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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 2021

HIGHLIGHTS

- **Strong underlying momentum, total revenue up by 19.0%**
 - Total revenue increased by 19.0% to HK\$9,085 million in the first half of the year
 - Continuous market share gain, strengthening leading position in Mainland China tissue market
 - E-commerce business grew by 26.0% (at constant exchange rate)
 - Feminine care business in Mainland China delivered prominent sales data
- **Good profit level, cost remained stable**
 - Gross profit increased by 15.4% to HK\$3,394 million
 - Net profit increased by 6.0% to HK\$967 million
- **Net gearing ratio¹ was 36.4%**
- **Basic earnings per share rose by 5.6% to 80.6 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 2021 (the “**Period**” or “**H1 2021**”).

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

In H1 2021, the progress in the pandemic control varied in different countries we operate in, the business environment remained uncertain. The global economic recovery accelerated and the demand situation fluctuated, leading to a continuous price hike among various commodities. With our clear strategic positioning and continuous optimisation of product portfolio, the Group had delivered good profitability and showed resilience in maintaining business growth.

Financial Highlights

In H1 2021, total revenue of the Group increased by 19.0% (growth at a constant exchange rate: 11.0%) to HK\$9,085 million.

In terms of business segment, tissue and personal care segments contributed 83% and 17% of total revenue, respectively. A breakdown of the revenue by sales channel showed that traditional distributors, key account managed supermarkets and hypermarkets, professional hygiene and e-commerce business accounted for 27%, 24%, 11% and 38%, respectively, of the total revenue. The pandemic has accelerated changes in consumption habits with e-commerce highly favored, recording a 26% organic growth².

The Group increased its raw materials inventory level in 2020 to prepare for any possible international logistic disruption. The additional inventory in stock helped to reduce the increasing cost pressure from raw materials in H1 2021. In H1 2021, gross profit rose by 15.4% to HK\$3,394 million, and the gross margin maintained at a relatively high level of 37.4%.

EBITDA edged up by 0.4% to HK\$1,826 million while EBITDA margin was narrowed by 3.7 percentage points (“**ppts**”) to 20.1%.

Total foreign exchange gain was HK\$7 million (H1 2020: HK\$11 million loss), of which HK\$6 million gain came from operating activities (H1 2020: HK\$13 million loss), and HK\$1 million gain was due to financing activities (H1 2020: HK\$2 million gain).

During the Period, the Group continued to invest in brand building and the promotion of personal care products in Mainland China market, where market competition and investments have fully returned to normal levels after the pandemic outbreak. The Group’s total selling & marketing costs as a percentage of sales increased by 2.8 ppts to 19.4% while total administrative costs as a percentage of sales edged down by 0.6 ppt to 5.1%. Operating profit decreased by 3.7% to HK\$1,211 million while operating margin narrowed by 3.2 ppts to 13.3%.

Interest expenses decreased by 25.3% to HK\$65 million primarily due to lower cost of borrowings during the Period. The effective interest rate was 2.6%, down by 1.1 ppts compared to the first half of 2020 (“**H1 2020**”).

Net gearing ratio was 36.4%.

The effective tax rate decreased by 6.2 ppts to 16.6%.

Net profit grew by 6.0% to HK\$967 million. The net profit margin narrowed by 1.4 ppts to 10.6%.

Basic earnings per share was 80.6 HK cents (H1 2020: 76.3 HK cents).

The Board has resolved to declare an interim dividend of 10.0 HK cents (H1 2020: 10.0 HK cents) per share for the Period.

Business Review

Tissue Segment

Revenue from the tissue segment increased by 20.3% to HK\$7,509 million, representing growth of 11.7% at a constant exchange rate, which accounted for 83% of the Group's total revenue (H1 2020: 82%). The market for premium products brings great opportunity for the Group's business expansion. The proportion of premium product portfolio increased steadily to over 28% of the total revenue of the Group, further reinforcing our leading tissue market position³ in Mainland China. The gross margin of the tissue segment was 37.8% (H1 2020: 39.4%).

The market share of China tissue business reached 19.0% in the second quarter of 2021⁴. *Vinda* cooperated with the Summer Palace (頤和園), an owner of trendy intellectual property (IP) of Chinese heritage, and *The Little Prince* separately in conducting co-branding and precision marketing, in respect of content and channel, targeting family consumers. The launch of the Shenzhou XII manned spacecraft created a buzz in the public. As an official partner in the "China Spaceflight • Space Imagination" campaign in terms of household paper, the Company newly launched a series of spaceflight-themed products to boost both the traffic of website viewers and sales in conjunction with a live broadcast of topic on Mars. *Tempo's* market leadership in Hong Kong remained strong as we introduced several limited editions of products with themed designs that are popular among the young and high-end consumers. The demand for wet wipes designed for household disinfection and kitchen cleaning grew significantly, and the new wet toilet tissue products in mini packs widened both its market share and user base. *Tork* continued to expand its online and offline channels, focusing on high-traffic airports, public facilities and properties sectors to diversify its end-user market, and expanded the range of its offerings available online with the launch of lens cleaning wipes.

As the quality of life and the public's hygiene awareness improve, there is huge market potential to be unleashed through the upgrading of social consumption structure, which would procure a new round of growth for the Group's premium products and brands.

Personal Care Segment

Revenue from the personal care segment increased by 13.3% to HK\$1,576 million, representing a growth of 7.9% at a constant exchange rate, which accounted for 17% of the Group's total revenue (H1 2020: 18%). Gross margin of the personal care segment was 35.3% (H1 2020: 34.5%).

As a specialist in incontinence care, *TENA* has been living up to a global leading brand. By calling on the public to take incontinence seriously and developing awareness of incontinence care products through experience sharing by users and presentation by specialist, thereby driving sales growth under the brand. In response to the uptrending of online consumption, *Dr. P* actively followed the online consumption trend to strengthen its online brand positioning.

With regard to feminine care, Zhou Dongyu, being the brand ambassador of *Libresse* China, reinforced the brand's positioning as a high-end and cutting-edge player. Also, *Libresse* China collaborated with Pop Mart, a top Chinese IP owner, to launch new co-branded products, with a view to better catering to the users' need for "Dynamic Fit" and boosting sales at various channels with a more comprehensive range of products. In Malaysia, *Libresse* maintained its number one⁵ market position in terms of market share.

Our baby care business continued to perform well in Southeast Asia. *Drypers* enhanced its brand interaction by launching short promotional videos and conducting the "Made to Fit" challenge campaign, trying to inculcate the brand philosophies of "When It Fits, It's Amazing" and "We're With You Every Step of The Way", so as to strengthen its leading market position⁵.

Production Capacity

As at 30 June 2021, Vinda's designed annual production capacity for tissue paper amounted to 1,250,000 tons. The construction of wet wipes production facilities in southern and northern China has been completed and they have commenced production. The tissue production capacity expansion plan in southern, eastern and central China continues to progress and is expected to be completed within 2021. Our regional headquarters in Malaysia is expected to be completed in early 2022, while the manufacturing facilities and innovation center are progressing on schedule and are expected to be completed in 2022. The operation of new production capacity will promote efficiency improvement and facilitate market expansion, laying a solid foundation for our future performance growth.

Human Resources Management and Internal Control

Employees are the most valuable contributors to Vinda's sustainable development. We strive to offer equal employment opportunities to all qualified candidates regardless of age, nationality, race, religion, sexual orientation and gender, etc. We also offer fair and reasonable remunerations, performance incentives and a career advancement mechanism. Furthermore, we ensure that our employees continuously develop their skills and capabilities by providing a range of training opportunities. During the Period, Vinda was awarded the "2021 Human Resources Management Excellence Award (二零二一年人力資源管理傑出獎)" by JOBS (前程無憂) in Mainland China.

During the Period, a total of 123,897 hours of training were conducted for a total of 10,428 participants.

As at 30 June 2021, we had a total of 11,577 employees, compared with 11,247 as at 30 June 2020.

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, handling procedures and guidelines to align with the latest external regulatory and internal control requirements. 99% of our employees had training on the code of conduct. While the heads of all functional departments and business units are responsible for identifying, handling and reporting major risks and inadequacies in internal control, the internal audit department is responsible for conducting internal audits, receiving reports on misconduct, reporting cases to the senior management and advising solutions for cases. The head of the internal audit department reports to the chairman of the audit committee of the Company.

Health and Safety Performance

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

Lost-time accidents in H1 2021 totaled 10 cases, none of which involved major injuries.

Corporate Social Responsibility

We have always regarded corporate social responsibility as critical to our business, and the blueprint for sustainable development of the Group, including energy saving and emission reduction, high product quality and operation efficiency, and caring for employees and communities. We and our stakeholders have created shared and sustainable values at the economic, social and environmental levels.

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, the annual "Share A Little Comfort" activity continued with the aim of transforming four orphanages into comfortable living environment for children every year. In Taiwan, we donated infant and adult incontinence care products to social welfare institutions such as United Way (社會福利聯合勸募協會), Fund for Children and Families (家扶中心) and Rehabilitation Centre for the Disabled (身障福利中心) to improve the quality of life of disadvantaged groups.

Vinda Volunteer Team and Vinda Charity Foundation united to organise various social service activities. During the Period, 206 participants of Vinda volunteers spent 1,076 hours on social services.

Outlook

As the global pandemic has shown signs of abating, it is expected that economic recovery will continue to gain momentum in the second half of 2021. The overall business environment remains volatile by the raw material prices fluctuations, changes in consumer market and intense competition.

The Chinese and Asian hygiene market remains promising. Riding on the improving living standards in Mainland China, the consumption of household paper has shown a steady growth trend. However, compared with the per capita consumption of tissue and personal care products in mature markets, there are still plenty of room for growth. At the same time, consumers' increasing demand for better hygiene and personal care products in the post-pandemic era, coupled with consumption upgrading, category refinement and channel diversification, have created significant business opportunities in the industry. We will embrace changes in consumer behaviors and channel shift, continue to focus on product innovation and grow our business.

The growing aging population and higher awareness of elderly care have provided a good opportunity for the incontinence care segment. Our high-quality incontinence care products are very well received by families and nursing institutions. Advocating modern women's spirit of independence and self-realization, *Libresse* has successfully gained huge attention of local consumers and is expected to become an important growth driver for our personal care business.

We will stay focused on the following development strategies:

1. We will continue to focus on brand building, product innovation and further product mix improvement to enhance our brand competitiveness and secure long term business success;
2. We will continue to invest and grow Personal Care business in Mainland China;
3. We will continue to drive E-commerce sales, and continue to drive market share gain in all markets we operate in;
4. We will continue to identify areas of opportunities to improve our operation efficiency and return on investment; and
5. We will strengthen our financial position with strong operating cash flow and cautious management of working capital.

Remarks

¹ *Net gearing ratio: Net debt divided by total shareholders' equity*

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

² *Organic growth: Year on year growth at a constant exchange rate*

³ *Source: Kantar Worldpanel, sales value year-to-date at 18 June 2021*

⁴ *Source: Kantar Worldpanel, sales value of first quarter and second quarter in 2021*

⁵ *Source: Kantar Worldpanel, sales value year-to-date at 23 May 2021*

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Unaudited	
		Six months ended 30 June	
		2021	2020
	<i>Note</i>	<i>HK\$</i>	<i>HK\$</i>
Revenue	4	9,084,530,139	7,633,952,987
Cost of sales		<u>(5,690,222,228)</u>	<u>(4,693,143,894)</u>
Gross profit		3,394,307,911	2,940,809,093
Selling and marketing costs		(1,762,166,179)	(1,268,323,900)
Administrative expenses		(444,149,289)	(427,396,249)
Net impairment losses on financial assets		(18,475,590)	(4,212,575)
Other income and gains – net		<u>41,046,946</u>	<u>15,886,083</u>
Operating profit	5	<u>1,210,563,799</u>	<u>1,256,762,452</u>
Finance income and costs – net	6	(51,387,335)	(74,954,307)
Share of post-tax loss of an associate		<u>(113,034)</u>	<u>(61,740)</u>
Profit before income tax		1,159,063,430	1,181,746,405
Income tax expense	7	<u>(191,870,845)</u>	<u>(268,952,518)</u>
Profit attributable to the equity holders of the Company		<u>967,192,585</u>	<u>912,793,887</u>
Other comprehensive income:			
<i>Item that may be reclassified to profit or loss</i>			
– Currency translation differences		<u>58,743,852</u>	<u>(241,235,928)</u>
Total comprehensive income attributable to the equity holders of the Company		<u>1,025,936,437</u>	<u>671,557,959</u>
Earnings per share for profit attributable to the equity holders of the Company			
– basic	8(a)	<u>0.806</u>	<u>0.763</u>
– diluted	8(b)	<u>0.805</u>	<u>0.761</u>

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited 30 June 2021 HK\$	Audited 31 December 2020 HK\$
	<i>Note</i>		
ASSETS			
Non-current assets			
Property, plant and equipment	10	10,622,492,042	10,117,404,823
Right-of-use assets	11	1,346,800,730	1,366,419,837
Intangible assets	10	2,675,315,787	2,746,074,511
Deferred income tax assets		532,095,728	515,206,860
Investment properties	10	3,112,485	3,167,484
Investment in an associate		2,234,743	2,347,777
		15,182,051,515	14,750,621,292
Total non-current assets			
Current assets			
Inventories		4,933,892,565	4,773,880,408
Trade and notes receivables	12	2,601,432,611	2,435,038,930
Other receivables	12	346,474,556	302,577,542
Prepayments	12	93,457,419	71,020,270
Due from related parties		54,271,671	39,063,829
Cash and cash equivalents		781,821,618	749,399,329
		8,811,350,440	8,370,980,308
Total current assets			
		23,993,401,955	23,121,601,600
Total assets			
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital		120,081,537	119,947,437
Share premium		4,450,512,869	4,428,374,681
Other reserves		7,694,907,677	7,119,034,916
		12,265,502,083	11,667,357,034
Total equity			

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

		Unaudited	Audited
		30 June	31 December
		2021	2020
	<i>Note</i>	HK\$	HK\$
LIABILITIES			
Non-current liabilities			
Borrowings	<i>14</i>	3,423,987,374	2,890,391,162
Loans from a related party	<i>14</i>	693,500,625	96,080,272
Lease liabilities	<i>11</i>	119,756,562	129,563,570
Deferred government grants		278,926,790	284,876,449
Deferred income tax liabilities		196,382,468	200,344,900
Post-employment benefits		10,422,539	15,983,243
Other non-current liabilities	<i>15</i>	11,840,103	2,253,625
		<u>4,734,816,461</u>	<u>3,619,493,221</u>
Total non-current liabilities			
Current liabilities			
Trade payables, other payables and accrued expenses	<i>13</i>	5,734,782,152	5,639,927,445
Contract liabilities		96,980,713	147,155,300
Borrowings	<i>14</i>	941,500,435	1,445,419,389
Loan from a related party	<i>14</i>	–	300,000,000
Lease liabilities	<i>11</i>	63,678,411	72,363,875
Due to related parties		16,818,583	14,669,217
Current income tax liabilities		139,323,117	215,216,119
		<u>6,993,083,411</u>	<u>7,834,751,345</u>
Total current liabilities			
		<u>11,727,899,872</u>	<u>11,454,244,566</u>
Total liabilities			
		<u>23,993,401,955</u>	<u>23,121,601,600</u>
Total equity and liabilities			

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited			Total HK\$
	Attributable to the equity holders of the Company			
	Share capital HK\$	Share premium HK\$	Other reserves HK\$	
Balance as at 1 January 2020	119,510,337	4,356,240,018	4,987,460,947	9,463,211,302
Profit for the period	–	–	912,793,887	912,793,887
Other comprehensive income				
<i>Item that may be reclassified to profit or loss</i>				
– Currency translation differences	–	–	(241,235,928)	(241,235,928)
Total comprehensive income for the six months ended 30 June 2020	–	–	671,557,959	671,557,959
Transaction with owners				
Employees share option scheme				
– Exercise of share options	239,400	35,392,427	(9,560,747)	26,071,080
Dividends	–	–	(251,474,448)	(251,474,448)
Transaction with owners	239,400	35,392,427	(261,035,195)	(225,403,368)
Balance as at 30 June 2020	<u>119,749,737</u>	<u>4,391,632,445</u>	<u>5,397,983,711</u>	<u>9,909,365,893</u>
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	–	–	1,025,936,437	1,025,936,437
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	134,100	22,138,188	(450,063,676)	(427,791,388)
Balance as at 30 June 2021	<u>120,081,537</u>	<u>4,450,512,869</u>	<u>7,694,907,677</u>	<u>12,265,502,083</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited	
	Six months ended 30 June	
	2021	2020
<i>Note</i>	<i>HK\$</i>	<i>HK\$</i>
Cash flows from operating activities:		
– cash generated from operations	1,094,932,297	1,233,791,209
– interest paid	(81,413,686)	(91,985,994)
	1,013,518,611	1,141,805,215
Cash flows from investing activities:		
– purchases of property, plant and equipment	(824,914,674)	(546,492,232)
– purchases of intangible assets	(17,672,724)	(12,960,482)
– purchases of land use rights	–	(2,391,250)
– proceeds on disposal of property, plant and equipment	4,267,598	666,614
– government grants received	3,974,991	16,659,852
– interest received	12,307,739	10,102,929
	(822,037,070)	(534,414,569)
Cash flows from financing activities:		
– dividends paid	(444,129,268)	–
– repayments of borrowings	(3,141,728,844)	(1,122,938,009)
– repayments of loans from a related party	<i>14</i> –	(880,116,846)
– proceeds from borrowings	<i>14</i> 3,137,755,676	1,832,310,432
– proceeds from loan from a related party	<i>14</i> 300,000,000	–
– proceeds from shares issued	16,337,880	26,071,080
– lease payments for right-of-use assets excluding land use rights	(41,589,734)	(37,938,800)
	(173,354,290)	(182,612,143)
Net increase in cash and cash equivalents	18,127,251	424,778,503
Cash and cash equivalents at beginning of the period	749,399,329	460,387,446
Exchange differences	14,295,038	(9,059,001)
Cash and cash equivalents at end of the period	781,821,618	876,106,948

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2021

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 15 July 2021 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 2021 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 2020, 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 2020, 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
HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 (Amendments)	Interest Rate Benchmark Reform – Phase 2 1 January 2021

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 2021 and have not been early adopted by the Group:

		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
HKFRS 17	Insurance contracts	1 January 2023
HKAS 1 and HKAS 28 (Amendments)	Presentation of financial statements, accounting policies, changes in accounting estimates and errors	1 January 2023
Annual Improvements to HKFRS Standards 2018–2020		1 January 2022

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.

The Company is domiciled in Hong Kong. The amount of its revenue from external customers in Mainland China, Hong Kong and overseas for the six months ended 30 June 2021 is HK\$6,957,159,620 (for the six months ended 30 June 2020: HK\$5,582,659,127), HK\$579,601,676 (for the six months ended 30 June 2020: HK\$608,787,384) and HK\$1,547,768,843 (for the six months ended 30 June 2020: HK\$1,442,506,476) respectively.

The segment revenue for the six months ended 30 June 2021 and 2020 are as follows:

	Unaudited	
	Six months ended 30 June	
	2021	2020
	HK\$	HK\$
Household paper products	7,508,574,581	6,242,466,130
Personal care products	<u>1,575,955,558</u>	<u>1,391,486,857</u>
Total	<u><u>9,084,530,139</u></u>	<u><u>7,633,952,987</u></u>

5 PROFIT FOR THE PERIOD

Profit for the period is stated after charging and crediting following items:

	Unaudited	
	Six months ended 30 June	
	2021	2020
	HK\$	HK\$
Reversal for impairment of inventories	287,503	22,973,680
Charges of long-term incentive plans	(16,115,191)	(69,470,832)
Impairment losses on property, plant and equipment	(49,947)	(25,629,102)
Net impairment losses on financial assets	(18,475,590)	(4,212,575)
Loss on disposal of property, plant and equipment	(548,242)	(1,612,499)
	<u>(18,300,467)</u>	<u>(108,949,128)</u>

6 FINANCE INCOME AND COSTS – NET

	Unaudited	
	Six months ended 30 June	
	2021	2020
	HK\$	HK\$
Interest expense		
– Borrowings	(61,086,797)	(82,812,000)
– Lease liability (Note 11)	(3,623,559)	(3,781,734)
Foreign exchange gain – net	1,015,282	1,536,498
Interest income		
– Bank deposits	12,307,739	10,102,929
Net finance costs	<u>(51,387,335)</u>	<u>(74,954,307)</u>

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 and would be entitled to enjoy a beneficial tax rate of 15%. The subsidiaries may additionally deduct 75% of qualified research and development expenses when calculating the taxable income.

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

	Unaudited	
	Six months ended 30 June	
	2021	2020
	HK\$	HK\$
Current income tax		
– Overseas and Hong Kong profits tax	93,099,582	78,859,374
– Mainland China income tax	113,813,221	167,404,918
Deferred income tax	<u>(15,041,958)</u>	<u>22,688,226</u>
	<u>191,870,845</u>	<u>268,952,518</u>

The estimated average annual tax rate used for the six months ended 30 June 2021 is 16.6% (for the six months ended 30 June 2020: 22.8%).

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	
	2021	2020
Profit attributable to equity holders of the Company (HK\$)	<u>967,192,585</u>	<u>912,793,887</u>
Weighted average number of ordinary shares in issue	<u>1,199,976,583</u>	<u>1,196,731,483</u>
Basic earnings per share (HK\$ per share)	<u>0.806</u>	<u>0.763</u>

8 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	
	2021	2020
Profit attributable to equity holders of the Company (HK\$)	<u>967,192,585</u>	<u>912,793,887</u>
Weighted average number of ordinary shares in issue	1,199,976,583	1,196,731,483
Adjustments for share options	<u>1,572,749</u>	<u>2,433,692</u>
Weighted average number of ordinary shares for diluted earnings per share	<u>1,201,549,332</u>	<u>1,199,165,175</u>
Diluted earnings per share (HK\$ per share)	<u>0.805</u>	<u>0.761</u>

9 DIVIDENDS

On 12 May 2021, the Annual General Meeting of the Company approved final dividend of HK\$0.37 per ordinary share for the year ended 31 December 2020. The final dividend has been paid on 31 May 2021 based on the number of issued shares outstanding at that time.

On 15 July 2021, the Board has resolved to declare an interim dividend of HK\$0.10 per share (2020: HK\$0.10 per share). This interim dividend, amounting to HK\$120,081,537 (2020: HK\$119,749,737) based on the 1,200,815,373 issued shares as at 30 June 2021, 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 2021.

10 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 2020			
Opening net book amount as at			
1 January 2020	8,858,171,961	2,780,086,369	4,039,119
Additions	554,309,146	12,960,482	–
Disposals	(2,279,113)	–	–
Depreciation and amortisation	(457,410,536)	(55,755,007)	(89,731)
Impairment	(25,629,102)	–	–
Exchange differences	(180,651,967)	(68,386,233)	(47,665)
	<u>8,746,510,389</u>	<u>2,668,905,611</u>	<u>3,901,723</u>
Closing net book amount as at			
30 June 2020	<u>8,746,510,389</u>	<u>2,668,905,611</u>	<u>3,901,723</u>
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	<u>10,622,492,042</u>	<u>2,675,315,787</u>	<u>3,112,485</u>

During the Period, the Group has capitalized borrowing costs amounting to HK\$17,715,650 (for the six months ended 30 June 2020: HK\$5,052,278) on qualifying assets.

11 LEASES

	As at	
	30 June 2021 Unaudited HK\$	31 December 2020 Audited HK\$
Right-of-use assets		
– Land use rights	1,168,948,225	1,170,098,019
– Buildings	176,337,245	194,343,371
– Equipment and others	<u>1,515,260</u>	<u>1,978,447</u>
Total right-of-use assets	<u>1,346,800,730</u>	<u>1,366,419,837</u>
Lease liabilities		
– Current	63,678,411	72,363,875
– Non-current	<u>119,756,562</u>	<u>129,563,570</u>
Total lease liabilities	<u>183,434,973</u>	<u>201,927,445</u>

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

	Unaudited Six months ended 30 June	
	2021 HK\$	2020 HK\$
Depreciation of right-of-use assets		
– Land use rights	14,590,618	12,959,679
– Buildings	37,304,350	34,589,533
– Equipment and others	<u>753,266</u>	<u>812,540</u>
	<u>52,648,234</u>	<u>48,361,752</u>
Interest expense (<i>Note 6</i>)	3,623,559	3,781,734
Expense relating to short-term leases	54,953,344	27,411,268
Expense relating to leases of low-value assets	<u>449,269</u>	<u>549,262</u>

The total cash payment for leases was HK\$96,992,347 for the six months ended 30 June 2021 (for the six months ended 30 June 2020: HK\$68,290,580).

12 TRADE AND NOTES RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

	As at	
	30 June 2021 Unaudited HK\$	31 December 2020 Audited HK\$
Trade receivables	2,638,960,918	2,451,066,933
Notes receivable	6,519,490	9,467,085
Other receivables (<i>Note (a)</i>)	346,474,556	302,577,542
Prepayments	93,457,419	71,020,270
Less: Provision for impairment of receivables	<u>(44,047,797)</u>	<u>(25,495,088)</u>
	<u>3,041,364,586</u>	<u>2,808,636,742</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 2021 and 31 December 2020 is as below:

	As at	
	30 June 2021 Unaudited HK\$	31 December 2020 Audited HK\$
Within 3 months	2,485,111,766	2,342,880,739
4 months to 6 months	118,988,657	72,105,420
7 months to 12 months	9,957,354	18,447,948
Over 1 year	<u>24,903,141</u>	<u>17,632,826</u>
	<u>2,638,960,918</u>	<u>2,451,066,933</u>

13 TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES

	As at	
	30 June 2021 Unaudited HK\$	31 December 2020 Audited HK\$
Trade payables	2,678,088,221	2,644,138,756
Notes payable	359,624,983	327,554,663
Other payables	941,998,384	994,939,495
Accrued expenses	1,755,070,564	1,673,294,531
	<u>5,734,782,152</u>	<u>5,639,927,445</u>

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 2021 and 31 December 2020 based on invoice date is as follows:

	As at	
	30 June 2021 Unaudited HK\$	31 December 2020 Audited HK\$
Within 3 months	2,180,199,230	2,000,184,795
4 months to 6 months	856,489,304	967,550,442
7 months to 12 months	764,948	3,796,354
Over 1 year	259,722	161,828
	<u>3,037,713,204</u>	<u>2,971,693,419</u>

14 BORROWINGS

	As at	
	30 June 2021 Unaudited HK\$	31 December 2020 Audited HK\$
Non-current – unsecured		
Bank borrowings	3,423,987,374	2,890,391,162
Loans from a related party	<u>693,500,625</u>	<u>96,080,272</u>
Total non-current borrowings	<u>4,117,487,999</u>	<u>2,986,471,434</u>
Current – unsecured		
Bank borrowings	941,500,435	1,445,419,389
Loan from a related party	<u>–</u>	<u>300,000,000</u>
Total current borrowings	<u>941,500,435</u>	<u>1,745,419,389</u>
Total borrowings	<u>5,058,988,434</u>	<u>4,731,890,823</u>

14 BORROWINGS (Continued)

Movements in borrowings are analysed as follows:

	Unaudited HK\$
Six months ended 30 June 2020	
Opening amount as at 1 January 2020	4,156,187,795
New borrowings	1,832,310,432
Repayments of borrowings and loans from a related party	(2,003,054,855)
Exchange differences	<u>(59,307,999)</u>
Closing amount as at 30 June 2020	<u><u>3,926,135,373</u></u>
Six months ended 30 June 2021	
Opening amount as at 1 January 2021	4,731,890,823
New borrowings and loan 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>

15 LONG TERM INCENTIVE PLANS

	As at	
	30 June	31 December
	2021	2020
	Unaudited	Audited
	HK\$	HK\$
Other non-current liabilities		
Long-term incentive plans (ii)	11,840,103	2,253,625
Current liabilities		
Long-term incentive plans – current portion (i)(b)	<u>25,697,711</u>	<u>19,148,310</u>
Total long term incentive plans	<u><u>37,537,814</u></u>	<u><u>21,401,935</u></u>

15 LONG TERM INCENTIVE PLANS (Continued)

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

(a) Long term incentive plan for Executive Directors and CFO

Option Equivalent Unit (“**OEU**”) can be granted under the plan to Executive Directors and CFO to reward for their future services during the vesting period. On 7 April 2017, a total of 6,840,000 OEUs were granted to Executive Directors and CFO at a nominal price of HK\$15.31 under the plan. The exercise price of an OEU is capped at HK\$30. The vesting period was from 1 January 2017 to 1 July 2020. An OEU can be realised at the exercise price after the vesting period until 31 December 2025, subject to the provisions of the plan. All OEUs were exercised before 31 December 2020.

(b) Long term incentive program for selected senior management and specific employees

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. Two measurement periods for this program are from 2017 to 2019 and from 2019 to 2021.

The TSR is determined by using the Monte Carlo Simulation Model. The significant inputs into the model were annualized drift rate of 8.18% of the Company and 5.95% of the peer group, dividend yield of 1.42% of the Company and 2.37% of the peer group and annualized asset price volatility of 35% of the Company and 10% of the peer group matching the life of the incentive program.

As at 30 June 2021, the payables for selected senior management and specific employees amounting to HK\$25,697,711 were reclassified to “other payables” for due within one year.

15 LONG TERM INCENTIVE PLANS (Continued)

- (ii) On 17 September 2020, the Board of Directors approved a cash settled long term incentive plan for specific employees.

A total of 12,936,000 OEU's were granted to selected management, senior management and Directors 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 2021, the fair value of OEU granted was determined by using the Binomial Model. The fair value of OEU in management's plan was HK\$3.8643 and the fair value of OEU in Directors and senior managements' plan was HK\$4.1464.

The significant inputs into the model were share price at the valuation date, the grant price, volatility of 33.52%, dividend yield of 1.18%, and annual risk-free interest rate of 0.81%. 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.

Foreign Exchange and Fair Value Interest Rate Risk

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

Liquidity, Financial Resources and Borrowings

The Group's financial position remained healthy. As at 30 June 2021, the Group's bank and cash balances amounted to HK\$781,821,618 (31 December 2020: HK\$749,399,329), and short-term and long-term loans amounted to HK\$5,058,988,434 (31 December 2020: HK\$4,731,890,823), including the loans from a related party amounting to HK\$693,500,625 (31 December 2020: HK\$396,080,272). 81.4% of the borrowings are long-term (31 December 2020: 63.1%). The annual interest rates of bank loans ranged from 0.8% to 3.8%.

As at 30 June 2021, the net gearing ratio, which was calculated on the basis of the amount of net debt which is total borrowings plus lease liabilities less cash and cash equivalents and restricted bank deposits as a percentage of the total shareholders' equity, was 36.4% (31 December 2020: 35.9%).

As at 30 June 2021, unutilized credit facilities amounted to approximately HK\$5.57 billion (31 December 2020: HK\$7.45 billion).

Charges on Group Assets

As at 30 June 2021, the Group did not have any charges on assets (31 December 2020: nil).

Contingent Liabilities

As at 30 June 2021, the Group had no material contingent liabilities (31 December 2020: nil).

Interim Dividend

The Board has resolved to declare an interim dividend of HK\$0.10 per share for the Period (2020: HK\$0.10 per share) totaling approximately HK\$120,081,537, based on the 1,200,815,373 issued shares outstanding as at 30 June 2021. The interim dividend will be paid on or about 7 September 2021 to shareholders whose names appear on the register of members of the Company on 24 August 2021.

Closure of Register of Members

The register of members of the Company will be closed from 20 August 2021 to 24 August 2021, 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 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 p.m. on 19 August 2021 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 2021 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 during the Period.

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

Hong Kong, 15 July 2021

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

Executive Directors

Mr. LI Chao Wang
Ms. YU Yi Fang
Ms. LI Jielin
Mr. DONG Yi Ping

Non-Executive Directors

Mr. Jan Christer JOHANSSON
Mr. Carl Magnus GROTH
Mr. Carl Fredrik Stenson RYSTEDT
Mr. Johann Christoph MICHALSKI

Independent Non-Executive Directors

Ms. LEE Hsiao-yun Ann
Mr. TSUI King Fai
Mr. WONG Kwai Huen, Albert
Mr. LAW Hong Ping, Lawrence

Alternate Directors

Mr. Gert Mikael SCHMIDT (alternate to Mr. JOHANSSON and Mr. GROTH)
Mr. Dominique Michel Jean DESCHAMPS (alternate to Mr. RYSTEDT)