Vinda International Holdings Limited
維達國際控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 3331)

UNAUDITED INTERIM RESULTS FOR THE PERIOD ENDED 30 JUNE 2017

2017 INTERIM RESULTS HIGHLIGHTS

- **Solid revenue growth despite challenging competitive environment:**
  - Total revenue grew by 11.3% to HK$6,308 million, representing 6.8% of organic growth[1].
  - Organic growth[1] of mainland China in Q2 was close to double-digit, higher than that in Q1.

- **Stable Q2 gross profit margin quarter on quarter despite pulp price hike:**
  - Q2 gross profit margin was 30.6%, 0.2 pps higher than that in Q1 2017.

- **Strong EBITDA margin**
  - EBITDA grew by 7.5% and EBITDA margin stood at 14.2%, reflecting strong cash generation from our business.

- **Optimised Tissue product portfolio and launched Tissue in Malaysia:**
  - Revenue from Tissue segment was HK$5,073 million, representing 7.2% of organic growth[1].
  - Recorded strong growth in sales of softpack and wet wipes.
  - Launched tissue in Malaysia, with first shipment in May.

- **Increased revenue contribution from Personal Care segment:**
  - Revenue from Personal Care segment reached HK$1,235 million, accounting for 20% of the Group's total revenue (1H2016: 13%).
  - Incontinence care and feminine care delivered good revenue growth.

- **Maintained leading market position in E-commerce:**
  - Revenue growth from e-commerce stood out among various sales channels, accounting for 20% of the Group's total revenue.

- **Decrease in gearing level:**
  - Net gearing ratio[3] was 50% (year end of 2016: 59%).

- **Proposed interim dividend:**
  - An interim dividend of 5.0 HK cents per share is proposed (1H2016: 5.0 HK cents).

The Board of Directors (the "Board") of Vinda International Holdings Limited ("Vinda" or the "Company") is pleased to present the unaudited interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2017 (the "Period").

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

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[1] 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.

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[2] 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[3] 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[1] 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[4] 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[5]. 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[2] 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[4] 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[6], 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[7] and No. 3[8] 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.

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

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

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:

[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] *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.*

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

[4] *Segment result: Segment profit before amortization of trademarks, licences & contractual customer relationship*

[5] *Source: Kantar Worldpanel, based on sales value for the period 1-6 ended June 2017*

[6] *Source: Intage China first half 2016*

[7] *Source: Kantar Worldpanel, sales value MAT May 2017*

[8] *Source: Nielsen, volume share MAT May 2017*

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Unaudited	
		Six months ended 30 June	
		2017	2016
	Note	***HK$***	*HK$*
Revenue	*4*	**6,307,520,020**	5,666,328,422
Cost of sales		**(4,381,521,987)**	(3,893,849,634)
Gross profit		**1,925,998,033**	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
Operating profit	*5*	**508,801,235**	514,584,482
Finance costs, net	*6*	**(101,280,637)**	(100,939,368)
Profit before income tax		**407,520,598**	413,645,114
Income tax expense	*7*	**(86,806,053)**	(92,290,289)
Profit attributable to equity holders of the Company		**320,714,545**	321,354,825
Other comprehensive income:			
Item that may be reclassified to profit or loss			
– Currency translation differences		**306,518,763**	(192,670,362)
Total comprehensive income attributable to equity holders of the Company		**627,233,308**	128,684,463
Earnings per share for profit attributable to the equity holders of the Company			
– basic	*8(a)*	**0.275**	0.306
– diluted	*8(b)*	**0.275**	0.306

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Note	**Unaudited 30 June 2017** *HK$*	Audited 31 December 2016 *HK$*
ASSETS			
Non-current assets			
Property, plant and equipment	*10*	**8,048,078,234**	7,281,873,804
Leasehold land and land use rights	*10*	**1,035,243,391**	432,130,671
Intangible assets	*10*	**2,833,638,973**	2,796,001,162
Deferred income tax assets		**303,855,476**	268,225,330
Investment properties	*10*	**7,705,555**	4,859,059
Total non-current assets		**12,228,521,629**	10,783,090,026
Current assets			
Inventories		**2,405,557,300**	1,785,142,568
Trade receivables, other receivables and prepayments	*11*	**1,939,121,810**	1,938,829,069
Prepayments to and receivables from related parties		**36,743,008**	106,197,276
Cash and cash equivalents		**914,714,961**	1,015,254,277
Total current assets		**5,296,137,079**	4,845,423,190
Total assets		**17,524,658,708**	15,628,513,216
EQUITY			
Share capital		**119,413,237**	113,741,237
Share premium		**4,345,020,254**	3,498,754,174
Other reserves		**3,642,393,514**	3,167,068,811
Total equity		**8,106,827,005**	6,779,564,222

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (continued)

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Unaudited			
		Attributable to equity holders of the Company			
		Share capital	Share premium	Other reserves	Total
	Note	*HK$*	*HK$*	*HK$*	*HK$*
Balance as at 1 January 2016		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)
Total comprehensive income for the six months ended 30 June 2016		–	–	128,684,463	128,684,463
Transaction with owners					
Allotment of shares		10,589,703	1,358,735,030	–	1,369,324,733
Conversion of convertible notes		3,163,965	436,627,214	–	439,791,179
Dividends	*9*	–	–	(53,749,236)	(53,749,236)
Transaction with owners		13,753,668	1,795,362,244	(53,749,236)	1,755,366,676
Balance as at 30 June 2016		113,662,437	3,483,375,950	3,234,772,615	6,831,811,002
Balance as at 1 January 2017		113,741,237	3,498,754,174	3,167,068,811	6,779,564,222
Profit for the period		–	–	320,714,545	320,714,545
Other comprehensive income					
Item that may be reclassified to profit or loss					
– Currency translation differences		–	–	306,518,763	306,518,763
Total comprehensive income for the six months ended 30 June 2017		–	–	627,233,308	627,233,308
Transaction with owners					
Allotment of shares		5,500,000	814,000,000	–	819,500,000
Employees share option scheme					
– Exercise of share options		172,000	32,266,080	(8,687,840)	23,750,240
Dividends	*9*	–	–	(143,220,765)	(143,220,765)
Transaction with owners		5,672,000	846,266,080	(151,908,605)	700,029,475
Balance as at 30 June 2017		119,413,237	4,345,020,254	3,642,393,514	8,106,827,005

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	**Unaudited** **Six months ended 30 June** **2017** ***HK$***	 2016 *HK$*
Cash flows from operating activities:			
– cash generated from operations		**857,417,846**	726,364,899
– interest paid		**(112,582,430)**	(82,019,490)
Cash flows generated from operating activities – net		**744,835,416**	644,345,409
Cash flows from investing activities:			
– purchases of property, plant and equipment		**(565,520,651)**	(599,666,936)
– cash (paid)/acquired through acquisition of subsidiaries	*15*	**(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
Cash flows used in investing activities – net		**(565,580,327)**	(369,988,881)
Cash flows from financing activities:			
– dividends paid	*9*	**(143,220,765)**	(53,749,236)
– repayments of borrowings		**(2,604,206,448)**	(3,166,172,136)
– proceeds from borrowings		**2,084,700,582**	3,458,208,262
– proceeds from loans from a related party		**300,000,000**	–
– repayments of loans from a related party		**–**	(655,750,267)
– proceeds from shares issued		**23,750,240**	390,252,992
Cash flows used in financing activities – net		**(338,976,391)**	(27,210,385)
Net (decrease)/increase in cash and cash equivalents		**(159,721,302)**	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)
Cash and cash equivalents at end of the period		**914,714,961**	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 of SCA Asia business.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2017

1 GENERAL INFORMATION

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

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

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

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

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 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.

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

3 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:

		Effective for annual periods beginning on or after
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 our 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 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.

3 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*

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.

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;

3 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)

- 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 consolidation financial statements of the Group.

4 SEGMENT INFORMATION

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

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

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

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

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

4 SEGMENT INFORMATION (continued)

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

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

4 SEGMENT INFORMATION (continued)

	Six months ended 30 June 2016 (Unaudited)			
	Household paper products *HK$*	**Personal care products** *HK$*	**Elimination** *HK$*	**Total** *HK$*
Six months ended 30 June 2016				
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
Other segment items included in the income statement				
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

4 SEGMENT INFORMATION (continued)

	As at 30 June 2017 (Unaudited)			
	Household paper products	**Personal care products**	**Elimination**	**Total**
	HK$	***HK$***	***HK$***	***HK$***
As at 30 June 2017				
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
Total assets				**17,524,658,708**
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
Total liabilities				**9,417,831,703**

	As at 31 December 2016 (Audited)			
	Household paper products	**Personal care products**	**Elimination**	**Total**
	HK$	***HK$***	***HK$***	***HK$***
As at 31 December 2016				
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
Total assets				**15,628,513,216**
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
Total liabilities				**8,848,948,994**

5 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 10)*	**327,727,148**	277,251,521
Amortisation of intangible assets *(Note 10)*	**48,267,315**	33,912,245
Amortisation of leasehold land and land use rights *(Note 10)*	**8,342,371**	4,848,203
Amortisation of investment properties *(Note 10)*	**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 15)*	**525,562**	3,025,820

6 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.

7 INCOME TAX EXPENSE

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

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

	Unaudited	
	Six months ended 30 June	
	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
	86,806,053	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 21.3% (the estimated average annual tax rate for the six months ended 30 June 2016 was 22.3%).

8 EARNINGS PER SHARE

(a) Basic

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

	Unaudited	
	Six months ended 30 June	
	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

9 DIVIDENDS

On 27 January 2016, the Board 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 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 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.

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

	Unaudited			
	Property, plant and equipment *HK$*	**Leasehold land and land use rights** *HK$*	**Intangible assets** *HK$*	**Investment properties** *HK$*
Six months ended 30 June 2016				
Opening net book amount as at 1 January 2016	6,261,216,698	387,818,653	1,306,968,419	–
Acquisition of subsidiaries	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 5)*	(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	–
Six months ended 30 June 2017				
Opening net book amount as at 1 January 2017	**7,281,873,804**	**432,130,671**	**2,796,001,162**	**4,859,059**
Acquisition of a subsidiary *(Note 15)*	**345,346,510**	**578,105,752**	**–**	**–**
Additions	**509,731,036**	**6,873,710**	**4,591,305**	**–**
Disposals	**(5,316,315)**	**–**	**–**	**–**
Transfers	**(2,952,711)**	**–**	**–**	**2,952,711**
Depreciation and amortisation *(Note 5)*	**(327,727,148)**	**(8,342,371)**	**(48,267,315)**	**(153,200)**
Exchange differences	**247,123,058**	**26,475,629**	**81,313,821**	**46,985**
Closing net book amount as at 30 June 2017	**8,048,078,234**	**1,035,243,391**	**2,833,638,973**	**7,705,555**

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

During the period, the Group has capitalized borrowing costs amounting to HK$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.

11 TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

	As at	
	30 June 2017	31 December 2016
	Unaudited	Audited
	HK$	*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)
	1,939,121,810	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.

11 TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS (continued)

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	31 December
	2017	2016
	Unaudited	Audited
	HK$	*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
	1,603,317,460	1,677,649,089

12 TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES

	As at	
	30 June	31 December
	2017	2016
	Unaudited	Audited
	HK$	*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
	3,841,047,409	3,384,235,435

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

The credit period granted by the creditors generally ranged from 30 to 90 days. Ageing analysis of trade payables and notes payable as at 30 June 2017 and 31 December 2016 is as follows:

	As at	
	30 June 2017	31 December 2016
	Unaudited	Audited
	HK$	*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
	2,332,762,232	1,714,425,420

13 BORROWINGS

	As at	
	30 June 2017	31 December 2016
	Unaudited	Audited
	HK$	*HK$*
Non-current		
Unsecured bank borrowings	**2,849,114,000**	2,879,551,662
Loans from a related party	**1,225,778,789**	915,499,741
Total non-current borrowings	**4,074,892,789**	3,795,051,403
Current		
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
Total borrowings	**4,971,364,814**	5,016,746,026

13 BORROWINGS (continued)

Movements in borrowings are analysed as follows:

	Unaudited
	HK$
Six months ended 30 June 2016	
Opening amount as at 1 January 2016	4,738,538,802
Acquisition of subsidiaries	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
Six months ended 30 June 2017	
Opening amount as at 1 January 2017	5,016,746,026
Acquisition of a subsidiary *(Note 15)*	47,572,933
New borrowings	2,384,700,582
Repayments of borrowings	(2,604,206,448)
Exchange differences, net	126,551,721
Closing amount as at 30 June 2017	4,971,364,814

14 OTHER NON-CURRENT LIABILITIES

	As at	
	30 June 2017	31 December 2016
	Unaudited	Audited
	HK$	*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 approved two cash settled share-based long term incentive plans for the Executive Directors and CFO and the selected senior managements.

14 OTHER NON-CURRENT LIABILITIES (continued)

Long term incentive plan for Executive Directors and CFO

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

As at 30 June 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.

15 ACQUISITION OF A SUBSIDIARY

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

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

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

	HK$
Consideration as at 31 March 2017:	
– Allotment of shares	819,500,000
– Cash	104,775,889
Total consideration	**924,275,889**
Assets and liabilities	
Property, plant and equipment *(Note 10)*	345,346,510
Land use rights *(Note 10)*	578,105,752
Prepayments to and receivables from related parties	62,930,074
Prepayments, deposits and other receivables	238,692
Cash and cash equivalents	23,059,438
Trade and other payables	(1,244,866)
Due to related parties	(34,917,774)
Current income tax liabilities	(1,669,004)
Borrowings *(Note 13)*	(47,572,933)
Total identifiable net assets acquired	**924,275,889**
Cash consideration	104,775,889
Less: cash and cash equivalents acquired	(23,059,438)
Less: due to a related party	(40,984,970)
Net cash outflow	**40,731,481**

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.

Foreign Exchange and Fair Value Interest Rate Risk

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

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).

Charges on Group Assets

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).

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.

Purchase, Sale or Redemption of the Securities

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.

Corporate Governance

The Company is committed to maintaining a high standard of corporate governance practices by emphasizing a quality board of directors, sound internal control, transparency and accountability to all the shareholders of the Company. For the 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Directors' Securities Transactions

The Company has adopted a code for securities transactions by directors of the Company (the "Code of Conduct") on terms no less exacting than the required standard of the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. Having made specific enquiry with all the directors of the Company (the "Directors" or individually the "Director"), all of them confirmed that they have complied with the required standard set out in the Model Code and the Code of Conduct regarding securities transactions by the Directors during the six months ended 30 June 2017.

Audit Committee

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

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

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

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 duty of the risk management committee is to assist the Board in deciding the Group's risk level and risk appetite, advising on major decisions affecting the Group's risk profile or exposure and to give directions where appropriate, and reviewing and reporting to the Board the identified key risks, risk register and related risk mitigating actions including crisis management.

Executive Committee

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

Strategic Development Committee

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

Publication of Results Announcement and Interim Report

This announcement is published on the websites of the Company (www.vinda.com) and the Stock Exchange (www.hkexnews.hk). The 2017 interim report of the Company will be dispatched to the shareholders of the Company and available on the same websites in due course.

Acknowledgement

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

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

Hong Kong, 18 July 2017

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

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

Non-Executive Directors
Mr. Jan Christer JOHANSSON
Mr. Carl Magnus GROTH
Mr. Carl Fredrik Stenson RYSTEDT

Independent Non-Executive Directors
Mr. CHIA Yen On
Mr. KAM Robert
Mr. TSUI King Fai
Mr. WONG Kwai Huen, Albert

Alternate Directors
Mr. Gert Mikael SCHMIDT (alternate to Mr. JOHANSSON and Mr. GROTH)
Mr. Ulf Olof Lennart SODERSTROM (alternate to Mr. RYSTEDT)