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 2019

HIGHLIGHTS

- **Double-digit organic growth[1] in revenue despite challenging business environment**
  - Double-digit organic growth at 13.0%
  - Mainland China's organic growth at 15.0%
  - Total revenue increased by 7.6% to HK$7,891 million, driven by strong sales in all regions particular in mainland China
  - Double-digit organic growth in e-commerce and B2B channel
  - Strong performance of premium tissue portfolio and personal care in China

- **Improving gross margin thanks to favorable wood pulp price, continuous mix improvement and high-margin products focus**
  - Gross margin in 1H2019 was 28.1%, up by 1.5 percentage points ("ppts") compared to that in 2H2018
  - Gross margin in 2019Q2 was 30.0%, 3.7 ppts higher than that in 2019Q1

- **Total SG&A expense ratio dropped by 0.8 ppt compared with 1H2018 through effective cost saving initiatives and operation efficiency improvement**

- **Net profit increased by 5.4% to HK$440 million (1H2018: HK$417 million)**
- **Net gearing ratio[2] decreased by 9.8 ppts to 49.9% (1H2018: 59.7%)**
- **Basic earnings per share rose by 5.4% to 36.8 HK cents (1H2018: 34.9 HK cents)**
- **An interim dividend of 7.0 HK cents per share has been declared (1H2018: 6.0 HK cents per share)**

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 2019 (the "Period" or "1H2019").

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

Wood pulp price has reached a record high since last year affecting the whole paper-making industry. Although the cost pressure was relatively eased during the Period, the overall business environment remained challenging due to the uncertain global economic situation, the volatility of Renminbi ("RMB") exchange rate and the intensifying competition in China's fast-moving consumer goods market. Nevertheless, the Group still managed to achieve double-digit organic growth[1] in revenue and our gross margin recorded quarter on quarter improvement. This was attributable to our persistent efforts to increase brand value, focus on value-added products and enhance portfolio mix as well as continuous cost control measures to maintain competitiveness in an ever-changing business environment.

Financial Highlights

Despite the fierce competition, thanks to new product launches and portfolio mix optimization, the Group's total revenue rose by 7.6% (13.0% at constant exchange rate) to HK$7,891 million for 1H2019. The revenue growth in mainland China at a constant exchange rate was 15.0%.

In respect of business segment, Tissue and Personal Care contributed to 82% and 18% of the total revenue, respectively. In respect of sales channels, traditional distributors, key account managed supermarkets and hypermarkets, B2B corporate customers and e-commerce accounted for 34%, 25%, 15% and 26% respectively. E-commerce and B2B performed well with double-digit organic growth in revenue.

Gross profit rose by 1.8% to HK$2,217 million year-on-year ("yoy"). Despite that we still experienced relatively high pressure of raw material cost in the first quarter of 2019 ("2019Q1"), leveraging efforts on favorable mix improvement and continuous cost-saving measures, gross margin in 1H2019 slipped by 1.6 ppts yoy, whilst it expanded 1.5 ppts compared to the second half of 2018 ("2H2018"). Gross margin in the second quarter of 2019 ("2019Q2") was 30.0%, 3.7 ppts higher than that in 2019Q1.

EBITDA grew by 5.6% to HK$1,179 million. EBITDA margin was stable at 14.9% and improved by 3.7 ppts compared to 2H2018, reflecting our sustainable cash generation ability.

Thanks to our solid control of cost, total administrative costs as a percentage of sales was down by 0.5 ppt to 4.6% (1H2018: 5.1%). Total selling & marketing costs as a percentage of sales was down by 0.3 ppt to 15.6% (1H2018: 15.9%). Operating margin was 8.0%, contracted by 0.8 ppt (1H2018: 8.8%). Compared to 2H2018, operating margin improved by 3.0 ppts.

Total foreign exchange losses was HK$10 million (1H2018: losses of HK$22 million), of which HK$13 million losses was reported in operating items (1H2018: losses of HK$12 million), and HK$3 million gain in financing items (1H2018: losses of HK$10 million).

Net gearing ratio[2] dropped by 9.8 ppts to 49.9% (1H2018: 59.7%).

Effective tax rate decreased by 5.1 ppts to 16.0% (1H2018: 21.1%).

Net profit increased by 5.4% to HK$440 million (1H2018: HK$417 million). Net margin stood at 5.6% (1H2018: 5.7%).

Basic earnings per share was 36.8 HK cents (1H2018: 34.9 HK cents).

The Board has resolved to declare an interim dividend of 7.0 HK cents per share for the Period (1H2018: 6.0 HK cents per share).

Business Review

Tissue Segment

Revenue from the Tissue segment amounted to HK$6,502 million, representing a growth of 15.5% at a constant exchange rate and accounting for 82% of the Group's total revenue (1H2018: 81%).

During the Period, we continued to optimise the Tissue portfolio by focusing on the promotion of higher-margin products such as *Vinda Deluxe*, *Vinda Ultra Strong* and *Tempo*. Softpack, kitchen towel and wet wipes continued to record double-digit growth in revenue. The gross margin and segment result margin of the Tissue segment were able to maintain at 28.2% and 9.3% respectively.

On the back of effective brand management and sales execution, *Vinda* brand maintained a strong growth momentum and led the market share in terms of tissue category[3]. Various diversified marketing campaigns were introduced including the "*Vinda Seventh China Tour*" as a means of consumer engagement, and the debut of limited edition products through the cooperation with well-known IP, such as "*Wu Huang Wan Shui*"*（吾皇萬睡）*, *"B. Duck"* and *"Avengers"*. In Hong Kong, the launch of *Vinda 4D Deluxe baby soft series* were well received by the market. The embossed series of box tissue under Deluxe are also available in Hong Kong, further enriching product offering. *Tempo* attracted high-end consumers by launching limited artist edition in collaboration with the world renowned Metropolitan Museum of Art. We have also engaged a famous celebrity, William Chan, as a brand ambassador for *Tempo* in mainland China. The limited edition of *Tempo sakura* received overwhelming market response since its launch in mainland China and Hong Kong. *Tork* made good progress in broadening the premium away-from home clientele.

In Malaysia, we successfully enhanced the brand awareness of *Vinda Deluxe* through brand activation campaign *"Tears to celebrate women's true strength"*. We also enriched our product mix by launching kitchen towels and wet wipes.

Personal Care Segment

Revenue from the Personal Care segment reached HK$1,388 million, representing a growth of 2.9% at a constant exchange rate and accounting for 18% of the Group's total revenue (1H2018: 19%).

Gross profit margin and segment result margin of the Personal Care segment were 27.7% and 7.1% respectively. The segment result margin reflected the investment stage of the Personal Care business in China.

In incontinence care, we continue to enhance our efforts in broadening the institutional sales network in several key cities in mainland China and in selling and marketing our products on e-commerce platforms. In Taiwan, *TENA* teamed up with the Taiwanese Continence Society to raise awareness of incontinence care. Meanwhile, *Dr. P's* marketing campaign named *"Breathable in a soft cotton touch（棉柔好透氣）"* also helped to drive up the sales. In Singapore, *TENA* further increased the brand recognition for *TENA Lady range* in cooperation with Hong Huifang, a local celebrity as brand endorser.

In feminine care, we have streamlined and repositioned the feminine care brand. We relaunched *Libresse* in mainland China together with social media campaigns, covering *Imported Libresse series, Libresse V-comfort series（Libresse薇爾舒適V感）* and *Libresse Puffy comfort series（Libresse薇爾貼芯系列）*. In Malaysia, *Libresse* fortified its No.1[4] leading position in terms of market share. A number of innovative brand activities such as *"Get Your Fit"* campaign were conducted, successfully strengthening the brand leadership.

The majority of our baby care business came from Southeast Asia. We further reinforced *Drypers*'s leading[4] position in Malaysia through the campaign of *"Drypers When it Fits"*.

Production Capacity

During the Period, 30,000 tons of new capacity have been added in Hubei. As planned, we discontinued the operation of one of the oldest and high energy-consuming paper-making machineries at Guangdong factory, which is equivalent to 30,000 tons of designed capacity. As of 30 June 2019, Vinda's annual designed production capacity for tissue paper therefore amounted to 1,220,000 tons. Additional 30,000 tons of new capacity will be added in Hubei in 2019Q4, thereby bringing the annual designed production capacity for tissue paper to 1,250,000 tons by the end of 2019.

In order to better satisfy Chinese consumers' preference in sanitary napkins and incontinence products, and shorten the response time to market, we have expanded local production for feminine and incontinence products in mainland China during the Period.

Human Resources Management and Internal Control

Employees are the most valuable contributors to Vinda's sustainable development. We strive to offer equal opportunities to all qualified candidates regardless of age, nationality, race, religion, sexual orientation, gender and 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 won the "Malaysia Best Employer Brand Awards 2019".

During the Period, a total of 48,774 hours of training were conducted in mainland China for a total of 50,778 participants. In Malaysia, a total of 1,969 hours of trainings were provided to a total of 230 participants. In Taiwan, a total of 2,380 hours of trainings were provided to a total of 629 participants.

As of 30 June 2019, we had a total of 10,941 employees.

Vinda is committed to maintaining high standards of corporate governance. All employees are required to comply with Vinda's codes 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 have been trained 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 safety and health with our goal "zero accident".

In mainland China, 1,015 seminars were held for a total of 43,860 participants during the Period. The number of production safety accidents dropped by 28.6% to 5 compared with that in the 1H2018. The Lost Time Accidents ("LTA") was 6,336 hours, down by 17.2% yoy. The Lost Days from above Accident ("DLA") was 792 days, down by 17.2% yoy. In Malaysia, LTA was 1 case and DLA was 21 days, down by 72% yoy. In Taiwan, both LTA and DLA are zero.

Corporate Social Responsibility

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

In mainland China, Vinda Volunteer Team and *Vinda Charity Foundation* united to organize various social service activities. During the Period, 343 participants of Vinda volunteers spent 1,401 hours on voluntary activities.

In Malaysia, we continued to refurbish children's home through a charity campaign entitled *Drypers Share A Little Comfort* which helped improve the living condition. In Taiwan, we donated *Dr. P* incontinence diapers to The Catholic Foundation of Alzheimer's Disease and Related Dementia.

Outlook

Looking forward to the second half of 2019, the prospect of business will be favoured by the stabilizing wood pulp price, while there are still uncertainties in respect of fierce market competition, Sino-US trade conflicts and the movement of RMB exchange rates.

In the medium to long term, increasing household disposable income will help drive up consumer demand for innovative and high-quality products. Other positive catalysts include lower-than-average per capita consumption of household paper, the merge of online and offline retail operations under new retail model, and the accelerating industry consolidation caused by the obsolete capacity under the stringent environmental regulations. The development of online shopping has provided more opportunities for marketing and selling new and quality products. Moreover, China's aging population means huge demand for professional incontinence care products. All these will definitely bring opportunities to Vinda's high-quality tissue and high-end personal care brands.

Our focus in 2019 is "Year of Excellence, Year of Personal Care", highlighting the importance of excellence in sales execution, brand management, product innovation and operational efficiency. While driving growth in our core tissue business, we will also build on the good progress in developing our personal care business in mainland China. The launch of *Libresse* and *TENA* pants in June marked another milestone for us. Both series are now self-produced in mainland China. Our strategy has not changed and we will continue to operate while focusing on the following five areas:

Firstly, we will continue to step up our effort to innovate, focus on value-added portfolio and product differentiation to enhance the brand competitiveness and broaden the profit margins.

Secondly, we will capture the growth opportunities by leveraging our competitive edge in e-commerce channel, efficient sales execution and channel expansion to add impetus to personal care business.

Thirdly, we will keep up efforts on cost control while ensuring the wise use of budgets and precise use of resources.

Fourthly, we will continue to strengthen our production and operational efficiency, while keeping our production capacity expansion on track for sustainable growth.

Last but not least, we will strive to maintain a healthy financial position, good cash generation ability and improve the management of working capital. In addition to ensuring growth, we will maintain the profitability of our products and strive to be a sustainable and risk-resilient company.

Remarks

[1] *Organic growth: Year on year growth at a constant exchange rate*

[2] *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

[3] *Source: Kantar Worldpanel, sales value 29 December 2018 to 14 June 2019*

[4] *Source: Kantar Worldpanel, sales value year-to-date at 19 May 2019*

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Unaudited	
		Six months ended 30 June	
		2019	2018
	Note	***HK$***	*HK$*
Revenue	*4*	**7,890,727,154**	7,334,423,321
Cost of sales		**(5,673,422,318)**	(5,156,455,109)
Gross profit		**2,217,304,836**	2,177,968,212
Selling and marketing costs		**(1,230,433,416)**	(1,164,141,304)
Administrative expenses		**(359,645,696)**	(373,138,921)
Net impairment losses on financial assets		**(1,629,925)**	(1,315,551)
Other income and gains/(losses) – net		**4,130,044**	4,092,810
Operating profit	*5*	**629,725,843**	643,465,246
Finance income and costs – net	*6*	**(106,166,757)**	(114,454,615)
Profit before income tax		**523,559,086**	529,010,631
Income tax expense	*7*	**(83,697,831)**	(111,645,526)
Profit attributable to the equity holders of the Company		**439,861,255**	417,365,105
Other comprehensive income:			
Item that may be reclassified to profit or loss			
– Currency translation differences		**(34,118,556)**	(68,854,054)
Total comprehensive income attributable to the equity holders of the Company		**405,742,699**	348,511,051
Earnings per share for profit attributable to the equity holders of the Company			
– basic	*8(a)*	**0.368**	0.349
– diluted	*8(b)*	**0.368**	0.349

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Note	**Unaudited 30 June 2019** *HK$*	Audited 31 December 2018 *HK$*
ASSETS			
Non-current assets			
Property, plant and equipment	*10*	**9,126,577,827**	8,997,273,418
Right-of-use assets	*3(a)*	**1,220,481,859**	–
Leasehold land and land use rights	*3(a)*	**–**	1,050,718,413
Intangible assets	*10*	**2,803,954,998**	2,823,114,342
Deferred income tax assets		**457,994,546**	403,828,940
Investment properties	*10*	**7,137,016**	7,217,853
Total non-current assets		**13,616,146,246**	13,282,152,966
Current assets			
Inventories		**2,924,046,275**	2,745,883,730
Trade and notes receivables	*11*	**1,752,539,828**	1,888,459,707
Other receivables	*11*	**373,935,598**	449,515,451
Prepayments	*11*	**57,467,379**	90,514,885
Due from related parties		**37,303,535**	36,609,005
Cash and cash equivalents		**486,922,621**	574,465,154
Total current assets		**5,632,215,236**	5,785,447,932
Total assets		**19,248,361,482**	19,067,600,898
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital		**119,499,737**	119,485,237
Share premium		**4,354,214,570**	4,351,781,230
Other reserves		**4,496,440,331**	4,258,649,944
Total equity		**8,970,154,638**	8,729,916,411

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (Continued)

	Note	**Unaudited 30 June 2019** *HK$*	Audited 31 December 2018 *HK$*
LIABILITIES			
Non-current liabilities			
Borrowings	*13*	**3,034,416,954**	3,004,812,188
Loans from a related party	*13*	**1,350,116,846**	1,218,116,846
Lease liabilities	*3(a)*	**113,412,347**	–
Deferred government grants		**234,660,839**	215,070,111
Deferred income tax liabilities		**197,959,459**	208,522,060
Post-employment benefits		**26,861,107**	31,124,829
Other non-current liabilities	*14*	**18,711,363**	10,709,487
Total non-current liabilities		**4,976,138,915**	4,688,355,521
Current liabilities			
Trade payables, other payables and accrued expenses	*12*	**4,597,781,375**	4,436,032,657
Contract liabilities		**80,293,289**	72,527,241
Borrowings	*13*	**395,754,598**	1,022,567,206
Lease liabilities	*3(a)*	**65,945,522**	–
Due to related parties		**20,903,570**	18,406,558
Current income tax liabilities		**141,389,575**	99,795,304
Total current liabilities		**5,302,067,929**	5,649,328,966
Total liabilities		**10,278,206,844**	10,337,684,487
Total equity and liabilities		**19,248,361,482**	19,067,600,898

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Unaudited			
		Attributable to the equity holders of the Company			
		Share capital	**Share premium**	**Other reserves**	**Total**
	Note	*HK$*	*HK$*	*HK$*	*HK$*
Balance as at 31 December 2017		119,416,737	4,345,689,034	4,271,362,605	8,736,468,376
Change in accounting policy – HKFRS 9		–	–	(66,461)	(66,461)
Balance as at 1 January 2018 (Restated)		119,416,737	4,345,689,034	4,271,296,144	8,736,401,915
Profit for the period		–	–	417,365,105	417,365,105
Other comprehensive income					
Item that may be reclassified to profit or loss					
– Currency translation differences		–	–	(68,854,054)	(68,854,054)
Total comprehensive income for the six months ended 30 June 2018		–	–	348,511,051	348,511,051
Transaction with owners					
Employees share option scheme					
– Exercise of share options		22,500	4,299,300	(1,158,300)	3,163,500
Dividends		–	–	(167,214,932)	(167,214,932)
Transaction with owners		22,500	4,299,300	(168,373,232)	(164,051,432)
Balance as at 30 June 2018		119,439,237	4,349,988,334	4,451,433,963	8,920,861,534
Balance as at 1 January 2019		119,485,237	4,351,781,230	4,258,649,944	8,729,916,411
Profit for the period		–	–	439,861,255	439,861,255
Other comprehensive income					
Item that may be reclassified to profit or loss					
– Currency translation differences		–	–	(34,118,556)	(34,118,556)
Total comprehensive income for the six months ended 30 June 2019		–	–	405,742,699	405,742,699
Transaction with owners					
Employees share option scheme					
– Exercise of share options		14,500	2,433,340	(652,680)	1,795,160
Dividends	*9*	–	–	(167,299,632)	(167,299,632)
Transaction with owners		14,500	2,433,340	(167,952,312)	(165,504,472)
Balance as at 30 June 2019		119,499,737	4,354,214,570	4,496,440,331	8,970,154,638

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Unaudited Six months ended 30 June 2019 *HK$*	 2018 *HK$*
Cash flows from operating activities:			
– cash generated from operations		**1,490,649,248**	273,139,637
– interest paid		**(112,729,406)**	(120,894,347)
Cash flows generated from operating activities – net		**1,377,919,842**	152,245,290
Cash flows from investing activities:			
– purchases of property, plant and equipment		**(801,791,094)**	(643,178,281)
– purchases of intangible assets		**(36,098,851)**	(17,426,112)
– purchases of land use rights		**(7,756,876)**	(4,059,457)
– payment for addition of investment properties		**(83,000)**	–
– proceeds on disposal of property, plant and equipment		**937,258**	6,895,979
– government grants received		**30,085,808**	5,712,064
– interest received		**6,563,226**	6,380,841
Cash flows used in investing activities – net		**(808,143,529)**	(645,674,966)
Cash flows from financing activities:			
– dividends paid	*9*	**(167,299,632)**	(167,214,932)
– repayments of borrowings	*13*	**(2,541,565,499)**	(2,429,948,991)
– repayments of loans from a related party	*13*	**(168,000,000)**	–
– proceeds from borrowings	*13*	**1,946,284,946**	2,866,769,532
– proceeds from loans from a related party	*13*	**300,000,000**	168,000,000
– proceeds from shares issued		**1,795,160**	3,163,500
– lease payments		**(35,264,474)**	–
Cash flows (used in)/generated from financing activities – net		**(664,049,499)**	440,769,109
Net decrease in cash and cash equivalents		**(94,273,186)**	(52,660,567)
Cash and cash equivalents at beginning of the period		**574,465,154**	534,589,786
Exchange differences		**6,730,653**	9,411,993
Cash and cash equivalents at end of the period		**486,922,621**	491,341,212

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2019

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 17 July 2019 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 2019 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 2018, 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 2018, 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 new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies accordingly. None of which has significant financial impact to the Group except for HKFRS 16:

		Effective for annual periods beginning on or after
HKFRS 16	Leases	1 January 2019
HK(IFRIC) 23	Uncertainty over income tax treatments	1 January 2019
HKFRS 9 (Amendments)	Prepayment features with negative compensation	1 January 2019
HKAS 28 (Amendments)	Long-term interests in associates and joint venture	1 January 2019
HKAS 19 (Amendments)	Plan amendment, curtailment or settlement	1 January 2019

The Group leases various offices, warehouses, equipment and vehicles. Rental contracts are typically made for fixed periods but may have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) New and amended standards adopted by the Group (Continued)

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments (including in-substance fixed payments).

The lease payments are discounted using incremental borrowing rate of the Group which the Group would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability; and
- any lease payments made at or before the commencement date.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise small items of office furniture.

Extension options are included in a number of property and equipment leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension options held are exercisable only by the Group and not by the respective lessor.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option. Extension options are only included in the lease term if the lease is reasonably certain to be extended.

The Group has adopted HKFRS 16 *Leases* from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the simplified transition approach in the standard. The reclassifications and the adjustments arising from the new leasing standards are therefore recognised in the opening balance sheet on 1 January 2019.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as “operating leases” under the principles of HKAS 17 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of 1 January 2019 in each territory or region where the lease assets are located. The weighted average discount rate applied to the lease liabilities on 1 January 2019 was 4.74%.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) New and amended standards adopted by the Group (Continued)

	HK$
Operating lease commitments disclosed as at 31 December 2018	229,221,932
Lease liabilities recognised on extension option estimation	18,058,816
Less:	
Short-term leases recognised on a straight-line basis as expense	(14,050,113)
Low-value leases recognised on a straight-line basis as expense	(878,575)
	232,352,060
Discounted using the lessee's incremental borrowing rate at the date of initial application, lease liabilities recognised as at 1 January 2019	202,032,067
Add:	
Rental prepayments recognised as at 31 December 2018	1,844,109
Reclassification of leasehold land and land use rights	1,050,718,413
Right-of-use assets recognised as at 1 January 2019	1,254,594,589

The right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid rental expenses relating to that lease recognised in the balance sheet as at 1 January 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to the following types of assets:

	30 June 2019	**1 January 2019**
	HK$	*HK$*
Leasehold land and land use rights	1,041,634,895	1,050,718,413
Buildings	176,468,523	201,018,771
Equipment and others	2,378,441	2,857,405
Total right-of-use assets	1,220,481,859	1,254,594,589
Current lease liabilities	65,945,522	61,063,540
Non-current lease liabilities	113,412,347	140,968,527
Total lease liabilities	179,357,869	202,032,067

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) New and amended standards adopted by the Group (Continued)

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- Right-of-use assets – increase by HK$1,254,594,589
- Prepayments – decrease by HK$1,844,109
- Leasehold land and land use rights – decrease by HK$1,050,718,413
- Lease liabilities (current portion) – increase by HK$61,063,540
- Lease liabilities (non-current portion) – increase by HK$140,968,527

There was no impact on retained earnings on 1 January 2019.

(i) Impact on segment disclosures and profit

Segment profit for the six months ended 30 June 2019, segment assets and segment liabilities as at 30 June 2019 all increased as a result of the change in accounting policy. The following segments were affected by the change in policy:

	Segment profit *HK$*	**Segment assets** *HK$*	**Segment liabilities** *HK$*
Household paper products	942,314	64,346,502	67,450,349
Personal care products	870,670	114,500,462	111,907,520
	1,812,984	178,846,964	179,357,869

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) New and amended standards adopted by the Group (Continued)

(ii) Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HKFRIC 4 *Determining whether an Arrangement contains a Lease*.

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 2019 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
Amendments to HKAS 1 and HKAS 8	Definition of Material	1 January 2020
Amendments to HKFRS 3	Definition of a Business	1 January 2020
Revised Conceptual Framework	Revised Conceptual Framework for Financial Reporting	1 January 2020
HKFRS 17	Insurance contracts	1 January 2021

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

4 SEGMENT INFORMATION

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

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

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

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

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

4 SEGMENT INFORMATION (Continued)

The segment information for the six months ended 30 June 2019 and 2018 are as follows:

	Six months ended 30 June 2019 (Unaudited)		
	Household paper products *HK$*	**Personal care products** *HK$*	**Total** *HK$*
Six months ended 30 June 2019			
Segment revenue	6,502,415,293	1,388,311,861	7,890,727,154
Segment results	603,139,270	98,880,514	702,019,784
Amortisation of trademarks, licences and contractual customer relationships	(5,536,031)	(28,637,643)	(34,173,674)
Segment profit	597,603,239	70,242,871	667,846,110
Other income and gains/(losses) – net			4,130,044
Unallocated costs			(42,250,311)
Operating profit			629,725,843
Finance income and costs – net			(106,166,757)
Profit before income tax			523,559,086
Income tax expense			(83,697,831)
Profit for the period			439,861,255
Other segment items included in the income statement			
Depreciation of property, plant and equipment	(392,997,140)	(57,372,219)	(450,369,359)
Depreciation and amortization of right-of-use assets	(30,004,784)	(16,105,229)	(46,110,013)
Depreciation and amortization of investment properties and intangible assets other than trademarks, licences and contractual customer relationships	(17,064,492)	(1,826,599)	(18,891,091)
Additions to non-current assets	511,530,824	362,880,138	874,410,962

4 SEGMENT INFORMATION (Continued)

	Six months ended 30 June 2018 (Unaudited)		
	Household paper products *HK$*	Personal care products *HK$*	Total *HK$*
Six months ended 30 June 2018			
Segment revenue	5,927,715,524	1,406,707,797	7,334,423,321
Segment results	592,094,742	125,445,466	717,540,208
Amortisation of trademarks, licences and contractual customer relationships	(5,481,938)	(29,885,370)	(35,367,308)
Segment profit	586,612,804	95,560,096	682,172,900
Other income and gains/(losses) – net			4,092,810
Unallocated costs			(42,800,464)
Operating profit			643,465,246
Finance income and costs – net			(114,454,615)
Profit before income tax			529,010,631
Income tax expense			(111,645,526)
Profit for the period			417,365,105
Other segment items included in the income statement			
Depreciation of property, plant and equipment	(357,750,414)	(54,687,504)	(412,437,918)
Depreciation and amortization of leasehold land and land use rights, investment properties and intangible assets other than trademarks, licences and contractual customer relationships	(24,264,626)	(1,505,211)	(25,769,837)
Additions to non-current assets	667,743,372	84,510,358	752,253,730

4 SEGMENT INFORMATION (Continued)

	As at 30 June 2019 (Unaudited)		
	Household paper products	**Personal care products**	**Total**
	HK$	***HK$***	***HK$***
As at 30 June 2019			
Segment assets	14,737,039,643	4,036,561,630	18,773,601,273
Deferred income tax assets			457,994,546
Prepaid income tax recoverable			16,765,663
Total assets			**19,248,361,482**
Segment liabilities	8,916,215,417	1,022,642,393	9,938,857,810
Deferred income tax liabilities			197,959,459
Current income tax liabilities			141,389,575
Total liabilities			**10,278,206,844**

	As at 31 December 2018 (Audited)		
	Household paper products	Personal care products	Total
	HK$	*HK$*	*HK$*
As at 31 December 2018			
Segment assets	14,798,339,760	3,850,103,102	18,648,442,862
Deferred income tax assets			403,828,940
Prepaid income tax recoverable			15,329,096
Total assets			19,067,600,898
Segment liabilities	9,123,781,804	905,585,319	10,029,367,123
Deferred income tax liabilities			208,522,060
Current income tax liabilities			99,795,304
Total liabilities			10,337,684,487

5 OPERATING PROFIT

The following items have been charged/(credited) to the operating profit during the six months ended 30 June 2019 and 2018:

	Unaudited Six months ended 30 June	
	2019	2018
	HK$	*HK$*
Amortisation of deferred government grants	**(9,267,880)**	(5,384,127)
Foreign exchange loss, net	**13,110,028**	12,291,502
Net impairment losses on financial assets	**1,629,925**	1,315,551
Reversal for impairment of inventories	**(10,327,809)**	(227,327)
Depreciation of property, plant and equipment *(Note 10)*	**450,369,359**	412,437,918
Depreciation and amortization of right-of-use assets	**46,110,013**	–
Amortisation of intangible assets *(Note 10)*	**52,910,175**	48,263,813
Amortisation of leasehold land and land use rights	**–**	12,714,846
Depreciation and amortisation of investment properties *(Note 10)*	**154,590**	158,486
Loss/(Gain) on disposal of property, plant and equipment	**460,039**	(1,290,070)

6 FINANCE INCOME AND COSTS – NET

	Unaudited Six months ended 30 June	
	2019	2018
	HK$	*HK$*
Interest expenses	**(115,450,380)**	(110,937,971)
Foreign exchange gain/(loss) – net	**2,720,397**	(9,897,485)
Interest income	**6,563,226**	6,380,841
Net finance costs	**(106,166,757)**	(114,454,615)

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	
	2019	2018
	HK$	*HK$*
Current income tax		
– Overseas and Hong Kong profits tax	**100,432,923**	97,724,633
– Mainland China income tax	**50,025,772**	27,765,972
Deferred income tax	**(66,760,864)**	(13,845,079)
	83,697,831	111,645,526

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 2019 is 16.0% (for the six months ended 30 June 2018: 21.1%).

8 EARNINGS PER SHARE

(a) Basic

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

	Unaudited	
	Six months ended 30 June	
	2019	2018
Profit attributable to the equity holders of the Company *(HK$)*	**439,861,255**	417,365,105
Weighted average number of ordinary shares in issue	**1,194,960,522**	1,194,326,263
Basic earnings per share *(HK$ per share)*	**0.368**	0.349

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	
	2019	2018
Profit attributable to the equity holders of the Company *(HK$)*	**439,861,255**	417,365,105
Weighted average number of ordinary shares in issue	**1,194,960,522**	1,194,326,263
Adjustments for share options	**938,643**	1,325,827
Weighted average number of ordinary shares for diluted earnings per share	**1,195,899,165**	1,195,652,090
Diluted earnings per share *(HK$ per share)*	**0.368**	0.349

9 DIVIDENDS

On 30 January 2019, the Board proposed a final dividend in respect of the year ended 31 December 2018 of HK$167,279,332, representing HK$0.140 per ordinary share. The actual final dividend of HK$167,299,632 was paid in May 2019 based on the 1,194,997,373 issued shares at that time.

On 17 July 2019, the Board has resolved to declare an interim dividend of HK$0.07 per share (2018: HK$0.06 per share). This interim dividend, amounting to HK$83,649,816 (2018: HK$71,663,542) based on the 1,194,997,373 issued shares as at 30 June 2019, 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 2019.

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

	Unaudited		
	Property, plant and equipment	**Intangible assets**	**Investment properties**
	HK$	***HK$***	***HK$***
Six months ended 30 June 2018			
Opening net book amount as at 1 January 2018	8,739,887,326	2,913,888,055	7,660,539
Additions	730,768,161	17,426,112	–
Disposals	(5,605,909)	–	–
Depreciation and amortisation *(Note 5)*	(412,437,918)	(48,263,813)	(158,486)
Exchange differences	(81,761,811)	5,221,966	(22,751)
Closing net book amount as at 30 June 2018	8,970,849,849	2,888,272,320	7,479,302
Six months ended 30 June 2019			
Opening net book amount as at 1 January 2019	**8,997,273,418**	**2,823,114,342**	**7,217,853**
Additions	**617,308,505**	**35,310,207**	**83,000**
Disposals	**(1,419,198)**	**–**	**–**
Depreciation and amortisation *(Note 5)*	**(450,369,359)**	**(52,910,175)**	**(154,590)**
Exchange differences	**(36,215,539)**	**(1,559,376)**	**(9,247)**
Closing net book amount as at 30 June 2019	**9,126,577,827**	**2,803,954,998**	**7,137,016**

During the Period, the Group has capitalized borrowing costs amounting to HK$711,014 (for the six months ended 30 June 2018: HK$12,715,273) on qualifying assets. Borrowing costs were capitalized at the weighted average rate of its general borrowings of 2.18% (for the six months ended 30 June 2018: 2.17%).

11 TRADE AND NOTES RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

	As at	
	30 June 2019	31 December 2018
	Unaudited	Audited
	HK$	*HK$*
Trade receivables	**1,769,796,636**	1,909,762,277
Notes receivable	**7,875,351**	4,684,938
Other receivables *(Note (a))*	**373,935,598**	449,515,451
Prepayments	**57,467,379**	90,514,885
Less: Provision for impairment of trade receivables	**(25,132,159)**	(25,987,508)
	2,183,942,805	2,428,490,043

(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 2019 and 31 December 2018 is as below:

	As at	
	30 June 2019	31 December 2018
	Unaudited	Audited
	HK$	*HK$*
Within 3 months	**1,614,487,452**	1,784,440,966
4 months to 6 months	**123,634,751**	89,596,135
7 months to 12 months	**10,491,093**	15,950,020
Over 1 year	**21,183,340**	19,775,156
	1,769,796,636	1,909,762,277

12 TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES

	As at	
	30 June	31 December
	2019	2018
	Unaudited	Audited
	HK$	*HK$*
Trade payables	**2,507,598,510**	2,071,567,933
Notes payable	**324,408,235**	322,676,392
Other payables	**733,427,954**	1,019,542,617
Accrued expenses	**1,032,346,676**	1,022,245,715
	4,597,781,375	4,436,032,657

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 2019 and 31 December 2018 is as follows:

	As at	
	30 June	31 December
	2019	2018
	Unaudited	Audited
	HK$	*HK$*
Within 3 months	**2,088,601,480**	1,829,550,803
4 months to 6 months	**741,140,640**	562,254,130
7 months to 12 months	**1,181,456**	522,231
Over 1 year	**1,083,169**	1,917,161
	2,832,006,745	2,394,244,325

13 BORROWINGS

	As at	
	30 June	31 December
	2019	2018
	Unaudited	Audited
	HK$	*HK$*
Non-current – unsecured		
Bank borrowings	**3,034,416,954**	3,004,812,188
Loans from a related party	**1,350,116,846**	1,218,116,846
Total non-current borrowings	**4,384,533,800**	4,222,929,034
Current – unsecured		
Bank borrowings	**338,914,455**	965,502,609
Other borrowings	**56,840,143**	57,064,597
Total current borrowings	**395,754,598**	1,022,567,206
Total borrowings	**4,780,288,398**	5,245,496,240

13 BORROWINGS (Continued)

Movements in borrowings are analysed as follows:

	Unaudited
	HK$
Six months ended 30 June 2018	
Opening amount as at 1 January 2018	5,236,274,370
New borrowings and loans from a related party	3,034,769,532
Repayments of borrowings	(2,429,948,991)
Exchange differences, net	(27,465,923)
Closing amount as at 30 June 2018	5,813,628,988
Six months ended 30 June 2019	
Opening amount as at 1 January 2019	5,245,496,240
New borrowings and loan from a related party	2,246,284,946
Repayments of borrowings and loan from a related party	(2,709,565,499)
Exchange differences, net	(1,927,289)
Closing amount as at 30 June 2019	4,780,288,398

14 OTHER NON-CURRENT LIABILITIES

	As at	
	30 June 2019	31 December 2018
	Unaudited	Audited
	HK$	*HK$*
Long term incentive plans	**18,711,363**	10,709,487

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

14 OTHER NON-CURRENT LIABILITIES (Continued)

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

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

As at 30 June 2019, the fair value of each CU granted determined by using the Binomial Model was HK$2.85. The significant inputs into the model were share price at the valuation date, the grant price, volatility of 30%, dividend yield of 1.25%, and annual risk-free interest rate of 1.44%. 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.

(ii) Long term incentive program for selected senior management

Program participants will receive a bonus up to 100% of their annual salary based on a payout ratio depending on the total shareholder return ("TSR") of the Company versus peer group companies and 2 indexes. The TSR is calculated based on the future share price and the potential dividend yield. There will be two measurement periods for this program, from 2017 to 2019 and from 2019 to 2021.

As at 30 June 2019, the TSR is determined by using the Monte Carlo Simulation Model. The significant inputs into the model were annualized drift rate of 6.65% of the Company and 7.35% of the peer group, dividend yield of 1.24% of the Company and 2.50% of the peer group and annualized asset price volatility of 25% of the Company and 15% of the peer group matching the life of the incentive program.

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 2019, the Group's bank and cash balances amounted to HK$486,922,621 (31 December 2018: HK$574,465,154), and short-term and long-term loans amounted to HK$4,780,288,398 (31 December 2018: HK$5,245,496,240), including the loans from a related party amounting to HK$1,350,116,846 (31 December 2018: HK$1,218,116,846). 91.7% of the borrowings are long-term (31 December 2018: 80.5%). The annual interest rates of bank loans ranged from 2.2% to 6.6%.

As at 30 June 2019, 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 49.9% (31 December 2018: 53.5%).

As at 30 June 2019, unutilized credit facilities amounted to approximately HK$6.59 billion (31 December 2018: HK$6.79 billion).

Charges on Group Assets

As at 30 June 2019, the Group did not have any charges on assets (31 December 2018: nil).

Contingent Liabilities

As at 30 June 2019, the Group had no material contingent liabilities (31 December 2018: nil).

Interim Dividend

The Board has resolved to declare an interim dividend of HK$0.07 per share for the Period (2018: HK$0.06 per share) totaling approximately HK$83,649,816, based on the 1,194,997,373 issued shares outstanding as at 30 June 2019. The interim dividend will be paid on or about 9 September 2019 to shareholders whose names appear on the register of members of the Company on 26 August 2019.

Closure of Register of Members

The register of members of the Company will be closed from 22 August 2019 to 26 August 2019, both days inclusive, during which period no transfer of shares will be registered. In order to establish entitlement to the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 pm on 21 August 2019 for registration of transfer.

Purchase, Sale or Redemption of the Securities

The Company has not redeemed any of the Company's shares during the Period. 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 has three members comprising two Independent Non-Executive Directors, namely, Mr. TSUI King Fai and Mr. WONG Kwai Huen, Albert 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 of the Company.

Remuneration Committee

The Company's remuneration committee has five members comprising three Independent Non-Executive Directors, namely Mr. TSUI King Fai, Ms. LEE Hsiao-yun Ann and Mr. CHIA Yen On, an Executive Director, Ms. LI Jielin and a Non-Executive Director, 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 all Executive Directors and senior management and making recommendations to the Board on 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 has five members comprising three Independent Non-Executive Directors, namely, Ms. LEE Hsiao-yun Ann, Mr. WONG Kwai Huen, Albert and Mr. CHIA Yen On, an Executive Director, Mr. LI Chao Wang and a Non-Executive Director, Mr. Jan Christer JOHANSSON. The chairman of the nomination committee is Mr. LI Chao Wang. The principal 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 has five members comprising two Executive Directors, Mr. Johann Christoph MICHALSKI and Ms. YU Yi Fang, two Non-Executive Directors, namely, Mr. Jan Christer JOHANSSON and Mr. Carl Fredrik Stenson RYSTEDT, and an Independent Non-Executive Director, Mr. TSUI King Fai. The chairman of the risk management committee is Mr. Jan Christer JOHANSSON. The principal duties of the risk management committee are to assist the Board in deciding the Group's risk level and risk appetite, advising on major decisions affecting the Group's risk profile or exposure and to give directions where appropriate, and reviewing and reporting to the Board the identified key risks, risk register and related risk mitigating actions including crisis management.

Executive Committee

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

Strategic Development Committee

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

Publication of Results Announcement and Interim Report

This announcement is published on the websites of the Company (www.vinda.com) and The Stock Exchange of Hong Kong Limited (www.hkexnews.hk). The 2019 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, 17 July 2019

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

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

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

Independent Non-Executive Directors
Mr. CHIA Yen On
Ms. LEE Hsiao-yun Ann
Mr. TSUI King Fai
Mr. WONG Kwai Huen, Albert

Alternate Directors
Mr. Gert Mikael SCHMIDT (alternate to Mr. JOHANSSON and Mr. GROTH)
Mr. Herve Stephane ROSE (alternate to Mr. RYSTEDT)