identifiable net assets acquired</b>	<b>924,275,889</b>
Cash consideration	104,775,889
Less: cash and cash equivalents acquired	(23,059,438)
Less: due to a related party	(40,984,970)
<b>Net cash outflow</b>	<b>40,731,481</b>

Acquisition-related costs of HK\$525,562 have been charged to administrative expenses in the consolidated income statement for the period ended 30 June 2017.

## 24 Related-party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control.

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

Name of related party	Relationship
Uni-Charm Mölnlycke KK ("Uni-Charm")	Subsidiary of Essity Aktiebolag (publ)
Asaleo Care Australia Pty Ltd.	Associate of Essity Aktiebolag (publ)
Asaleo Care (Fiji) Limited	Associate of Essity Aktiebolag (publ)
SCA North America-Canada, Inc. ("SCA NAC")	Subsidiary of Essity Aktiebolag (publ)
SCA Yildiz Kagit ve Kisise ("SCA YKK")	Subsidiary of Essity Aktiebolag (publ)
Asaleo Care New Zealand Ltd.	Associate of Essity Aktiebolag (publ)
SCA Hygiene Products AB ("SCA HP")	Subsidiary of Essity Aktiebolag (publ)
SCA Hygiene Products India Pvt. Ltd. ("SCA HP India")	Subsidiary of Essity Aktiebolag (publ)
SCA Hygiene Products Hoogezand B.V. ("SCA HP Hoogezand B.V.")	Subsidiary of Essity Aktiebolag (publ)
SCA Hygiene Products Gennep B.V. ("SCA HP B.V.")	Subsidiary of Essity Aktiebolag (publ)
SCA (China) Holding Co., Ltd. ("SCA (China)")	Subsidiary of Essity Aktiebolag (publ)
SCA Malaysia	Subsidiary of Essity Aktiebolag (publ)
Everbeauty Industry (Shanghai) Co., Ltd. ("EB Shanghai")	Subsidiary of Essity Aktiebolag (publ)
SCA Singapore	Subsidiary of Essity Aktiebolag (publ)
SCA Consumidor Mexico, S.A. de C.V. ("SCA Mexico")	Subsidiary of Essity Aktiebolag (publ)
SCA Hygiene Sp. Z o.o ("SCA HP sp. Z o.o")	Subsidiary of Essity Aktiebolag (publ)
SCA Hygiene Products GmbH ("SCA GMBH")	Subsidiary of Essity Aktiebolag (publ)
SCA Hygiene Products GmbH Mainz– Kostheim ("SCA Kostheim")	Subsidiary of Essity Aktiebolag (publ)
SCA Graphic Sundsvall AB ("SCA GS AB")	Subsidiary of Svenska Cellulosa Aktiebolaget
SCA Logistics AB	Subsidiary of Svenska Cellulosa Aktiebolaget
SCA Hygiene Products GmbH Mannheim ("SCA Mannheim")	Subsidiary of Essity Aktiebolag (publ)



## 24 Related-party transactions *(continued)*

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

Name of related party	Relationship
SCA Hygiene Products Slovakia, S.R.O. ("SCA HPS, S.R.O.")	Subsidiary of Essity Aktiebolag (publ)
SCA Hygiene Products GmbH Neuss ("SCA HP Neuss")	Subsidiary of Essity Aktiebolag (publ)
SCA Tissue France SAS	Subsidiary of Essity Aktiebolag (publ)
SCA Hygiene Products GmbH Wiesbaden ("SCA Wiesbaden")	Subsidiary of Essity Aktiebolag (publ)
SCA Tissue North America LLC ("SCA LLC")	Subsidiary of Essity Aktiebolag (publ)
SCA Taiwan	Subsidiary of Essity Aktiebolag (publ)
SCA Hygiene Products SA-NV, Belgium ("SCA HP Belgium")	Subsidiary of Essity Aktiebolag (publ)
Fu An International Company Limited ("Fu An")	Shareholder
Jiangmen Dynasty Fortune Paper Limited ("Taiyuan Paper", formerly known as Jiangmen Taiyuan Paper Limited)	Subsidiary of Fu An
SCA Group Holding BV ("SCA BV")	Shareholder
SCA Personal Care Inc. ("SCA PC")	Subsidiary of Essity Aktiebolag (publ)
SCA GmbH	Subsidiary of Essity Aktiebolag (publ)
AB SCA Finans (Publ) ("SCA Finans")	Subsidiary of Essity Aktiebolag (publ)

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

### 24 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 2017 include:

	Unaudited	
	Six months ended 30 June	
	2017	2016
	HK\$	HK\$
(1) Sales of products to related parties:		
– Uni-Charm	48,678,821	26,716,322
– Asaleo Care Australia Pty Ltd	12,077,701	6,734,742
– Asaleo Care Fiji Ltd	3,787,769	1,490,944
– SCA NAC	2,060,525	638,075
– SCA YKK	1,810,642	397,501
– Asaleo Care New Zealand Ltd	1,719,162	2,250,585
– SCA HP	1,325,365	802,717
– SCA HP India	1,168,052	8,920,952
– SCA HP Hoogezand B.V.	611,090	–
– SCA HP B.V.	–	345,668
– SCA (China)	–	651,895
– SCA Malaysia (Note (a))	–	563,193
– EB Shanghai	–	191,280
– SCA Singapore (Note (a))	–	77,707
– SCA Mexico	–	12,871
	<b>73,239,127</b>	49,794,452

(a) On 1 April 2016, the Group acquired 100% equity interest in SCA Asia business. From the start of the following month, i.e. 1 April, 2016, SCA Malaysia Group, SCA Taiwan and SCA Korea were consolidated in the accounts of the Group as wholly-owned subsidiaries.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

### 24 Related-party transactions *(continued)*

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

	Unaudited	
	Six months ended 30 June	
	2017	2016
	HK\$	HK\$
(2) Purchase of products from related parties:		
– SCA HP sp. Z o.o	34,805,706	4,184,854
– SCA HP	21,747,882	10,021,894
– SCA HP B.V.	20,617,339	7,453,371
– SCA HP Hoogezand B.V.	12,870,062	3,849,390
– SCA GMBH	8,232,372	8,199,330
– SCA Kostheim	6,021,255	–
– SCA GS AB (Note (b))	4,767,544	–
– SCA Logistics AB (Note (b))	4,630,345	1,747,873
– SCA Mannheim	2,242,814	–
– SCA HPS S.R.O.	591,276	–
– SCA HP Neuss	529,129	158,721
– SCA Tissue France SAS	432,030	194,466
– SCA Wiesbaden	149,089	–
– SCA LLC	4,982	–
– SCA Taiwan (Note (a))	–	3,881,580
– SCA Malaysia (Note (a))	–	1,500,759
– EB Shanghai	–	922,544
– SCA HP Belgium	–	14,329
	<b>117,641,825</b>	<b>42,129,111</b>

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

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

### 24 Related-party transactions *(continued)*

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

	Unaudited	
	Six months ended 30 June	
	2017	2016
	HK\$	HK\$
(3) Rental expenses paid and prepaid to related parties:		
– Taiyuan Paper (Note (c))	17,859,200	36,830,225
– SCA (China)	–	997,980
	<b>17,859,200</b>	<b>37,828,205</b>

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

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

	Unaudited	
	Six months ended 30 June	
	2017	2016
	HK\$	HK\$
(4) Research and development expenses charged by the Group to a related party:		
– SCA HP	8,864,165	3,633,145

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

### 24 Related-party transactions *(continued)*

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

	Unaudited	
	Six months ended 30 June	
	2017	2016
	HK\$	HK\$
(5) IT costs charged to the Group by a related party:		
– SCA HP	6,216,454	6,690,046

	Unaudited	
	Six months ended 30 June	
	2017	2016
	HK\$	HK\$
(6) Loans from a related party:		
– SCA Finans (Note (d))	300,000,000	1,140,116,846

	Unaudited	
	Six months ended 30 June	
	2017	2016
	HK\$	HK\$
(7) Interest expenses accrued to a related party:		
– SCA Finans (Note (d))	19,486,742	26,630,736
– SCA BV	–	1,218,703
	19,486,742	27,849,439

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

### 24 Related-party transactions *(continued)*

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

- (d) On 19 December 2014, 1 April 2016 and 8 June 2017, the Group entered into three term facility agreements with SCA Finans, in relation to term loans of an aggregate amount not exceeding HK\$3,000,000,000, HK\$1,140,116,846 and HK\$400,000,000 (or an equivalent amount) respectively.

On 1 April 2016, the Group made one loan drawdown under the term facility agreements dated 1 April 2016 with principal amounts of HK\$1,140,116,846 to settle the consideration of SCA Asia business acquisition (Note 22). The loan's maturity date is 31 March 2019.

On 20 June 2017, the Group made one loan drawdown under the term facility agreement dated 8 June 2017 with principal amounts of HK\$300,000,000 and the loan's maturity date is 20 June 2019.

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2017</b>	2016
	<b>HK\$</b>	HK\$
(8) Key management compensation:		
Directors		
– Basic salaries, housing allowances, other allowances, benefits-in-kind, share-based payment and other benefits	<b>23,524,664</b>	13,768,595
Senior management		
– Basic salaries, housing allowances, other allowances, benefits-in-kind, share-based payment and other benefits	<b>20,365,718</b>	22,683,888
	<b>43,890,382</b>	36,452,483

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

### 24 Related-party transactions *(continued)*

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

	As at	
	30 June 2017 Unaudited HK\$	31 December 2016 Audited HK\$
(1) Trade and other receivables from related parties:		
– Uni-Charm	13,054,579	13,062,151
– Asaleo Care Australia Pty Ltd	6,205,105	6,811,813
– SCA HP India	5,139,236	21,050,527
– SCA HP	4,721,974	7,000,002
– SCA BV	3,175,904	3,811,325
– Asaleo Care Fiji Ltd	1,244,167	769,060
– SCA YKK	943,849	3,191
– SCA NAC	917,105	273,373
– Asaleo Care New Zealand Ltd	747,749	1,001,261
– Essity	300,000	–
– SCA HP Hoogezand B.V.	258,733	119,396
– SCA PC	31,517	–
– SCA GmbH	3,090	–
– SCA	–	300,000
– SCA Mexico	–	10,828
	<b>36,743,008</b>	54,212,927

All the above receivables are aged within 3 months based on invoice date as at 30 June 2017 and 31 December 2016.



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

### 24 Related-party transactions *(continued)*

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

	As at	
	30 June 2017 Unaudited HK\$	31 December 2016 Audited HK\$
(2) Rental prepayments to a related party:		
– Taiyuan Paper	–	51,984,349

	As at	
	30 June 2017 Unaudited HK\$	31 December 2016 Audited HK\$
(3) Trade and other payables to related parties:		
– Fu An	40,984,970	–
– SCA HP sp. Z o.o	31,876,991	3,805,151
– SCA HP	11,990,906	10,116,223
– SCA HP B.V.	8,907,077	6,121,384
– SCA HP Hoogezand B.V.	5,920,143	4,501,442
– SCA Kostheim	5,325,649	2,507,492
– SCA GMBH	4,238,921	837,646
– SCA Mannheim	1,121,871	143,274
– SCA HPS, S.R.O.	665,781	–
– SCA Tissue France SAS	261,528	55,667
– SCA HP Neuss	256,778	–
– SCA GmbH	12,556	11,231
– SCA (China)	5,317	5,159
– Essity	1,440	–
– Uni-Charm	1,245	–
– SCA LLC	–	1,375
– SCA Logistics AB	–	607,060
	<b>111,571,173</b>	<b>28,713,104</b>

All the above payables are aged within 3 months based on invoice date as at 30 June 2017 and 31 December 2016.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

### 24 Related-party transactions *(continued)*

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

	<b>As at</b>	
	<b>30 June 2017 Unaudited HK\$</b>	31 December 2016 Audited HK\$
(4) Loans from a related party: – SCA Finans (Note (e))	<b>1,225,778,789</b>	915,499,741
(5) Interest payable to a related party: – SCA Finans	<b>6,294,976</b>	9,062,229

- (e) As at 30 June 2017, loans from a related party represents long term loans with principal of RMB300,000,000 and HK\$880,116,846 respectively. The weighted average interest rate is 4.21%.