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Vinda International Holdings Limited

維達國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3331)

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

HIGHLIGHTS

- **Robust revenue growth despite ongoing market volatility and challenging business environment:**
 - Revenue increased by 6.6% to HK\$9,680 million, with an organic sales increase¹ of 6.9%
 - Revenue in mainland China increased by 8.0% (at constant exchange rates)
 - E-commerce business increased by 14.3% (at constant exchange rates)
 - Personal care business in mainland China continued with strong momentum
- **Profit margins were negatively impacted by rising input cost and higher distribution costs, these impacts were partially mitigated through better selling prices, continuous product mix improvement and better operational efficiency:**
 - Gross profit was down by 8.7% to HK\$3,100 million
 - Net profit declined by 34.1% to HK\$638 million
- **Net gearing ratio² was 23.9%**
- **Basic earnings per share down by 34.2% to 53.0 HK cents**
- **An interim dividend of 10.0 HK cents per share has been declared**

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 2022 (the “**Period**” or “**H1 2022**”).

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

Throughout the first half of 2022, the Group demonstrated its robustness and resiliency despite on-going market volatility and challenging business environment. COVID containment measures in mainland China in response to COVID-19 resurgence has led to lower demand and logistic disruptions, while competition remains intense. The Group’s earnings were also negatively impacted by continuous rise in input and logistic costs.

Despite the dynamic and challenging environment, we had strong sales development. Premium categories and personal care continued to contribute to better product mix, and E-commerce business regained strong momentum in the second quarter. Market share performance also remained strong, demonstrating the strength of our brands and excellent trade execution. Staying focused on our premiumization and product mix improvement strategy, numerous new and exciting products – including significant, first-in-market innovations – were launched in mainland China and Hong Kong Special Administrative Region, China (the “**HKSAR**”) to target consumers in premium segments during the Period, with a positive market response.

We have implemented pricing initiatives, and enhanced cost management, to mitigate headwinds from raw material and other input costs increases.

We continued to invest in our brands and capabilities to achieve sustainable growth of our categories, and to ensure the Group’s ability to create long-term shareholder value.

Financial Highlights

In H1 2022, total revenue of the Group increased by 6.6% (growth at constant exchange rates: 6.9%) to HK\$9,680 million.

In terms of business segment, tissue and personal care segments contributed 82% and 18% of the Group’s total revenue, respectively. In terms of sales channel, traditional channel, key accounts managed supermarkets and hypermarkets, B2B corporate clients and e-commerce platforms accounted for 26%, 23%, 10% and 41%, respectively, of the total revenue. As the dominant consumption channel, e-commerce revenue recorded an organic sales increase of 14.3%.

Gross profit was down by 8.7% to HK\$3,100 million. Gross profit was negatively impacted by input costs pressures such as raw material, energy and distribution costs. The Group took decisive actions including multiple pricing initiatives in mitigating input cost pressures. Other mechanisms such as disciplined cost management and continuous product mix improvement were also deployed to allow the Group to maintain a stable gross margin at 32.0%.

EBITDA fell by 22.4% to HK\$1,418 million while EBITDA margin was narrowed by 5.5 percentage points (“**ppts**”) to 14.6%.

Total foreign exchange loss was HK\$22 million (H1 2021: HK\$7 million gain), of which HK\$26 million loss came from operating activities (H1 2021: HK\$6 million gain), and HK\$4 million gain was due to financing activities (H1 2021: HK\$1 million gain).

During the Period, the Group continued to invest in brand building, innovation and channel development to further strengthen market share and increase penetration so as to maintain its competitive advantages. The Group’s total selling & marketing costs as a percentage of sales slightly rose by 0.2 ppt to 19.6% while total administrative costs as a percentage of sales edged down by 0.1 ppt to 5.0%. Operating profit decreased by 37.5% to HK\$757 million while operating margin was down by 5.5 ppts to 7.8%.

Interest expenses from borrowings decreased by 42.3% to HK\$35 million primarily due to lower cost of borrowings. The effective interest rate was 2.2%, reduced by 0.4 ppt compared to the first half of 2021 (“**H1 2021**”).

Net gearing ratio was 23.9%.

The effective tax rate decreased by 3.8 ppts to 12.8%.

Net profit declined by 34.1% to HK\$638 million. The net profit margin narrowed by 4.0 ppts to 6.6%.

Basic earnings per share was 53.0 HK cents (H1 2021: 80.6 HK cents).

The Board has resolved to declare an interim dividend of 10.0 HK cents (H1 2021: 10.0 HK cents) per share for the Period.

Business Review

Tissue Segment

In the first half of 2022, the tissue segment accounted for HK\$7,963 million of revenue, an increase of 6.1% year-on-year or 5.9% at constant exchange rates, representing 82% of the Group's total revenue (H1 2021: 83%). Focus on the Group's premiumization strategy has contributed to an increased share of its premium portfolio. This effort to drive higher category margins helped to soften the impact of rising raw material costs and promotional pressures. Gross margin of the tissue segment was 31.6% (H1 2021: 37.8%). Market share remained strong and the Vinda brand continued to strengthen its market leading position³.

In mainland China, *Vinda* POWER-X™ made its debut as the very first washable kitchen towel in the market, with highly promising early results. In H1 2022, the Group continued to strengthen its premium offer to Chinese consumers with numerous innovations and product launches, such as *Vinda* Deluxe ultra-premium tissues with a luxurious, cashmere-like softness, *Tempo* Lotion facial tissues for a pampering, silky-soft experience, and *Tempo* Flash superabsorbent kitchen towels with seven times absorptive capacity. In the HKSAR, newly launched *Vinda 4D Deluxe* moist flushable toilet wipes and *Tempo* multipurpose kitchen towels with FabricAir™ technology also received a positive market response from consumers.

Despite being under COVID-19 related pressures, the *Tork* brand kept up steady progress in mainland China on the back of the pandemic and increased public hygiene awareness. Supported by impactful brand communication engaging customers and public to “Secure new standards of hygiene”, *Tork* professional hygiene solutions were newly installed during the Period at over 200 landmark properties nationwide, including commercial buildings, international airports, hotels, sports centers, and public washrooms.

Personal Care Segment

Revenue from the personal care business increased by 9.0% to HK\$1,717 million in H1 2022, which was a 11.7% increase at constant exchange rates and represented 18% of the Group's total revenue (H1 2021: 17%). Gross margin of the personal care segment was 34.1% (H1 2021: 35.3%). Growth was driven by the mainland China feminine care and incontinence care business development during the Period, reflecting the growing contribution of mainland China to the personal care category as a whole.

The *Libresse* brand maintained its high growth trajectory in feminine care category with impressive milestones. In March this year, sales of *Libresse* China on the popular social media platform, TikTok, ranked feminine hygiene category TOP 1 for Women's Day event. Series of live-streaming and ambassador campaigns combined with brand activations have helped to propel sales growth of *Libresse* China products, and deepen penetration with the *Libresse* brand that continues to win over a significant consumer base. Likewise, in Malaysia, *Libresse* retained its strong leadership⁴ in the feminine care category, and further widened its gap against competitors.

To fulfil the needs of a fast growing aging population in mainland China, the Group is constantly seizing new growth opportunities within the incontinence care category. In H1 2022, over 120 *Vinda* Health and *TENA* Experience Centres (維達健康•添寧體驗中心) speciality stores were established in 19 key cities nationwide, thus providing the *TENA* brand with a retail platform to engage directly with highly relevant consumers with personalised recommendations and even be their first point-of-contact at the start of their incontinence care journey. During the Period, *Dr. P* carried out more than 10 community group purchases with customers in combination with merchants, directly and quickly helping the elderly in need to overcome difficulties, gained consistent warm comments from loyal consumers and new consumers.

Southeast Asia is the stronghold of the Group's baby care business. To reinforce its leading baby care position⁵ in Malaysia, a key *Drypers* brand activation during the Period was the launch of a new brand film that generated over a million views through social media, parenting websites and online influencers, supporting *Drypers* to strengthen its brand image and competitiveness. In Singapore, a new digital campaign was launched to drive market penetration of the premium *Skinature* by *Drypers* baby diapers.

Production Capacity

The annual designed production capacity of the Group's papermaking facilities was 1,390,000 tons as at 30 June 2022, including the planned expansion of tissue production capacity in South, East and Central China, which have already carried out pre-operation tests, to cope with growing market demand. Construction of the Group's new Southeast Asia regional headquarters, state-of-the-art production facilities and modern innovation centre in Malaysia is progressing as planned and expected to be completed in 2022. The buildings and key infrastructure are in place, and the finished goods warehouse is already operational. The new regional hub will effectively strengthen *Vinda*'s regional supply chain footprint and support the Group's growth ambitions in Southeast Asia.

Human Resources Management and Internal Control

Employees at Vinda are central to the Group's sustainable growth. Vinda is committed to providing equal employment opportunities that are free from discrimination of any kind, such as gender, age, nationality, race, religion or sexual orientation. The Group offers fair and reasonable remuneration, performance incentive mechanism along with on-going career advancement training programs for employees.

During the Period, a total of 108,887 hours of training were conducted for a total of 10,288 participants.

We had a total of 11,790 employees as of 30 June 2022.

Vinda is committed to maintaining high standards of corporate governance. All employees are required to comply with Vinda's code of conduct. We regularly review and update our internal control policies, company procedures and guidelines to align with the latest external

In mainland China, we cooperated with local social work centers through Vinda Volunteer Service Team to fully support the front-line work of national nucleic acid testing and vaccination, and carried out related activities to give back to the society. In Malaysia, donations of *Drypers*, *TENA* and *Libresse* products were made to the non-profit Yayasan Foodbank that facilitates the distribution of these hygiene essentials to those in need. In Chinese Taiwan, we donated baby diapers and adult incontinence diapers to the social welfare institutions, such as Fund for Children and Families (家扶中心), this aims to improve the quality of life of the underprivileged.

Vinda Volunteer Team and Vinda Charity Foundation united to organise various social service activities. During the Period, 226 participants of Vinda volunteers spent 569.25 hours on social services.

Outlook

Looking ahead, we expect the market environment will remain challenging and volatile, with expected inflation in input costs and uncertainty as a result of the COVID-19 impacts in the near term.

Despite these challenges, we remain confident that the Group is extremely well-placed with a range of significant opportunities for growth ahead in China and Asia as the improved standards of living, demographic changes, and increased hygiene awareness have led to a persistent and rising demand for high quality, differentiated products related to hygiene and health. Aging populations are unlocking a new tier of consumers with incontinence care needs. The feminine care category is proving to be a growth driver in mainland China, with *Libresse* fast rising up as a challenger brand that fulfils the expectations of an emerging generation of young women. By staying close to these evolving market needs, leveraging our exceptional consumer insights and tapping on the growing demand in premium segments, Vinda is uniquely and strongly positioned to seize these vast opportunities – and create new ones – across our categories and channels.

Moving into the second half of 2022, we will continue to invest in brand building, innovation and commercial capabilities to further strengthen our market positions. We will continue to focus on accelerating growth in personal care and premium categories business, and we will continue to implement pricing initiatives and enhance cost management to mitigate headwinds from rising input costs, while balancing growth and market share.

Remarks

¹ *Organic sales increase: Year-on-year growth at constant exchange rates*

² *Net gearing ratio: Net debt divided by total shareholders' equity*

Net debt: Total debt including lease liabilities less cash and cash equivalents and restricted bank deposits

³ *Source: Kantar Worldpanel, mainland China sales value year-to-date at 30 June 2022*

⁴ *Source: Kantar Worldpanel, Malaysia sales value year-to-date at 22 May 2022*

⁵ *Source: Kantar Worldpanel, Malaysia sales value year-to-date at 22 May 2022*

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Unaudited	
		Six months ended 30 June	
		2022	2021
		HK\$	HK\$
	<i>Note</i>		
Revenue	4	9,680,375,460	9,084,530,139
Cost of sales		<u>(6,580,323,074)</u>	<u>(5,690,222,228)</u>
Gross profit		3,100,052,386	3,394,307,911
Selling and marketing costs		<u>(1,895,316,830)</u>	<u>(1,762,166,179)</u>
Administrative expenses		<u>(478,370,521)</u>	<u>(444,149,289)</u>
Net impairment losses on financial assets		<u>(4,926,048)</u>	<u>(18,475,590)</u>
Other income and gains – net		<u>35,479,427</u>	<u>41,046,946</u>
Operating profit		<u>756,918,414</u>	<u>1,210,563,799</u>
Finance income and costs – net	5	<u>(25,204,168)</u>	<u>(51,387,335)</u>
Share of post-tax loss of an associate		<u>(30,122)</u>	<u>(113,034)</u>
Profit before income tax		731,684,124	1,159,063,430
Income tax expense	6	<u>(93,968,894)</u>	<u>(191,870,845)</u>
Profit attributable to the equity holders of the Company		<u>637,715,230</u>	<u>967,192,585</u>
Other comprehensive (loss)/income:			
<i>Item that may be reclassified to profit or loss</i>			
– Currency translation differences		<u>(656,874,594)</u>	<u>58,743,852</u>
Total comprehensive (loss)/income attributable to the equity holders of the Company		<u>(19,159,364)</u>	<u>1,025,936,437</u>
Earnings per share for profit attributable to the equity holders of the Company			
– basic	7(a)	<u>0.530</u>	<u>0.806</u>
– diluted	7(b)	<u>0.530</u>	<u>0.805</u>

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited	Audited
		30 June	31 December
		2022	2021
<i>Note</i>		<i>HK\$</i>	<i>HK\$</i>
ASSETS			
Non-current assets			
Property, plant and equipment	9	10,761,023,115	11,225,685,513
Right-of-use assets	10	1,277,930,099	1,375,505,525
Intangible assets	9	2,525,045,023	2,646,685,234
Deferred income tax assets		516,510,537	568,181,251
Investment properties	9	2,242,476	2,421,930
Investment in an associate		2,092,569	2,122,690
		15,084,843,819	15,820,602,143
Total non-current assets			
Current assets			
Inventories		3,934,178,185	4,426,626,084
Trade and notes receivables	11	2,427,429,243	2,364,447,931
Other receivables	11	292,346,795	408,932,536
Prepayments	11	149,274,574	91,065,446
Due from related parties		49,688,244	43,969,461
Cash and cash equivalents		1,009,290,494	1,025,327,689
		7,862,207,535	8,360,369,147
Total current assets		7,862,207,535	8,360,369,147
Total assets		22,947,051,354	24,180,971,290
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital		120,327,537	120,126,537
Share premium		4,497,368,699	4,458,961,619
Other reserves		7,928,756,734	8,439,573,727
		12,546,452,970	13,018,661,883
Total equity		12,546,452,970	13,018,661,883

**INTERIM CONDENSED CONSOLIDATED BALANCE SHEET
(CONTINUED)**

		Unaudited 30 June 2022 HK\$	Audited 31 December 2021 HK\$
	<i>Note</i>		
LIABILITIES			
Non-current liabilities			
Borrowings	13	2,365,078,521	2,936,090,168
Loans from a related party	13	389,161,473	993,358,611
Lease liabilities	10	115,766,228	135,989,954
Deferred government grants		269,109,400	275,423,717
Deferred income tax liabilities		198,370,266	198,190,965
Post-employment benefits		8,813,854	9,372,989
Other non-current liabilities	14	<u>25,911,733</u>	<u>15,848,793</u>
Total non-current liabilities		<u>3,372,211,475</u>	<u>4,564,275,197</u>
Current liabilities			
Trade payables, other payables and accrued expenses	12	5,677,173,325	5,431,671,084
Contract liabilities		125,950,773	91,625,046
Borrowings	13	478,550,833	866,657,776
Loans from a related party	13	600,000,000	–
Lease liabilities	10	59,889,372	69,203,205
Due to related parties		16,053,922	19,748,675
Current income tax liabilities		<u>70,768,684</u>	<u>119,128,424</u>
Total current liabilities		<u>7,028,386,909</u>	<u>6,598,034,210</u>
Total liabilities		<u><u>10,400,598,384</u></u>	<u><u>11,162,309,407</u></u>
Total equity and liabilities		<u><u>22,947,051,354</u></u>	<u><u>24,180,971,290</u></u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited			
	Attributable to the equity holders of the Company			
	Share capital	Share premium	Other reserves	Total
	HK\$	HK\$	HK\$	HK\$
Balance as at 1 January 2021	119,947,437	4,428,374,681	7,119,034,916	11,667,357,034
Profit for the period	–	–	967,192,585	967,192,585
Other comprehensive income				
<i>Item that may be reclassified to profit or loss</i>				
– Currency translation differences	–	–	58,743,852	58,743,852
Total comprehensive income for the six months ended 30 June 2021	<u>–</u>	<u>–</u>	<u>1,025,936,437</u>	<u>1,025,936,437</u>
Transaction with owners				
Employees share option scheme				
– Exercise of share options	134,100	22,138,188	(5,934,408)	16,337,880
Dividends	–	–	(444,129,268)	(444,129,268)
Transaction with owners	<u>134,100</u>	<u>22,138,188</u>	<u>(450,063,676)</u>	<u>(427,791,388)</u>
Balance as at 30 June 2021	<u><u>120,081,537</u></u>	<u><u>4,450,512,869</u></u>	<u><u>7,694,907,677</u></u>	<u><u>12,265,502,083</u></u>
Balance as at 1 January 2022	120,126,537	4,458,961,619	8,439,573,727	13,018,661,883
Profit for the period	–	–	637,715,230	637,715,230
Other comprehensive loss				
<i>Item that may be reclassified to profit or loss</i>				
– Currency translation differences	–	–	(656,874,594)	(656,874,594)
Total comprehensive loss for the six months ended 30 June 2022	<u>–</u>	<u>–</u>	<u>(19,159,364)</u>	<u>(19,159,364)</u>
Transaction with owners				
Employees share option scheme				
– Exercise of share options	201,000	38,407,080	(10,347,480)	28,260,600
Dividends	–	–	(481,310,149)	(481,310,149)
Transaction with owners	<u>201,000</u>	<u>38,407,080</u>	<u>(491,657,629)</u>	<u>(453,049,549)</u>
Balance as at 30 June 2022	<u><u>120,327,537</u></u>	<u><u>4,497,368,699</u></u>	<u><u>7,928,756,734</u></u>	<u><u>12,546,452,970</u></u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited	
	Six months ended 30 June	
Note	2022	2021
	HK\$	HK\$
Cash flows from operating activities:		
– cash generated from operations	2,008,052,636	1,094,932,297
– interest paid	<u>(48,058,665)</u>	<u>(81,413,686)</u>
Cash flows generated from operating activities – net	<u>1,959,993,971</u>	<u>1,013,518,611</u>
Cash flows from investing activities:		
– purchases of property, plant and equipment	(576,524,807)	(824,914,674)
– purchases of intangible assets	(16,018,583)	(17,672,724)
– proceeds on disposal of property, plant and equipment	782,458	4,267,598
– government grants received	19,642,895	3,974,991
– interest received	<u>10,025,503</u>	<u>12,307,739</u>
Cash flows used in investing activities – net	<u>(562,092,534)</u>	<u>(822,037,070)</u>
Cash flows from financing activities:		
– dividends paid	(481,310,149)	(444,129,268)
– repayments of borrowings	13 (3,194,778,861)	(3,141,728,844)
– proceeds from borrowings	13 2,330,399,968	3,137,755,676
– proceeds from loan from a related party	13 –	300,000,000
– proceeds from shares issued	28,260,600	16,337,880
– lease payments for right-of-use assets excluding land use rights	<u>(40,305,025)</u>	<u>(41,589,734)</u>
Cash flows used in financing activities – net	<u>(1,357,733,467)</u>	<u>(173,354,290)</u>
Net increase in cash and cash equivalents	40,167,970	18,127,251
Cash and cash equivalents at beginning of the period	1,025,327,689	749,399,329
Exchange differences	<u>(56,205,165)</u>	<u>14,295,038</u>
Cash and cash equivalents at end of the period	<u><u>1,009,290,494</u></u>	<u><u>781,821,618</u></u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2022

1 GENERAL INFORMATION

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

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

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

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

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

This condensed consolidated interim financial information is presented in Hong Kong dollar (“**HK\$**”), unless otherwise stated. This condensed consolidated interim financial information was approved for issue on 20 July 2022 by the Board.

This condensed consolidated interim financial information has not been audited.

2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2022 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 2021, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) except for the adoption of new and amended standards as disclosed in Note 3.

3 SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2021, as described in those annual financial statements.

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

(a) New and amended standards adopted by the Group

A number of amended standards became applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

		Effective for annual periods beginning on or after
HKAS 16 (Amendments)	Property, Plant and Equipment: Proceeds before intended use	1 January 2022
HKAS 37 (Amendments)	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
HKFRS 3 (Amendments)	Reference to the Conceptual Framework	1 January 2022
AG 5 (Revised)	Merger Accounting for Common Control Combinations	1 January 2022
Annual Improvements to HKFRS Standards 2018 – 2020		1 January 2022

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

- (b) The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning on 1 January 2022 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
HKFRS 17	Insurance contracts	1 January 2023
HKAS 8 (Amendments)	Definition of Accounting Estimates	1 January 2023
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2023
HK Int 5 (2020)	Presentation of Financial Statements- Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies	1 January 2023
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

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

4 SEGMENT REVENUE

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.

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

4 SEGMENT REVENUE (Continued)

The Company is domiciled in HKSAR. The amount of its revenue from external customers in Mainland China, HKSAR and overseas for the six months ended 30 June 2022 is HK\$7,526,820,217 (for the six months ended 30 June 2021: HK\$6,957,159,620), HK\$583,343,849 (for the six months ended 30 June 2021: HK\$579,601,676) and HK\$1,570,211,394 (for the six months ended 30 June 2021: HK\$1,547,768,843) respectively.

The segment revenue for the six months ended 30 June 2022 and 2021 are as follows:

	Unaudited	
	Six months ended 30 June	
	2022	2021
	HK\$	HK\$
Household paper products	7,963,350,222	7,508,574,581
Personal care products	<u>1,717,025,238</u>	<u>1,575,955,558</u>
Total	<u><u>9,680,375,460</u></u>	<u><u>9,084,530,139</u></u>

5 FINANCE INCOME AND COSTS – NET

	Unaudited	
	Six months ended 30 June	
	2022	2021
	HK\$	HK\$
Interest expense		
– Borrowings	(35,260,544)	(61,086,797)
– Lease liability	(3,763,701)	(3,623,559)
Foreign exchange gain – net	3,794,574	1,015,282
Interest income		
– Bank deposits	<u>10,025,503</u>	<u>12,307,739</u>
Net finance costs	<u><u>(25,204,168)</u></u>	<u><u>(51,387,335)</u></u>

6 INCOME TAX EXPENSE

The applicable corporate income tax rate for Mainland China subsidiaries is 25% except for subsidiaries which are qualified as High and New Technology Enterprises and would be entitled to enjoy a beneficial tax rate of 15%. The subsidiaries may additionally deduct 100% of qualified research and development

7 EARNINGS PER SHARE (Continued)

(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	
	2022	2021
Profit attributable to equity holders of the Company (HK\$)	<u>637,715,230</u>	<u>967,192,585</u>
Weighted average number of ordinary shares in issue	1,202,590,748	1,199,976,583
Adjustments for share options	<u>202,177</u>	<u>1,572,749</u>
Weighted average number of ordinary shares for diluted earnings per share	<u>1,202,792,925</u>	<u>1,201,549,332</u>
Diluted earnings per share (HK\$ per share)	<u>0.530</u>	<u>0.805</u>

8 DIVIDENDS

On 25 May 2022, the resolution to declare a final dividend of HK\$0.40 per ordinary share for the year ended 31 December 2021 was passed at the Annual General Meeting of the Company. The final dividend totalling HK\$481,310,149 has been paid on 10 June 2022 based on the number of issued shares outstanding at that time.

On 20 July 2022, the Board has resolved to declare an interim dividend of HK\$0.10 per share (2021: HK\$0.10 per share). This interim dividend, amounting to HK\$120,327,537 (2021: HK\$120,081,537) based on the 1,203,275,373 issued shares as at 30 June 2022, 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 2022.

9 PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS AND INVESTMENT PROPERTIES

	Unaudited		
	Property, plant and equipment HK\$	Intangible assets HK\$	Investment properties HK\$
Six months ended 30 June 2021			
Opening net book amount as at 1 January 2021	10,117,404,823	2,746,074,511	3,167,484
Additions	942,532,838	17,672,724	–
Disposals	(4,815,840)	–	–
Depreciation and amortisation	(506,173,107)	(56,669,711)	(83,624)
Impairment	(49,947)	–	–
Exchange differences	73,593,275	(31,761,737)	28,625
	<u>10,622,492,042</u>	<u>2,675,315,787</u>	<u>3,112,485</u>
Closing net book amount as at 30 June 2021			
Six months ended 30 June 2022			
Opening net book amount as at 1 January 2022	11,225,685,513	2,646,685,234	2,421,930
Additions	585,460,334	16,018,583	–
Disposals	(865,156)	–	–
Depreciation and amortisation	(548,854,374)	(58,645,299)	(75,126)
Exchange differences	(500,403,202)	(79,013,495)	(104,328)
	<u>10,761,023,115</u>	<u>2,525,045,023</u>	<u>2,242,476</u>
Closing net book amount as at 30 June 2022			

During the Period, the Group has capitalized borrowing costs amounting to HK\$15,090,891 (for the six months ended 30 June 2021: HK\$17,715,650) on qualifying assets.

10 LEASES

	As at	
	30 June 2022 Unaudited HK\$	31 December 2021 Audited HK\$
Right-of-use assets		
– Land use rights	1,108,932,070	1,174,865,671
– Buildings	161,230,132	199,192,476
– Equipment and others	7,767,897	1,447,378
	<u>1,277,930,099</u>	<u>1,375,505,525</u>
Total right-of-use assets		
	<u>1,277,930,099</u>	<u>1,375,505,525</u>
Lease liabilities		
– Current	59,889,372	69,203,205
– Non-current	115,766,228	135,989,954
	<u>175,655,600</u>	<u>205,193,159</u>
Total lease liabilities		
	<u>175,655,600</u>	<u>205,193,159</u>

Expenses have been charged to the consolidated statement of comprehensive income as follows:

	Unaudited	
	Six months ended 30 June	
	2022 HK\$	2021 HK\$
Depreciation of right-of-use assets		
– Land use rights	14,708,869	14,590,618
– Buildings	37,551,906	37,304,350
– Equipment and others	1,177,424	753,266
	<u>53,438,199</u>	<u>52,648,234</u>
	<u>53,438,199</u>	<u>52,648,234</u>

11 TRADE AND NOTES RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

	As at	
	30 June 2022 Unaudited HK\$	31 December 2021 Audited HK\$
Trade receivables	2,466,831,697	2,402,597,765
Notes receivable	10,898,200	11,215,889
Less: Provision for impairment of receivables	<u>(50,300,654)</u>	<u>(49,365,723)</u>
Trade and notes receivables – net	2,427,429,243	2,364,447,931
Other receivables (<i>Note (a)</i>)	292,346,795	408,932,536
Prepayments	<u>149,274,574</u>	<u>91,065,446</u>
	<u>2,869,050,612</u>	<u>2,864,445,913</u>

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

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

Ageing analysis of trade receivables of the Group based on invoice date as at 30 June 2022 and 31 December 2021 is as below:

	As at	
	30 June 2022 Unaudited HK\$	31 December 2021 Audited HK\$
Within 3 months	2,274,864,705	2,250,304,720
4 months to 6 months	133,248,689	90,608,818
7 months to 12 months	15,083,853	43,055,961
Over 1 year	<u>43,634,450</u>	<u>18,628,266</u>
	<u>2,466,831,697</u>	<u>2,402,597,765</u>

12 TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES

	As at	
	30 June 2022 Unaudited HK\$	31 December 2021 Audited HK\$
Trade payables	2,730,555,963	2,322,244,652
Notes payable	293,834,574	351,765,967
Other payables	963,469,106	1,112,904,332
Accrued expenses	1,689,313,682	1,644,756,133
	<u>5,677,173,325</u>	<u>5,431,671,084</u>

The credit period granted by the creditors generally ranged from 30 to 180 days. Ageing analysis of trade payables and notes payable as at 30 June 2022 and 31 December 2021 based on invoice date is as follows:

	As at	
	30 June 2022 Unaudited HK\$	31 December 2021 Audited HK\$
Within 3 months	2,322,256,921	1,931,209,078
4 months to 6 months	700,042,413	742,272,082
7 months to 12 months	1,958,110	105,059
Over 1 year	133,093	424,400
	<u>3,024,390,537</u>	<u>2,674,010,619</u>

13 BORROWINGS

	As at	
	30 June 2022 Unaudited HK\$	31 December 2021 Audited HK\$
Non-current – unsecured		
Bank borrowings	2,365,078,521	2,936,090,168
Loans from a related party	<u>389,161,473</u>	<u>993,358,611</u>
Total non-current borrowings	<u>2,754,239,994</u>	<u>3,929,448,779</u>
Current – unsecured		
Bank borrowings	478,550,833	866,657,776
Loans from a related party	<u>600,000,000</u>	<u>–</u>
Total current borrowings	<u>1,078,550,833</u>	<u>866,657,776</u>
Total borrowings	<u>3,832,790,827</u>	<u>4,796,106,555</u>

Movements in borrowings are analysed as follows:

	Unaudited HK\$
Six months ended 30 June 2021	
Opening amount as at 1 January 2021	4,731,890,823
New borrowings and loans from a related party	3,437,755,676
Repayments of borrowings	(3,141,728,844)
Exchange differences	<u>31,070,779</u>
Closing amount as at 30 June 2021	<u><u>5,058,988,434</u></u>
Six months ended 30 June 2022	
Opening amount as at 1 January 2022	4,796,106,555
New borrowings	2,330,399,968
Repayments of borrowings	(3,194,778,861)
Exchange differences	<u>(98,936,835)</u>
Closing amount as at 30 June 2022	<u><u>3,832,790,827</u></u>

14 LONG-TERM INCENTIVE PLANS

	As at	
	30 June	31 December
	2022	2021
	Unaudited	Audited
	HK\$	HK\$
Long-term incentive plans	<u>25,911,733</u>	<u>15,848,793</u>

On 17 September 2020, the Board of Directors approved a cash settled long term incentive plan for Directors, selected management and employees.

A total of 12,648,000 Option Equivalent Units (“**OEUs**”) were granted to Directors, selected management and employees at a nominal price of HK\$21.83. The exercise price of an OEU will be the stock price at the time of exercise. The exercise price of an OEU is capped at HK\$43.66. The vesting period is from 30 October 2020 to 30 October 2023.

As at 30 June 2022, the fair value of OEU granted was determined by using the Binomial Model. The fair value of OEU in management’s plan was HK\$3.6600 and the fair value of OEU in Directors and senior managements’ plan was HK\$3.6900.

The significant inputs into the model were share price at the valuation date, the grant price, volatility of 35.00%, dividend yield of 1.44%, and annual risk-free interest rate of 2.70%. 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.

The charges of the long-term incentive plans for six months ended 30 June 2022 and 2021 was amounted to HK\$10,415,385 and HK\$16,115,191 respectively.

Foreign Exchange and Fair Value Interest Rate Risk

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

Liquidity, Financial Resources and Borrowings

The Group's financial position remained healthy. As at 30 June 2022, the Group's bank and cash balances amounted to HK\$1,009,290,494 (31 December 2021: HK\$1,025,327,689), and short-term and long-term loans amounted to HK\$3,832,790,827 (31 December 2021: HK\$4,796,106,555), including the loans from a related party amounting to HK\$989,161,473 (31 December 2021: HK\$993,358,611). 71.9% of the borrowings are long-term (31 December 2021: 81.9%). The annual interest rates of bank loans ranged from 0.57% to 3.75%.

As at 30 June 2022, the net gearing ratio, which was calculated on the basis of the amount of net debt as a percentage of the total shareholders' equity, was 23.9% (31 December 2021: 30.5%).

As at 30 June 2022, unutilized credit facilities amounted to approximately HK\$7.87 billion (31 December 2021: HK\$7.33 billion).

Charges on Group Assets

As at 30 June 2022, the Group did not have any charges on assets (31 December 2021: nil).

Contingent Liabilities

As at 30 June 2022, the Group had no material contingent liabilities (31 December 2021: nil).

Interim Dividend

The Board has resolved to declare an interim dividend of HK\$0.10 per share for the Period (2021: HK\$0.10 per share) totaling approximately HK\$120,327,537, based on the 1,203,275,373 issued shares outstanding as at 30 June 2022. The interim dividend will be paid on or about 7 September 2022 to shareholders whose names appear on the register of members of the Company on 24 August 2022.

Closure of Register of Members

The register of members of the Company will be closed from 22 August 2022 to 24 August 2022, both days inclusive, during which period no transfer of shares will be registered. In order to establish entitlement to the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in HKSAR, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, HKSAR, not later than 4:30 p.m. on 19 August 2022 for registration of transfer.

Purchase, Sale or Redemption of the Securities

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the Period.

Corporate Governance

The Company is committed to maintaining a high standard of corporate governance practices by emphasizing a quality Board, sound internal control, transparency and accountability to all the shareholders of the Company. For the Period, the Company has complied with all the code provisions set out in the Corporate Governance Code, as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Directors' Securities Transactions

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

Audit Committee

The Company’s audit committee (the “**Audit Committee**”) has four members comprising three Independent Non-Executive Directors, namely, Mr. TSUI King Fai, Mr. WONG Kwai Huen, Albert and Mr. LAW Hong Ping, Lawrence and a Non-Executive Director, Mr. Carl Fredrik Stenson RYSTEDT. The chairman of the Audit Committee is Mr. TSUI King Fai. The Audit Committee is accountable to the Board and the principal duties of the Audit Committee include the review and supervision of the financial reporting process. It also reviews the effectiveness of internal audit, internal controls and risk evaluation. The unaudited interim results and interim report of the Company for the Period have been reviewed by the Audit Committee.

Remuneration Committee

The Company’s remuneration committee (the “**Remuneration Committee**”) has five members comprising three Independent Non-Executive Directors, namely Mr. TSUI King Fai, Ms. LEE Hsiao-yun Ann and Mr. LAW Hong Ping, Lawrence, and two Non-Executive Directors, namely, Mr. Johann Christoph MICHALSKI and Mr. Jan Christer JOHANSSON. The chairman of the Remuneration Committee is Mr. TSUI King Fai. The Remuneration Committee is responsible for formulating and making recommendation to the Board on the Group’s remuneration policy, the determination of specific remuneration packages of senior management and making recommendations to the Board on the remuneration packages of individual Executive Directors and the remuneration of Non-Executive Directors. It takes into consideration factors such as salaries paid by comparable companies, time commitment and responsibilities of Directors and senior management, employment conditions elsewhere in the Group and desirability of performance-based remuneration.

Nomination Committee

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

Risk Management Committee

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

Executive Committee

The Company's executive committee (the "**Executive Committee**") comprises four members and is chaired by Mr. LI Chao Wang, an Executive Director. The other members are also all Executive Directors, namely Ms. YU Yi Fang, Mr. DONG Yi Ping and Ms. LI Jielin. The duties of the Executive Committee include to develop and make recommendations to the Board on the Company's annual budgets, CAPEX budget, material business plans, and to review and approve proposals for restructuring and major asset disposal as well as individual annual salary increases for senior executives of the Group within the annual budget approved by the Remuneration Committee.

Strategic Development Committee

The Company's strategic development committee (the "**Strategic Development Committee**") comprises four members and is chaired by Mr. Jan Christer JOHANSSON, a Non-Executive Director. The other members are two Executive Directors, namely, Mr. DONG Yi Ping and Ms. LI Jielin and a Non-Executive Director, Mr. Johann Christoph MICHALSKI. 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; and (b) to monitor, review and advise the implementations of strategic plans.

Publication of Results Announcement and Interim Report

This announcement is published on the websites of the Company (www.vinda.com) and The Stock Exchange of Hong Kong Limited (www.hkexnews.hk). The 2022 interim report of the Company will be dispatched to the shareholders of the Company and be made 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 during the Period.

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

HKSAR, 20 July 2022

