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)

Website: http://www.hkexnews.hk
http://www.vinda.com

"Healthy lifestyle starts from Vinda"

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2015

FINANCIAL HIGHLIGHTS

	2015	2014	Changes
Revenue *(HK$)*	**4,743,233,642**	3,679,961,616	**+28.9%**
Gross profit *(HK$)*	**1,496,519,922**	1,085,525,744	**+37.9%**
Operating profit *(HK$)*	**468,194,428**	345,697,900	**+35.4%**
Profit attributable to equity holders of the Company *(HK$)*	**330,801,221**	222,175,903	**+48.9%**
Gross profit margin	**31.6%**	29.5%	**+2.1 p.p.**
Net profit margin	**7.0%**	6.0%	**+1.0 p.p.**
Basic earnings per share *(HK$)*	**33.1 cents**	22.3 cents	**+48.4%**
Stock turnover	**108 days**	109 days	
Debtors turnover	**45 days**	47 days	
Creditors turnover	**71 days**	70 days	
Interim dividend declared *(HK$)*	**5.0 cents**	4.0 cents	

RESULTS

The Board of Directors (the "Board") of Vinda International Holdings Limited ("Vinda International" or the "Company") is pleased to present the interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2015 (the "Period").

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Unaudited Six months ended 30 June	
		2015	2014
	Note	***HK$***	*HK$*
Revenue	4	**4,743,233,642**	3,679,961,616
Cost of sales		**(3,246,713,720)**	(2,594,435,872)
Gross profit		**1,496,519,922**	1,085,525,744
Selling and marketing costs		**(728,337,933)**	(527,190,462)
Administrative expenses		**(285,600,462)**	(207,999,030)
Other income and (losses) — net		**(14,387,099)**	(4,638,352)
Operating profit	5	**468,194,428**	345,697,900
Interest expense		**(57,947,399)**	(38,655,446)
Net foreign exchange transaction gain/(loss)		**2,281,804**	(21,923,351)
Interest income		**2,160,320**	1,287,826
Finance costs, net		**(53,505,275)**	(59,290,971)
Share of post-tax loss of an associate		**—**	(4,358,121)
Profit before income tax		**414,689,153**	282,048,808
Income tax expense	6	**(83,887,932)**	(59,872,905)
Profit attributable to equity holders of the Company		**330,801,221**	222,175,903
Other comprehensive income:			
Items that may be reclassified to profit or loss			
— Currency translation differences		**2,995,537**	(44,732,549)
— Hedging reserve		**—**	1,783,470
Total comprehensive income attributable to equity holders of the Company		**333,796,758**	179,226,824
Earnings per share for profit attributable to the equity holders of the Company			
— basic	7(a)	**0.331**	0.223
— diluted	7(b)	**0.331**	0.222
Dividends	8	**49,944,884**	39,934,507

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Note	**Unaudited 30 June 2015** *HK$*	Audited 31 December 2014 *HK$*
ASSETS			
Non-current assets			
Property, plant and equipment	9	**6,150,283,382**	5,901,730,851
Leasehold land and land use rights	9	**320,227,436**	297,758,758
Intangible assets	9	**1,392,712,163**	1,400,041,901
Deferred income tax assets		**277,092,294**	267,405,812
Total non-current assets		**8,140,315,275**	7,866,937,322
Current assets			
Inventories		**1,880,332,300**	2,029,115,081
Trade receivables, other receivables and prepayments	10	**1,471,577,451**	1,523,602,317
Prepayments to and receivables from related parties		**71,816,874**	61,753,224
Restricted bank deposits		**330,327**	1,301,535
Cash and cash equivalents		**513,665,562**	720,283,714
Total current assets		**3,937,722,514**	4,336,055,871
Total assets		**12,078,037,789**	12,202,993,193
EQUITY			
Share capital		**99,889,769**	99,840,269
Share premium		**1,685,582,546**	1,677,023,606
Other reserves			
— Proposed dividend		**49,944,884**	119,808,322
— Others		**3,465,830,502**	3,184,332,608
Total equity		**5,301,247,701**	5,081,004,805

	Note	Unaudited 30 June 2015 HK$	Audited 31 December 2014 HK$
LIABILITIES			
Non-current liabilities			
Borrowings	11	**1,586,299,392**	878,667,606
Loans from a related party	11	**2,570,420,999**	2,030,138,167
Deferred government grants		**97,024,257**	98,726,406
Deferred income tax liabilities		**94,108,903**	94,787,849
Total non-current liabilities		**4,347,853,551**	3,102,320,028
Current liabilities			
Trade payables, other payables and accrued expenses	12	**1,921,131,906**	2,309,379,397
Borrowings	11	**370,960,027**	1,555,998,871
Due to related parties		**50,518,053**	39,899,848
Current income tax liabilities		**86,326,551**	114,390,244
Total current liabilities		**2,428,936,537**	4,019,668,360
Total liabilities		**6,776,790,088**	7,121,988,388
Total equity and liabilities		**12,078,037,789**	12,202,993,193
Net current assets		**1,508,785,977**	316,387,511
Total assets less current liabilities		**9,649,101,252**	8,183,324,833

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Unaudited			
		Attributable to equity holders of the Company			
		Share capital	**Share premium**	**Other reserves**	**Total**
	Note	*HK$*	*HK$*	*HK$*	*HK$*
Balance as at 1 January 2014		99,836,269	1,676,529,981	2,870,510,147	4,646,876,397
Profit for the period		—	—	222,175,903	222,175,903
Other comprehensive income					
Items that may be reclassified to profit or loss					
— Currency translation differences		—	—	(44,732,549)	(44,732,549)
— Hedging reserve		—	—	1,783,470	1,783,470
Total comprehensive income for the six months ended 30 June 2014		—	—	179,226,824	179,226,824
Transaction with owners					
Dividends	8	—	—	(107,823,170)	(107,823,170)
Transaction with owners		—	—	(107,823,170)	(107,823,170)
Balance as at 30 June 2014		99,836,269	1,676,529,981	2,941,913,801	4,718,280,051
Balance as at 1 January 2015		**99,840,269**	**1,677,023,606**	**3,304,140,930**	**5,081,004,805**
Profit for the period		**—**	**—**	**330,801,221**	**330,801,221**
Other comprehensive income					
Item that may be reclassified to profit or loss					
— Currency translation differences		**—**	**—**	**2,995,537**	**2,995,537**
Total comprehensive income for the six months ended 30 June 2015		**—**	**—**	**333,796,758**	**333,796,758**
Transaction with owners					
Employees share option scheme					
— Exercise of share options		**49,500**	**8,558,940**	**(2,298,180)**	**6,310,260**
Dividends	8	**—**	**—**	**(119,864,122)**	**(119,864,122)**
Transaction with owners		**49,500**	**8,558,940**	**(122,162,302)**	**(113,553,862)**
Balance as at 30 June 2015		**99,889,769**	**1,685,582,546**	**3,515,775,386**	**5,301,247,701**

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Unaudited Six months ended 30 June 2015 HK$	2014 HK$
Cash flows from operating activities:			
— cash generated from operations		**405,887,451**	258,160,719
— interest paid		**(62,048,345)**	(47,204,316)
Cash flows generated from operating activities — net		**343,839,106**	210,956,403
Cash flows from investing activities:			
— purchases of property, plant and equipment		**(470,645,242)**	(556,988,936)
— purchases of intangible assets		**(9,105,203)**	(9,144,528)
— purchases of land use rights		**(25,769,766)**	—
— proceeds on disposal of property, plant and equipment		**3,740,939**	129,946
— interest received		**2,160,320**	1,287,826
Cash flows used in investing activities — net		**(499,618,952)**	(564,715,692)
Cash flows from financing activities:			
— dividends paid	8	**(119,864,122)**	(107,823,170)
— repayments of borrowings	11	**(3,328,253,369)**	(1,100,183,102)
— proceeds from borrowings	11	**2,849,154,970**	1,167,600,311
— loans from a related party	11	**541,214,421**	289,646,465
— proceeds from shares issued		**6,310,260**	—
Cash flows (used in)/generated from financing activities — net		**(51,437,840)**	249,240,504
Net decrease in cash and cash equivalents		**(207,217,686)**	(104,518,785)
Cash and cash equivalents at beginning of the period		**720,283,714**	689,702,649
Exchange differences		**599,534**	(7,240,230)
Cash and cash equivalents at end of the period		**513,665,562**	577,943,634

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2015

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.

On 9 September 2013, SCA Group Holding BV ("SCA BV"), a subsidiary of Svenska Cellulosa Aktiebolaget ("SCA"), made a voluntary conditional cash offer to acquire all outstanding shares of the Company. The cash offer was finally closed on 11 November 2013. After the close of the cash offer, SCA became the ultimate holding company of the Group.

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

This condensed consolidated interim financial information is presented in Hong Kong dollars ("HK$"), unless otherwise stated. This condensed consolidated interim financial information was approved for issue on 16 July 2015.

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 2015 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 2014, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

2.1 Going-concern basis

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

3 SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2014, as described in those annual financial statements.

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

(a) New and amended standards adopted by the Group

The following new and amended standards are mandatory for the first time for the financial year beginning 1 January 2015:

HKFRS 2 (Amendment) "Share-based payment" is effective for annual periods beginning on or after 1 July 2014. This amendment clarifies the definition of a 'vesting condition' and separately defines 'performance condition' and 'service condition'.

HKFRS 3 (Amendment) "Business combinations" and consequential amendments to HKFRS 9, "Financial instruments", HKAS 37, "Provisions, contingent liabilities and contingent assets", and HKAS 39, "Financial instruments — Recognition and measurement" are effective for annual periods beginning on or after 1 July 2014. This standard is amended to clarify that an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity, on the basis of the definitions in HKAS 32, "Financial instruments: Presentation". All non-equity contingent consideration, both financial and non-financial, is measured at fair value at each reporting date, with changes in fair value recognised in profit and loss.

HKFRS 8 (Amendment) "Operating segments" is effective for annual periods beginning on or after 1 July 2014. This standard is amended to require disclosure of the judgements made by management in aggregating operating segments and a reconciliation of segment assets to the entity's assets when segment assets are reported.

HKAS 16 (Amendment) "Property, plant and equipment" and HKAS 38 (Amendment) "Intangible assets" are effective for annual periods beginning on or after 1 July 2014. Both standards are amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model.

HKAS 24 (Amendment) "Related Party Disclosures" is effective for annual periods beginning on or after 1 July 2014. This standard is amended to address that the reporting entity is not required to disclose the compensation paid by the management entity (as a related party) to the management entity's employee or directors, but it is required to disclose the amounts charged to the reporting entity by the management entity for services provided.

HKFRS 3 (Amendment) "Business combinations" is effective for annual periods beginning on or after 1 July 2014. This amendment clarifies that HKFRS 3 does not apply to the accounting for the formation of any joint arrangement under HKFRS 11 in the financial statements of the joint arrangement.

Amendments and interpretations as mentioned above are not expected to have a material effect on the Group's operating results, financial position or comprehensive income.

(b) Standards, amendments and interpretations to existing standards effective in 2015 but not relevant to the Group

		Effective for annual periods beginning on or after
HKAS 19 (Amendment)	Defined benefit plans	1 July 2014
HKFRS 13	Fair value measurement	1 July 2014
HKAS 40	Investment property	1 July 2014

(c) The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning on 1 January 2015 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
HKFRS 14	Regulatory deferral accounts	1 January 2016
HKFRS 11	Accounting for acquisitions of interests in joint operation	1 January 2016
HKAS 16 and HKAS 38 (Amendments)	Clarification of acceptable methods of depreciation and amortisation	1 January 2016
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer plants	1 January 2016
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	1 January 2016
HKAS 27 (Amendment)	Equity method in separate financial statements	1 January 2016
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment entities: Applying the consolidation exception	1 January 2016
HKAS 1 (Amendments)	Disclosure initiative	1 January 2016
HKFRS 5 (Amendment)	Non-current assets held for sale and discontinued operations	1 January 2016
HKFRS 7 (Amendments)	Financial instruments: Disclosures	1 January 2016
HKAS 19 (Amendment)	Employee benefits	1 January 2016
HKAS 34 (Amendment)	Interim financial reporting	1 January 2016
HKFRS 15	Revenue from contracts with customers	1 January 2017
HKFRS 9	Financial instruments	1 January 2018

4 SEGMENT INFORMATION

The Group is principally engaged in the manufacture and sales of household paper products and personal care products. Revenue is analysed as follows:

	Unaudited Six months ended 30 June	
	2015	2014
	HK$	*HK$*
Sales of household paper products	**4,583,488,938**	3,652,512,624
Sales of personal care products	**159,744,704**	27,448,992
Total revenue (turnover)	**4,743,233,642**	3,679,961,616

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

The executive committee has determined that no business segment information is presented as over 96% of the Group's sales and operating profits are derived from the sales of household paper products, which is considered one business segment with similar economic characteristics.

The executive committee has also determined that no geographical segment information is presented as management reviews the business performance based on type of business, not geographically.

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 2015 is HK$4,241,378,826 (for the six months ended 30 June 2014: HK$3,368,373,172), HK$491,241,698 (for the six months ended 30 June 2014: HK$284,130,444) and HK$10,613,118 (for the six months ended 30 June 2014: HK$27,458,000) respectively.

The total non-current assets are analysed as follows:

	As at	
	30 June 2015	31 December 2014
	Unaudited	Audited
	HK$	*HK$*
Total non-current assets other than deferred tax assets		
— Mainland China	**6,804,460,310**	6,531,909,600
— Hong Kong and overseas	**1,058,762,671**	1,067,621,910
Deferred tax assets	**277,092,294**	267,405,812
Total non-current assets	**8,140,315,275**	7,866,937,322

5 OPERATING PROFIT

The following items have been (credited)/charged to the operating profit during the six months ended 30 June 2015 and 2014:

	Unaudited Six months ended 30 June	
	2015	2014
	HK$	*HK$*
Amortisation of deferred government grants	**(1,735,525)**	(2,047,902)
Foreign exchange loss, net	**30,121,800**	33,388,693
Provision for impairment of receivables	**1,918,211**	3,642,389
Provision for impairment of inventories	**6,295,505**	309,922
Impairment charges of property, plant and equipment *(Note 9)*	**5,409,178**	—
Depreciation of property, plant and equipment *(Note 9)*	**213,567,881**	172,072,291
Depreciation of investment property *(Note 9)*	**—**	509,842
Amortisation of intangible assets *(Note 9)*	**16,948,650**	4,713,745
Amortisation of leasehold land and land use rights *(Note 9)*	**3,468,093**	3,324,331
(Gain)/loss on disposal of property, plant and equipment	**(2,506,533)**	165,479

6 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2014: 16.5%) on the estimated assessable profit for the year. The applicable corporate income tax rate for Mainland China subsidiaries is 25% except for subsidiaries which are qualified as High and New Technology Enterprises ("HNTE") and would be entitled to enjoy a beneficial tax rate of 15%. The subsidiaries which are qualified as HNTE can additionally deduct 50% of qualified research and development expenses when calculating the taxable income. Taxation on profits outside Mainland China and Hong Kong has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries or cities in which the Group operates.

	Unaudited Six months ended 30 June 2015 HK$	2014 HK$
Current income tax		
— Hong Kong profits tax	**26,812,329**	25,603,562
— PRC enterprise income tax	**67,501,508**	27,558,399
Deferred income tax	**(10,425,905)**	6,710,944
	83,887,932	59,872,905

Income tax expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the six months ended 30 June 2015 is 20.23% (the estimated tax rate for the six months ended 30 June 2014 was 21.23%).

7 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 2015	2014
Profit attributable to equity holders of the Company *(HK$)*	**330,801,221**	222,175,903
Weighted average number of ordinary shares in issue	**998,580,266**	998,362,686
Basic earnings per share *(HK$ per share)*	**0.331**	0.223

(b) Diluted

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

	Unaudited Six months ended 30 June 2015	2014
Profit attributable to equity holders of the Company *(HK$)*	**330,801,221**	222,175,903
Weighted average number of ordinary shares in issue	**998,580,266**	998,362,686
Adjustments for share options	**801,609**	954,590
Weighted average number of ordinary shares for diluted earnings per share	**999,381,875**	999,317,276
Diluted earnings per share *(HK$ per share)*	**0.331**	0.222

8 DIVIDENDS

On 27 March 2014, the Board proposed a final dividend in respect of the year ended 31 December 2013 of HK$0.108 per ordinary share. The actual final dividends paid for the year ended 31 December 2013 was HK$107,823,170 based on the 998,362,686 issued shares outstanding at that time.

On 29 January 2015, the Board proposed a final dividend in respect of the year ended 31 December 2014 of HK$119,808,322, representing HK$0.120 per ordinary share. The final dividend of HK$119,864,122 was paid in June 2015 based on the 998,867,686 issued shares outstanding at that time.

On 16 July 2015, the Board has resolved to declare an interim dividend of HK$0.05 per share (2014: HK$0.04 per share). This interim dividend, amounting to HK$49,944,884 (2014: HK$39,934,507), based on the 998,897,686 issued shares outstanding as at 30 June 2015, 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 2015.

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

	Unaudited			
	Property, plant and equipment *HK$*	**Investment property** *HK$*	**Leasehold land and land use rights** *HK$*	**Intangible assets** *HK$*
Six months ended 30 June 2014				
Opening net book amount as at 1 January 2014	5,101,881,171	32,427,614	290,468,442	21,235,148
Additions	570,397,019	—	—	9,144,528
Disposals	(295,425)	—	—	—
Reclassification	(8,268)	8,268	—	—
Depreciation and amortisation *(Note 5)*	(172,072,291)	(509,842)	(3,324,331)	(4,713,745)
Exchange differences	(49,432,384)	(309,331)	(2,773,466)	(213,355)
Closing net book amount as at 30 June 2014	5,450,469,822	31,616,709	284,370,645	25,452,576
Six months ended 30 June 2015				
Opening net book amount as at 1 January 2015	**5,901,730,851**	**—**	**297,758,758**	**1,400,041,901**
Additions	**466,170,250**	**—**	**25,769,766**	**9,105,203**
Disposals	**(1,234,406)**	**—**	**—**	**—**
Depreciation and amortisation *(Note 5)*	**(213,567,881)**	**—**	**(3,468,093)**	**(16,948,650)**
Impairment *(Note 5)*	**(5,409,178)**	**—**	**—**	**—**
Exchange differences	**2,593,746**	**—**	**167,005**	**513,709**
Closing net book amount as at 30 June 2015	**6,150,283,382**	**—**	**320,227,436**	**1,392,712,163**

During the period, the Group has capitalized borrowing costs amounting to HK$5,197,340 (2014: HK$11,803,449) on qualifying assets. Borrowing costs were capitalized at the weighted average rate of its general borrowings of 1.36% (2014: 2.46%).

10 TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

	As at	
	30 June 2015	31 December 2014
	Unaudited	Audited
	HK$	*HK$*
Trade receivables	**1,199,925,231**	1,146,726,943
Other receivables *(Note (a))*	**216,180,978**	328,155,701
Notes receivable	**15,469,196**	20,147,076
Prepayments	**48,670,742**	35,443,023
Less: Provision for impairment of trade receivables	**(8,668,696)**	(6,870,426)
	1,471,577,451	1,523,602,317

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

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

Ageing analysis of trade receivables of the Group based on invoice date as at 30 June 2015 and 31 December 2014 is as below:

	As at	
	30 June 2015	31 December 2014
	Unaudited	Audited
	HK$	*HK$*
Within 3 months	**1,130,175,146**	1,079,877,776
4 months to 6 months	**54,824,483**	55,929,423
7 months to 12 months	**12,513,812**	8,179,147
Over 1 year	**2,411,790**	2,740,597
	1,199,925,231	1,146,726,943

11 BORROWINGS

	As at 30 June 2015	As at 31 December 2014
	Unaudited	Audited
	HK$	*HK$*
Non-current		
Unsecured bank borrowings	**1,586,299,392**	878,667,606
Loans from a related party	**2,570,420,999**	2,030,138,167
Total non-current borrowings	**4,156,720,391**	2,908,805,773
Current		
Portion of loans from banks due for repayment within one year		
— Unsecured	**370,960,027**	1,244,253,403
Portion of loans from banks due for repayment after one year which contain a repayment on demand clause		
— Unsecured	**—**	311,745,468
Total current borrowings	**370,960,027**	1,555,998,871
Total borrowings	**4,527,680,418**	4,464,804,644

Movements in borrowings are analysed as follows:

	Unaudited
	HK$
Six months ended 30 June 2014	
Opening amount as at 1 January 2014	2,737,436,782
New borrowings	1,457,246,776
Repayments of borrowings	(1,100,183,102)
Exchange differences, net	6,419,488
Closing amount as at 30 June 2014	3,100,919,944
Six months ended 30 June 2015	
Opening amount as at 1 January 2015	**4,464,804,644**
New borrowings	**3,390,369,391**
Repayments of borrowings	**(3,328,253,369)**
Exchange differences, net	**759,752**
Closing amount as at 30 June 2015	**4,527,680,418**

12 TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES

	As at	
	30 June 2015	31 December 2014
	Unaudited	Audited
	HK$	*HK$*
Trade payables	**1,006,141,875**	1,401,419,316
Notes payable	**41,052,998**	26,649,646
Other payables	**485,135,798**	523,245,841
Accrued expenses	**388,801,235**	358,064,594
	1,921,131,906	2,309,379,397

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 2015 and 31 December 2014 is as follows:

	As at	
	30 June 2015	31 December 2014
	Unaudited	Audited
	HK$	*HK$*
Within 3 months	**1,038,289,303**	1,405,501,710
4 months to 6 months	**2,848,789**	15,759,732
7 months to 12 months	**1,493,441**	1,290,280
Over 1 year	**4,563,340**	5,517,240
	1,047,194,873	1,428,068,962

MANAGEMENT DISCUSSION AND ANALYSIS

Interim Results Highlights

China's economy was facing downward pressure during the first half of 2015. The fast-moving consumer goods market in China remained weak and the household paper ("Tissue") market was impacted by continuing overcapacity. However, the central government has been steering the country to what it terms the "New Normal" condition by restructuring the economy with an emphasis on quality development and the stimulation of domestic consumption. The initiatives have boosted urbanization and encouraged businesses to upgrade and improve product quality. The internet development also presented both challenges and opportunities for the traditional sales model. For the hygiene product industry, the "New Normal" condition presents new opportunities because the government adopts policies that favour enterprises that deliver growth in consumption and quality products. Meanwhile, the demand for quality hygiene products will continue to grow steadily in tandem with the country's per capita income. This will certainly facilitate the development of each of Vinda International's four business segments.

The year 2015 marks the Group's 30th anniversary and the transition between its "Sixth Five-year Plan" and "Seventh Five-year Plan". During the period under review, the Group's total revenue increased by 28.9% year on year to HK$4,743.2 million. A breakdown of income by sales channels shows that revenues from traditional distributors, modern supermarkets and hypermarkets, corporate clients and E-commerce accounted for 48.2%, 30.6%, 11.4% and 9.8% respectively of the total. By business segments, Tissue, being the Group's core business, accounted for 96.6% of the total revenue, while the incontinence care, feminine care and baby care ("Personal Care") businesses together accounted for 3.4%. Excluding the effect of the acquisition of the SCA business, the Group recorded a year-on-year organic growth of 18.7% in total revenue, which was above the industry average growth rate.

During the period, gross profit expanded by 37.9% to HK$1,496.5 million. Gross profit margin rose by 2.1 percentage points to 31.6%, which was attributable to the optimization of the Tissue product mix and the slight decline in wood pulp cost. Operating profit grew by 35.4% year on year to HK$468.2 million. Operating profit margin was up by 0.5 percentage points.

To further enhance our paper making technique and develop the Personal Care business, the Group has stepped up investment in research and development and obtained hi-tech enterprise qualification for Vinda Paper (China) Co., Ltd. during the first half of the year. Therefore, the effective tax rate decreased by 1.0 percentage points to 20.23%.

Profit attributable to shareholders grew by 48.9% to HK$330.8 million compared to the corresponding period of the previous year. Basic earnings per share for the period were 33.1 HK cents (first half of 2014: 22.3 HK cents). In recognition of the shareholders' continued support to the Company, the Board proposed the payment of an interim dividend of 5.0 HK cents (first half of 2014: 4.0 HK cents) per share for the six months ended 30 June 2015.

Business Review

Tissue

Tissue business is the Group's core business. During the first half of the year, the Group used *Tempo* and *Vinda* respectively to target the individual professional and the family consumer, while using the away-from-home brand *Tork* to address the high-end corporate clients. Despite intense market competition, the Group successfully enlarged its market share by leveraging its brand power and employing effective marketing strategies. During the period, Tissue revenue jumped by 25.5% to HK$4,583.5 million. Sales volume of Tissue was 320,348.4 tons, up by 25.0%. The optimization of the product mix has yielded outstanding results with roll and non-roll products accounting for 51.1% and 48.9% respectively, of total sales. In particular, sales of higher-margin products such as softpack, box tissue, hanky and wet wipe grew significantly with year-on-year growth in revenue of 36.6%, 29.0%, 48.3% and 38.3%, respectively.

The Group took a consumer-oriented approach to winning market share instead of price competition, by carrying out innovative marketing initiatives and providing excellent product quality. During the second quarter, we conducted a marketing campaign titled "Ultra Strong National Bus Tour — The Third Season" (《維達30年韌享家滿FUN — 中國行第三季》), in which a bus toured 22 first-tier cities across China such as Beijing, Shanghai, Guangzhou and Chengdu in order to interact directly with the consumers. In another promotional activity, the Group made wedding gowns from its tissue paper and displayed them inside a number of hypermarkets. Such campaigns not only aroused consumer interest but also tightened the cooperation with the hypermarkets. To further strengthen Vinda's brand image among families with children, the Group jointly conducted a parental research with Guangdong Academy of Social Sciences and a popular parenting website named Babytree. It also sponsored a CCTV reality show named "Grow Up With You" (《等你長大》) featuring the behavior of growing children.

Tempo is a premium brand focused on high quality, personalization and stylish non-roll products with a higher average profit margin than that of similar offerings in the market. After acquiring the business from SCA it is of top priority for the Group to roll out the *Tempo* product to the whole country by expanding the number of point-of-sales.

Personal Care Products

The Group has had the operating rights over SCA's various internationally renowned brands for personal care products since the fourth quarter of 2014. The Group's personal care and hygiene product business has yet to reach a normal level of profitability because it is still in the incubation stage with a relatively small business scale and it therefore requires substantial initial investment in brand building as well as enlarging the sales network. It is the intention of Group to step up the sales and earnings in the long run by capitalizing on SCA's strong R&D and technological capability combined with the extensive distribution capability of Vinda.

Incontinence Care

Chinese society is aging. Chinese consumers have shown increasing concern about hygiene standards and we are detecting a more positive perception of incontinence care products which has stimulated demand in incontinence care products. Although the incontinence care market has huge potential, there has not been any dominant brand in the marketplace. SCA, the parent company of the Group, is a leading player in the global incontinence care market. The Group has been able to add the sales from *TENA*, the no. 1 incontinence care brand in the world, and *Dr. P*, a renowned brand in China, to its business following its acquisition of SCA's incontinence care operations in mainland China and Hong Kong.

Compared to the domestic and foreign brands available in the Chinese market, *TENA*, the number one incontinence care brand in the world, differentiates itself not by price but product quality and services. Having professional healthcare qualifications, our incontinence care sales team is able to provide a total solution of service, first by evaluating the needs of elderly, and next offering products for trial as well as regular follow-up. We also co-organize healthcare seminars regularly so as to educate people in incontinence care. In the second half of the year, we will fortify our proposition in elderly homes and hospitals, and expand sales via the Vinda network.

Feminine Care

The China feminine care market size has been expanding rapidly while the penetration rate of sanitary napkins has been increasing year by year. Consumers now long for a safe and premium quality product. This, coupled with the growing popularity of online shopping among younger women, presents a golden opportunity for the Group to enter the mid-to high-end feminine care segment.

During the period, the Group has set a positioning and a development plan for *Libresse*, the international brand, for the China market. The single-store sales of *VIA* also increased. The Group attracted more teenage girls and student fans via internet and regular weekend promotional campaigns.

Baby Care

In the first half of the year, the Group conducted consumer research and defined the market positions and strategies for three baby care brands. Riding on the two-child policy and excessive demand for imported baby diapers among the new generation of mothers, the Group has established a dual-brand strategy. *Libero*, the Scandinavian brand, targets the high-end segment and is sold through e-commerce and maternity stores. After a series of R&D projects and technology upgrades, *Sealer* will offer new products in the second half of the year so as to attract mid-to low-end consumers and compete with the domestic brands.

Rapid Expansion of Online Sales and Development of Specialty Channel

As at 30 June 2015, the Group had 263 sales offices and 1,287 distributors. During the period under review, the Group has strengthened its cooperation with hypermarkets to improve the shelf-space performance. It has also enhanced the support to distributors so as to penetrate into the third- and fourth-tier cities and enhance the control of the points of sales. The sales performance in e-commerce channels was also remarkable. The Group topped the charts in terms of market share at the major e-commerce platforms. In the future, the Group will tighten its strategic cooperation with e-commerce platform operators so that it can extend the sales coverage and reach new markets through the boundless opportunities presented by the internet.

In addition, the Group will not only boost its personal care sales by using the existing sales and distribution network, but also expand the specialty channels such as maternity shops, elderly homes and hospitals.

Arrangement of Production Capacity

As at 30 June 2015, the Group had 890,000 tons of annual designed paper production capacity. In consideration of the long-term demand for tissue in China, the Group originally planned to add 90,000 tons of capacity in Shandong and Sichuan. Due to the delay in equipment supply, it is anticipated that 30,000 tons of such capacity has been postponed and will now be put into operation in 2016. According to the current construction progress, it is expected to reach 950,000 tons of annual designed paper production capacity by the end of 2015.

As to the supply chain of the personal care product, the Group will build its own production facilities for incontinence care product so as to meet the future market demand with lower cost and higher efficiency of production. Such facilities are expected to commence production in the second half of next year. The Group has three first-class baby diaper production lines in central China. Leveraging the technical support from SCA, the Group could produce all of its baby brands' products. Nonetheless, the Group will make use of the brand positioning and consumer preference to decide on whether to import the baby diapers from SCA or to do its own production. In the meantime, the Group will continue to adopt an asset-light model to develop its sanitary napkin business and will only establish its own production line when the business has achieved a sufficient scale.

Improvement in Internal Control and Efficiency

The Group recognizes that sound corporate governance is the cornerstone to a company's success, business development and shareholder value. Therefore the Group endeavors to enhance the corporate governance, business process management, risk management, internal compliance, quality control management, safety measures management, environmental management and crisis management. The Group also regularly reviews and enhances its internal control policies.

High-caliber staff is the key to the Group's competitiveness and value creation. The Group consistently optimises its human resources management such as carrying out performance evaluation and career planning for each employee, restructuring the organization and providing professional training and educational subsidies for employees, in a view of matching itself to international standards. Employee remuneration packages are reviewed regularly to benchmark with local market condition and employees' experience and performance. Furthermore, the Group adopts a share option scheme to retain talents.

As at 30 June 2015, the Group had 7,982 employees with a balanced gender mix, in which associate degree or above holders accounted for approximately 43.9%.

Liquidity, Financial Resources and Loans

The Group's financial position remained healthy. As at 30 June 2015, the Group's bank and cash balances (including restricted bank deposits of HK$330,327 (31 December 2014: HK$1,301,535)) amounted to HK$513,995,889 (31 December 2014: HK$721,585,249), and short-term and long-term loans amounted to HK$4,527,680,418 (31 December 2014: HK$4,464,804,644), including the loans from a related party amounting to HK$2,570,420,999 (31 December 2014: HK$2,030,138,167). 91.8% of the borrowings are medium- to long- term (2014: 65.1%). The annual interest rates of loans ranged from 0.80% to 6.51%.

As at 30 June 2015, the gearing ratio was 85.4% (31 December 2014: 87.9%), which was calculated on the basis of the amount of total borrowings as a percentage of the total shareholders' equity. The net gearing ratio, which was calculated on the basis of the amount of total borrowings less cash and cash equivalents and restricted bank deposits as a percentage of the total shareholders' equity, was 75.7% (31 December 2014: 73.7%).

As at 30 June 2015, unutilized credit facilities amounted to approximately HK$7.34 billion (2014: HK$9.71 billion).

Charges on Group Assets

As at 30 June 2015, the Group did not have any charges on assets (31 December 2014: nil).

Contingent Liabilities

As at 30 June 2015, the Group had no material contingent liabilities (31 December 2014: nil).

Foreign Exchange and Fair Value Interest Rate Risk

The majority of the Group's assets and sales business are located in the PRC and Hong Kong. Most of our transactions are denominated and settled in Renminbi while most of the key raw materials are imported from overseas and denominated and paid in US dollar. The Group also borrows most of the long term loans and the short term loans denominated in HKD or USD.

As at 30 June 2015, the Group had no interest rate swaps. During the year of 2014, the Group managed its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps had the economic effect of converting borrowings from floating rates to fixed rates, but they were all expired on 29 July 2014 concurrently with the borrowings.

Outlook

2015 marks its 30th anniversary of the Group. While China undergoes an adjustment to the "New Normal" stage of development, the Group also maps out its "Seventh Five-Year Plan", a new blueprint for internationalization. In the future, Tissue will remain as the Group's core business. Sales from Tissue is expected to grow steadily while Tissue's product mix will be optimized to continuously gain higher market share and profitability. The Group will seize every opportunity to grow demand in high quality hygiene products by using its international brands to tap into incontinence care, feminine care and baby care markets in China. The Group aims to have 20% of total revenue contributing by personal care business in the medium to long term. In view of the "One Belt One Road" initiative advocated by the central government, the Group has also started to study the opportunity for expanding its overseas business.

Looking ahead to the second half of 2015, it is expected that the competition in Tissue will continue but will not necessarily intensify. The wood pulp price is anticipated to continue to face fluctuations. The Group will also allocate more resources to R&D and the personal care business. As a result, marketing expense is expected to rise moderately as it is geared up to support long-term growth.

We have set the following priorities for the second half of 2015:

1. To ensure stable and healthy growth in the core business of Tissue;

2. To enhance the awareness and reputation of personal care brands;

3. To further broaden the penetration of sales channels, expand the sales from e-commerce and specialized distribution channels; and

4. To achieve better synergies from the integration with SCA's businesses.

In the next three decades, China market faces lots of opportunities and challenges. The Group will work as a cohesive team, persevering in innovation, adhering to a high quality standard and differentiating itself from competitors. It aspires to become consumers preferred household and hygiene product brand and will continue to aim for the best returns to shareholders and investors.

Interim Dividend

The Board has resolved to declare an interim dividend of HK$0.05 per share for the period ended 30 June 2015 (2014: HK$0.04 per share) totaling approximately HK$49,944,884, based on the 998,897,686 issued shares outstanding as at 30 June 2015. The interim dividend will be paid on or about 11 September 2015 to shareholders whose names appear on the register of members of the Company on 28 August 2015.

Closure of Register of Members

The register of members of the Company will be closed from 26 August 2015 to 28 August 2015, both days inclusive, during which period no transfer of shares will be registered. In order to establish entitlement to the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 pm on 25 August 2015 for registration of transfer.

Purchase, Sale or Redemption of the Securities

During the six months ended 30 June 2015, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Corporate Governance

The Company is committed to maintaining a high standard of corporate governance practices by emphasizing a quality board of directors, sound internal control, transparency and accountability to all the shareholders of the Company. For the six months ended 30 June 2015, the Company has complied with all the code provisions set out in the Corporate Governance Code, as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

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

With effect from 30 June 2015, Mr. Jan Lennart PERSSON resigned as Non-Executive Director, chairmanship and member of the risk management committee and member of audit committee of the Company. Mr. Carl Magnus GROTH was appointed as Non-Executive Director of the Company with effect from 1 July 2015. Details of the above changes are set out in the announcement of the Company dated 30 June 2015.

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 Transaction by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules on the Stock Exchange. Having made specific enquiry with all the directors of the Company (the "Directors" or individually the "Director"), all of them confirmed that they have complied with the required standard set out in the Model Code and the Code of Conduct regarding securities transactions by the Directors during the six months ended 30 June 2015.

Audit Committee

The Company's audit committee has four members comprising three Independent Non-Executive Directors, namely, Mr. KAM Robert, Mr. WONG Kwai Huen, Albert and Mr. TSUI King Fai and a Non-Executive Director, Mr. Jan Lennart PERSSON (resigned as member of the audit committee on 30 June 2015). Mr. Ulf Olof Lennart SODERSTROM was appointed as member of the audit committee on 1 July 2015. The chairman of the audit committee is Mr. KAM Robert. The audit committee is accountable to the Board and the principal duties of the audit committee include the review and supervision of the financial reporting process. It also reviews the effectiveness of internal audit, internal controls and risk evaluation, including the interim results and interim report for the six months ended 30 June 2015.

Remuneration Committee

The Company's remuneration committee has three members comprising two Independent Non-Executive Directors, namely, Mr. TSUI King Fai and Mr. HUI Chin Tong, Godfrey and a Non-Executive Director, Mr. Ulf Olof Lennart SODERSTROM (resigned as a member of the remuneration committee on 1 July 2015). Mr. Johann Christoph MICHALSKI was appointed as a member of the remuneration committee on 1 July 2015. The chairman of the remuneration committee is Mr. TSUI King Fai. The principal duty of the remuneration committee is to regularly monitor the remuneration and other benefits of all the directors and senior management to ensure that levels of their remuneration and compensation are appropriate.

Nomination Committee

The Company's nomination committee has five members comprising three Independent Non-Executive Directors, namely, Mr. KAM Robert, Mr. HUI Chin Tong, Godfrey and Mr. WONG Kwai Huen, Albert, an Executive Director, Mr. LI Chao Wang and a Non-Executive Director, Mr. Jan Christer JOHANSSON. The chairman of the nomination committee is Mr. HUI Chin Tong, Godfrey. The principal duty of the nomination committee is to consider and recommend to the Board suitably qualified persons to be appointed directors and is responsible for reviewing the structure, size and composition of the Board on a regular basis.

Risk Management Committee

The Company's risk management committee has five members comprising two Executive Directors, Ms. YU Yi Fang and Ms. ZHANG Dong Fang; two Non-Executive Directors, namely, Mr. Ulf Olof Lennart SODERSTROM and Mr. Jan Lennart PERSSON (resigned as chairman and member of the risk management committee on 30 June 2015); and one Independent Non-Executive Director, Mr. TSUI King Fai. Mr. Jan Christer JOHANSSON was appointed as chairman and member of the risk management committee on 1 July 2015. The principal duty of the risk management committee is to assist the Board in deciding the Group's risk level and risk appetite, and considering the Company's risk management strategies and gives directions where appropriate.

Publication of Results Announcement and Interim Report

This announcement is published on the websites of the Company (www.vinda.com) and the Stock Exchange (www.hkexnews.hk). The 2015 interim report of the Company will be dispatched to the shareholders and available on the same websites in due course.

Acknowledgement

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

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

Hong Kong, 16 July 2015

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

Executive Directors
Mr. LI Chao Wang *(Chairman)*
Ms. YU Yi Fang *(Vice Chairman)*
Ms. ZHANG Dong Fang *(Chief Executive Officer)*
Mr. DONG Yi Ping *(Chief Technology Officer)*

Non-Executive Directors
Mr. Jan Christer JOHANSSON *(Vice Chairman)*
Mr. Jan Lennart PERSSON (resigned on 30 June 2015)
Mr. Johann Christoph MICHALSKI
Mr. Carl Magnus GROTH (appointed on 1 July 2015)
Mr. Ulf Olof Lennart SODERSTROM

Independent Non-Executive Directors
Mr. KAM Robert
Mr. HUI Chin Tong, Godfrey
Mr. TSUI King Fai
Mr. WONG Kwai Huen, Albert

Alternate Directors
Ms. LI Jielin (alternate to Mr. LI, Ms. YU and Mr. DONG)
Mr. CHIU Bun (alternate to Mr. MICHALSKI and Mr. SODERSTROM)
Mr. Gert Mikael SCHMIDT (alternate to Mr. JOHANSSON and Mr. GROTH)