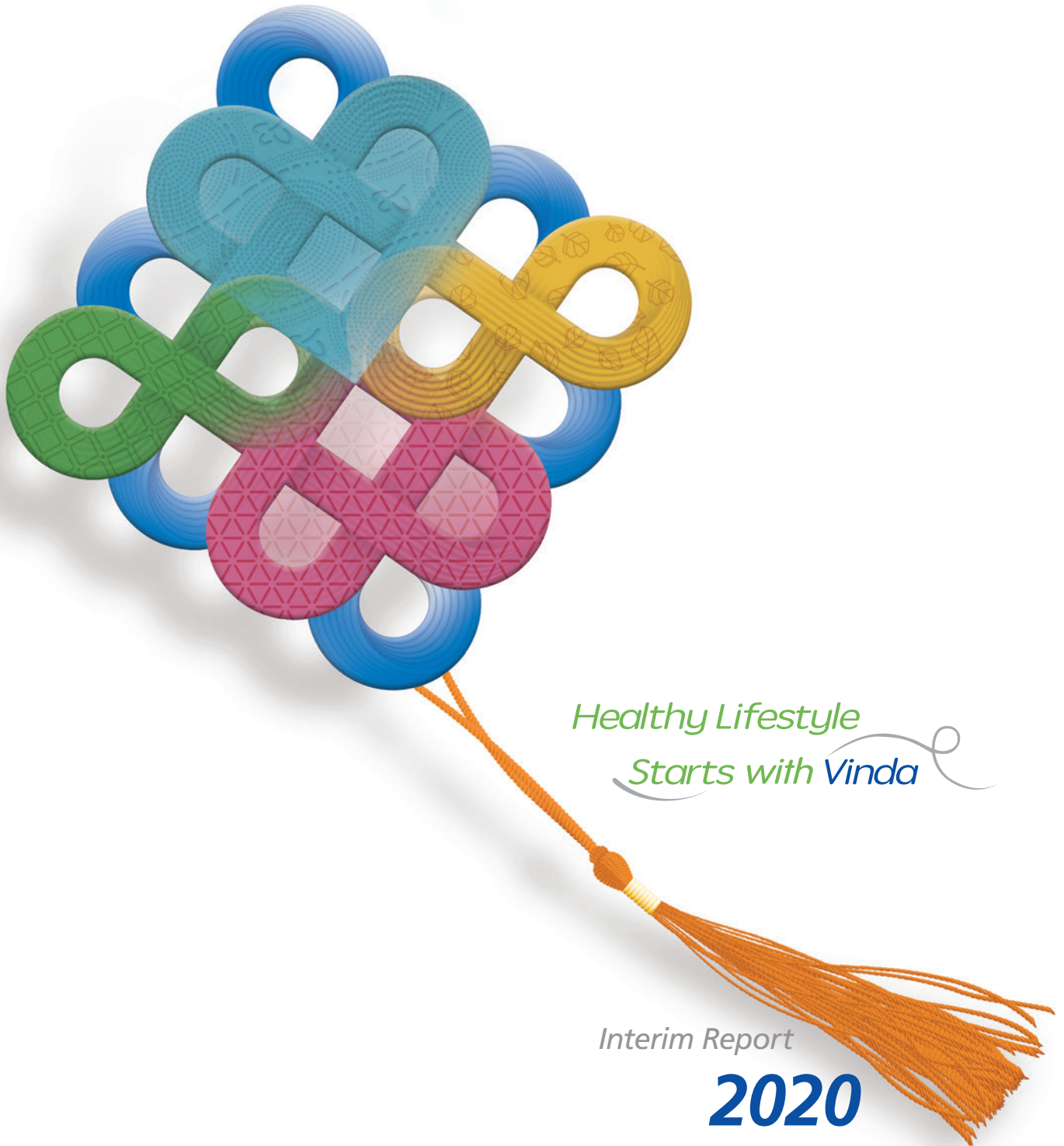




# Vinda International Holdings Limited

(incorporated in the Cayman Islands with limited liability) Stock Code: 3331



*Healthy Lifestyle  
Starts with Vinda*

Interim Report

**2020**

To Become  
**A Leading  
Hygiene  
Company**  
in Asia





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# CORPORATE INFORMATION

## Directors

### Executive Directors

Mr. LI Chao Wang (Chairman)  
Ms. YU Yi Fang (Vice Chairman)  
Mr. Johann Christoph MICHALSKI  
(Chief Executive Officer)  
Ms. LI Jielin (Deputy Chief Executive Officer)  
Mr. DONG Yi Ping (Chief Technology Officer)

### Non-Executive Directors

Mr. Jan Christer JOHANSSON (Vice Chairman)  
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. Dominique Michel Jean DESCHAMPS  
(alternate to Mr. RYSTEDT)

## Audit Committee

Mr. TSUI King Fai (Committee Chairman)  
Mr. Carl Fredrik Stenson RYSTEDT  
Mr. WONG Kwai Huen, Albert

## Remuneration Committee

Mr. TSUI King Fai (Committee Chairman)  
Mr. Jan Christer JOHANSSON  
Ms. LI Jielin  
Ms. LEE Hsiao-yun Ann  
Mr. CHIA Yen On

## Nomination Committee

Mr. LI Chao Wang (Committee Chairman)  
Mr. Jan Christer JOHANSSON  
Mr. CHIA Yen On  
Ms. LEE Hsiao-yun Ann  
Mr. WONG Kwai Huen, Albert

## Risk Management Committee

Mr. Jan Christer JOHANSSON  
(Committee Chairman)  
Ms. YU Yi Fang  
Mr. Johann Christoph MICHALSKI  
Mr. Carl Fredrik Stenson RYSTEDT  
Mr. TSUI King Fai

## Executive Committee

Mr. LI Chao Wang (Committee Chairman)  
Ms. YU Yi Fang  
Mr. Johann Christoph MICHALSKI  
Ms. LI Jielin  
Mr. DONG Yi Ping

## Strategic Development Committee

Mr. Jan Christer JOHANSSON  
(Committee Chairman)  
Mr. Johann Christoph MICHALSKI  
Ms. LI Jielin  
Mr. DONG Yi Ping  
Mr. CHIA Yen On

## Authorised Representatives

Ms. LI Jielin  
Ms. TAN Yi Yi

## Company Secretary

Ms. TAN Yi Yi, FCCA

## Auditors

PricewaterhouseCoopers

## Legal Advisers to the Company

Ashurst Hong Kong (as to Hong Kong law)  
Conyers Dill & Pearman (as to Cayman Islands law)

## Registered Office

Cricket Square, Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

## Principal Place of Business in Hong Kong

Penthouse, East Ocean Centre  
98 Granville Road, Tsim Sha Tsui East  
Kowloon, Hong Kong  
Tel: (852) 2366 9853  
Fax: (852) 2366 5805

## Place of Listing and Stock Code

The Stock Exchange of Hong Kong Limited  
Stock Code: 3331

## Principal Share Registrar and Transfer Office

Royal Bank of Canada Trust Company  
(Cayman) Limited  
4th Floor, Royal Bank House  
24 Shedden Road, George Town  
Grand Cayman KY1-1110  
Cayman Islands

## Hong Kong Branch Share Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited  
Shops 1712–1716, 17th Floor  
Hopewell Centre, 183 Queen's Road East  
Wanchai, Hong Kong

## Principal Bankers

BNP Paribas  
Bank of China Limited  
China Construction Bank Corporation  
Citibank  
DBS Bank Limited  
Industrial and Commercial Bank of China Limited  
Standard Chartered Bank  
Skandinaviska Enskilda Banken AB

## Company Website

<http://www.vinda.com>

# INTERIM RESULTS AND FINANCIAL HIGHLIGHTS

## Interim Results

The Board of Directors (the “**Board**”) of Vinda International Holdings Limited (“**Vinda**” or the “**Company**”) is pleased to present the unaudited interim condensed consolidated balance sheet as at 30 June 2020, unaudited interim condensed consolidated statement of comprehensive income, unaudited interim condensed consolidated statement of cash flows and unaudited interim condensed consolidated statement of changes in equity of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2020 (the “**Period**” or “**1H2020**”), together with the comparative figures and selected explanatory notes. The unaudited interim financial statements have been reviewed by the Company’s independent auditors and audit committee.

## Financial Highlights

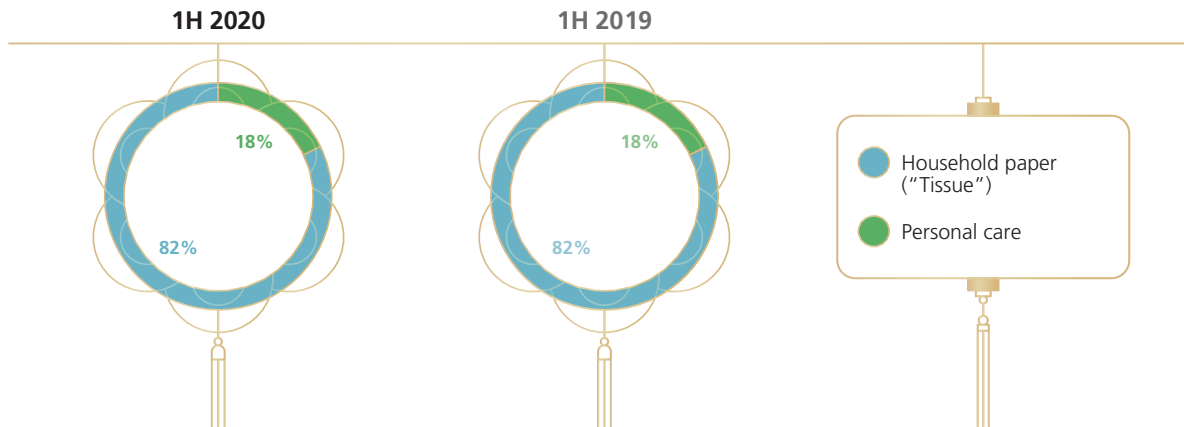
### Interim Results for the Six Months Ended 30 June 2020

	2020	2019
Revenue growth rate (%)	<b>-3.3%</b>	7.6%
Gross profit margin (%)	<b>38.5%</b>	28.1%
EBITDA margin (%)	<b>23.8%</b>	14.9%
Net profit margin (%)	<b>12.0%</b>	5.6%
Earnings per share (HK\$) – basic	<b>76.3 cents</b>	36.8 cents
Interim dividend declared (HK\$)	<b>10.0 cents</b>	7.0 cents
Finished goods turnover <sup>1</sup>	<b>48 days</b>	46 days
Debtors turnover <sup>2</sup>	<b>43 days</b>	42 days
Creditors turnover <sup>3</sup>	<b>88 days</b>	84 days
Current ratio (times)	<b>1.01</b>	1.06
Gearing ratio (%) <sup>4</sup>	<b>41.3%</b>	55.3%
Net gearing ratio (%) <sup>5</sup>	<b>32.5%</b>	49.9%

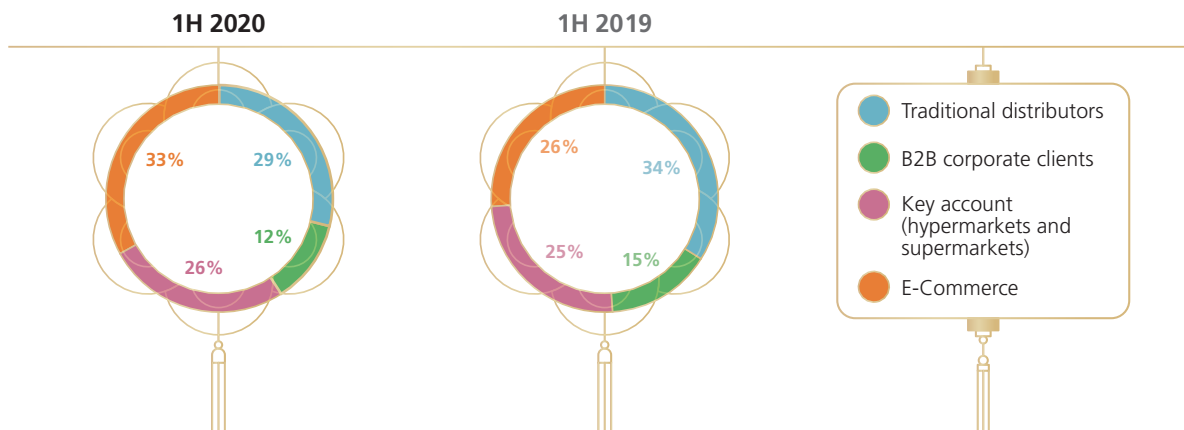
Notes:

1. Calculated by multiplying average finished goods by 360 days, and dividing the result by the cost of sales for the last 12 months.
2. Calculated by multiplying average account receivables by 360 days, and dividing the result by the revenue for the last 12 months.
3. Calculated by multiplying average account payables by 360 days, and dividing the result by the cost of sales for the last 12 months.
4. Calculated on the basis of the amount of total borrowings and lease liabilities as a percentage of the total shareholders’ equity.
5. Calculated on the basis of the amount of total borrowings and lease liabilities less cash and cash equivalents and restricted bank deposits as a percentage of the total shareholders’ equity.

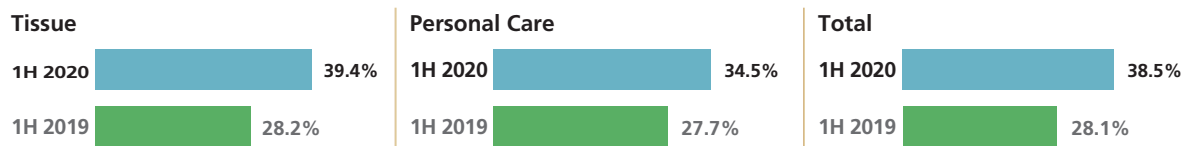
### Revenue by Business Segment



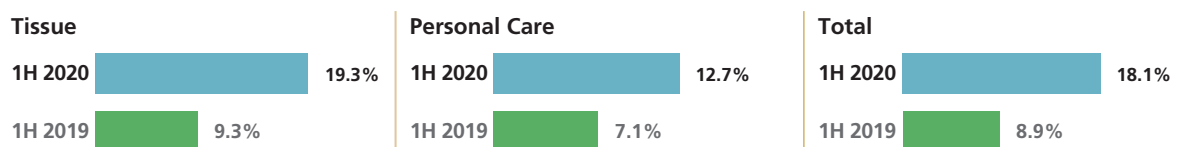
### Revenue by Sales Channels



### Gross Profit Margin



### Segment Result Margin



## Overview

In 1H2020, the pandemic had a big impact on the global economy. Despite the temporary supply shortage in mainland China and Southeast Asia during the pandemic, production and logistics supply chain gradually returned to normal. Sales momentum was strong in the second quarter due to channel restocking and increased hygiene awareness. During the Period, the Company's profitability significantly increased, driven by the continuous optimization of product portfolio and the low-cost wood pulp.







## Financial Highlights

In 1H2020, total revenue of the Group amounted to HK\$7,634 million, an organic growth of 0.9% and a growth of -3.3% in Hong Kong dollar terms. Mainland China recorded a 20.1% organic growth in revenue in the second quarter of 2020 which reflected a clear sign of recovery.

In respect of business segments, Tissue segment and Personal Care segment 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 29%, 26%, 12% and 33% of the total revenue, respectively.

In 1H2020, gross profit rose by 32.6% to HK\$2,941 million attributable to lower wood pulp price and portfolio mix enhancement, and the gross margin increased by 10.4 pts to 38.5%.

EBITDA grew by 54.2% to HK\$1,818 million while EBITDA margin was widened by 8.9 pts to 23.8%.

Total administrative costs as a percentage of sales increased by 1.1 pts to 5.7%. Total selling & marketing costs as a percentage of sales increased by 1.0 ppt to 16.6%. Operating margin was 16.5%, up by 8.5 pts.

Interest expenses were HK\$87 million, representing a decrease of HK\$29 million as compared to that of the six months ended 30 June 2019 ("1H2019").

## MANAGEMENT DISCUSSION AND ANALYSIS

Total foreign exchange loss was HK\$11 million (1H2019: loss of HK\$10 million), of which HK\$13 million loss was reported in operating items (1H2019: loss of HK\$13 million), and HK\$2 million gain in financing items (1H2019: gain of HK\$3 million).

Net gearing ratio decreased by 8.5 pts to 32.5% compared to that of the end of 2019.

Effective tax rate increased by 6.8 pts to 22.8%.

Net profit increased significantly by 107.5% to HK\$913 million. Net profit margin expanded by 6.4 pts to 12.0%.

Basic earnings per share rose by 107.3% to 76.3 HK cents.

The Board has resolved to declare an interim dividend of 10.0 HK cents per share for the Period (1H2019: 7.0 HK cents per share).



## Business Review

### Tissue Segment

Affected by the novel coronavirus pandemic, the production and logistics in mainland China in the first quarter were disrupted but recovered in the second quarter. Revenue from the Tissue segment amounted to around HK\$6,243 million, representing a growth of 0.3% at constant exchange rate and accounting for 82% of the Group's total revenue (1H2019: 82%). The proportion of premium portfolio continued to increase to 24.5% of the total sales of the Group, reflecting our focus on the premium market. The gross margin and segment result margin of the Tissue segment were 39.4% and 19.3%, respectively.

Successful brand management and effective marketing and promotion enabled Vinda to maintain its leading tissue market share<sup>3</sup>. Market share increased from 17.3% in the first quarter to 18.3% in the second quarter<sup>4</sup>. In 1H2020, Vinda's innovation program successfully delivered *Vinda's Natural Soft Tissue* (維達純木本色紙). Its raw material was 100% high-quality unbleached wood pulp and it has adopted 4D embossing technology. *Tempo* invited Kris Wu (吳亦凡), a famous celebrity, as the spokesperson to enhance the modern image of *Tempo*. Online and offline marketing activities further boosted sales. In Hong Kong, new wet toilet tissue products and soft pack tissue were successfully launched and received strong market response.

During the pandemic, the improved public health awareness has further accelerated the uptrading of the Group's premium products and brands.



### Personal Care Segment

Revenue from the Personal Care segment reached HK\$1,391 million, representing a growth of 3.7% at a constant exchange rate and accounting for 18% of the Group's total revenue (1H2019: 18%).

Gross profit margin and segment result margin of the Personal Care segment were 34.5% and 12.7%, respectively. The segment result margin reflected the early stage of development of the Personal Care business in China.

While Personal Care segment was negatively impacted in Southeast Asia and North Asia in the second quarter, Personal Care business in mainland China has seen a significant improvement driven by the launches of new-generation feminine products and incontinence products which started last year.





In addition to consumer marketing operations, incontinence care also played a major role in the pandemic in China supporting front line staff. The use of incontinence products reduced the consumption of protective equipment and enhanced working efficiency. Good sales growth was recorded for both *TENA* and *Dr. P*, the two main incontinence brands of Vinda despite supply challenges across the region.

With regard to feminine care, *Libresse* 薇爾 established itself as a high-end brand that breaks the taboo on women's menstruation and feminine hygiene. It successfully engaged Zhou Dongyu (周冬雨), a famous award-winning actress, as a brand ambassador. Through online and offline promotion and new retail channels, sales volume increased significantly. In Malaysia, *Libresse* maintained its no.1<sup>5</sup> leading position in terms of market share.

Southeast Asia is the main market for our baby care business. Through the "*Drypers When it Fits, It's Amazing*" marketing campaign and the special edition Hogi series launched with the creation team of the children song Baby Shark, the brand has gained a wider recognition in the market which further strengthened the leading<sup>5</sup> position of *Drypers* in Malaysia.



## Production Capacity

As at 30 June 2020, Vinda's annual designed production capacity for tissue paper amounted to 1,250,000 tons. It is expected that the annual designed production capacity for tissue paper will remain unchanged till the end of 2020. Currently, we continue to expand the production capacity of wet wipes in southern and northern China and expect to complete the expansion of production capacity for tissue paper in southern and eastern China in 2021.

## Human Resources Management and Internal Control

Employees are the most valuable contributors to Vinda's sustainable development. We strive to offer equal employment opportunities to all qualified candidates regardless of age, nationality, race, religion, sexual orientation, gender, etc. We also offer fair and reasonable remunerations, performance incentives and a career advancement mechanism. Furthermore, we ensure that our employees continuously develop their skills and capabilities by providing a range of training opportunities. During the Period, Vinda was awarded the "2020 Human Resources Management Excellence Award" (二零二零年人力资源管理工作杰出奖) by JOBS (前程无忧) in mainland China.

During the Period, a total of 382,616 hours of training were conducted in mainland China for a total of 19,611 participants. In Malaysia, a total of 19,791 hours of trainings were provided to a total of 610 participants. In Taiwan, a total of 1,738 hours of trainings were provided to a total of 194 participants.

As at 30 June 2020, we had a total of 11,247 employees, compared to 10,941 as at 30 June 2019.

Vinda is committed to maintaining high standards of corporate governance. All employees are required to comply with Vinda's code of conduct. We regularly review and update our internal control policies, handling procedures and guidelines to align with the latest external regulatory and internal control requirements. 99% of our employees 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 health and safety with our goal of “zero accident”.

In mainland China, 1,338 seminars were held for a total of 52,943 participants during the Period. The Lost Time Accident (“**LTA**”) was 2 cases (1H2019: 5 cases). The Lost Days from Accident (“**DLA**”) was 881 days (1H2019: 792 days). In Malaysia, LTA was 2 cases (1H2019: 1 case) and DLA was 54 days (1H2019: 21 days). In Taiwan, LTA was 1 case and DLA was 1 day (1H2019: both LTA and DLA were zero).

### Corporate Social Responsibility

During the outbreak of the pandemic, Vinda donated more than a million items of hygiene products to medical staff and the public. The Group took the initiative to donate tissue, wet wipes and masks to numerous elderly homes in Hong Kong. In mainland China, in order to raise consumers’ awareness on hygiene, *Tempo* and *DiDi* (滴滴出行) together provided more than 100,000 pieces hankies and wet wipes to passengers. Vinda brand donated more than 2 million pieces wet wipes to hospitals in various locations and the Chinese Center for Disease Control and Prevention (“**China CDC**”). With regard to the incontinence segment, we donated more than 60,000 pieces of incontinence care products under the *TENA* and *Dr. P* brands to hospitals, China CDC and elderly homes. Since most medical workers were females, we donated more than 1,700 cartons of *Libresse* 薇爾 feminine care products to support their frontline work. Meanwhile, we donated over ten thousand pieces *Libresse* feminine care products to university students and underprivileged communities in Malaysia. In Taiwan, we donated incontinence care products to numerous social welfare organizations.

Vinda Volunteer Team and *Vinda Charity Foundation* united to organise various social service activities. During the Period, 69 participants of Vinda volunteers spent 303.5 hours on social services.

### Inclusion in Indices

During the Period, the Group became a constituent stock of the Hang Seng Composite Index and Hang Seng Stock Connect Greater Bay Area Composite Index, which allowed the investors in mainland China to trade the shares of Vinda through the Shanghai/Shenzhen-Hong Kong Stock Connect scheme, thereby further broadening the investor base and enhancing the Company’s valuation and share liquidity. In addition, the Group became a constituent stock of the MSCI Global Standard Indexes and the MSCI China All Shares Index. We believe that it will further create more investors’ interest in the Group and enhance Vinda’s profile in the international capital markets.



## Outlook

It is expected that the operating environment in the second half of 2020 will continue to be affected by the economic slowdown, the ongoing Sino-US trade friction, intensified market competition and volatility of Renminbi exchange rate. We believe that Vinda has the right set up to meet these challenges and to take advantage at the opportunities in Tissue and Personal Care across the region.

In respect of paper products, the rising personal hygiene awareness of consumers have spurred a strong demand for products such as wet wipes and premium tissue paper products. We have seen the structural upgrade of household paper, thus expecting such trend to continue and the growth of premium paper market segment is expected to be substantially higher than the overall market. In addition, the promising growth potential of per capita consumption of household paper in China led to a medium to high single-digit growth per annum in overall market scale. Not only can Vinda expand the business scale of paper products by tapping into the market growth, but it can also capture the business opportunities brought by the consumption upgrade trend, in order to further secure and enhance its market position of premium paper products.

There is a growing demand in the personal care market, especially amid the pandemic which enhanced consumers' awareness on incontinence care products, and the accelerating aging population in China would serve as a tailwind for the incontinence care products market. To capture this growing market, the Group has launched a new-generation of sanitary napkins in mainland China. In addition to providing local consumers with more suitable products, it can also give another boost to the growth of its personal care business.

The pandemic has accelerated the shift of consumption habit to online consumption. Our leading position in the e-commerce channels will allow us to continue to grow, and to further increase the product penetration rate and market share through the development of online and offline integration. With the gradual recovery of the catering and tourism industries, the demand from the general public for hygiene products persists, and it is expected that there will be further significant room for growth of the B2B channels in the long run.

Looking into the future, the COVID-19 pandemic may lead to increased demand for the Company's leading hygiene and health products as a result of an increased awareness of the importance of hygiene and health.

We will stay focused on the following development strategies:

1. We will continue to focus on product innovation and strive to stand out from the peers by optimizing our product mix to enhance our brand competitiveness and profit margin;
2. We will continue to develop sizable Personal Care business in China;
3. We will leverage the comprehensive layout of channels and our competitive edge in e-commerce channels to tap every potential opportunity through excellent sales execution capabilities;
4. We will rigorously control the costs and make the best use of our resources to optimize cost-effectiveness;
5. We will continue to improve the efficiency of production and operation in order to support sustainable business growth; and
6. We will strengthen our financial position with strong operating cash flow and cautious management of working capital.

### Remarks

<sup>1</sup> *Organic growth: Year on year growth at a constant exchange rate*

<sup>2</sup> *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*

<sup>3</sup> *Source: Kantar Worldpanel, sales value year-to-date at 12 June 2020*

<sup>4</sup> *Source: Kantar Worldpanel, sales value of first quarter and second quarter in 2020*

<sup>5</sup> *Source: Kantar Worldpanel, sales value year-to-date at 19 May 2020*

## 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 2020, the Group's bank and cash balances amounted to HK\$876,106,948 (31 December 2019: HK\$460,387,446), and short-term and long-term loans amounted to HK\$3,926,135,373 (31 December 2019: HK\$4,156,187,795), including the loans from a related party amounting to HK\$390,487,607 (31 December 2019: HK\$1,274,928,072). 66.2% of the borrowings were long-term (31 December 2019: 85.9%). The annual interest rates of bank loans ranged from 1.4% to 6.8%.

As at 30 June 2020, 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 33% (31 December 2019: 41%).

As at 30 June 2020, unutilized credit facilities amounted to approximately HK\$6.29 billion (31 December 2019: HK\$7.66 billion).

## Charges on Group Assets

As at 30 June 2020, the Group did not have any charges on assets (31 December 2019: nil).

## Contingent Liabilities

As at 30 June 2020, the Group had no material contingent liabilities (31 December 2019: nil).

## Material Acquisition and Disposal of Subsidiaries and Associated Companies

The Group had no material acquisition and disposal of subsidiaries and associated companies during the Period.

## Significant Investment

Save as those disclosed under the section headed "Management Discussion and Analysis" and Note 7 to the condensed consolidated interim financial information, the Group did not have any significant investment during the Period.

## Interim Dividend

The Board has resolved to declare an interim dividend of HK\$0.10 per share for the Period (2019: HK\$0.07 per share) totaling approximately HK\$119,749,737, based on the 1,197,497,373 issued shares outstanding as at 30 June 2020. The interim dividend will be paid on or about 30 September 2020 to shareholders whose names appear on the register of members of the Company on 22 September 2020.

## Closure of Register of Members

The register of members of the Company will be closed from 18 September 2020 to 22 September 2020, both days inclusive, during which period no transfer of shares will be registered. In order to establish entitlement to the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 17 September 2020 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").

## OTHER INFORMATION

### Directors' and Chief Executives' Interests in the Shares, Underlying Shares and Debentures of the Company or any Associated Corporation

As at 30 June 2020, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules were as follows:

#### Long Positions In Shares, Underlying Shares and Debentures in the Company

Name		Number of shares and underlying shares held under equity derivatives			Approximate percentage (% of interests <sup>(3)</sup> )
		Personal interests (held as beneficial owner)	Corporate interests (interests of controlled corporations)	Total interests	
LI Chao Wang	Shares	300,000	271,341,581 <sup>(2)</sup>	271,641,581	22.68
	Equity Derivatives – Share options	1,051,000 <sup>(1)</sup>	–	1,051,000	0.09
				<b>272,692,581</b>	<b>22.77</b>
YU Yi Fang	Shares	50,000	–	50,000	0.004
	Equity Derivatives – Share options	240,000 <sup>(1)</sup>	–	240,000	0.02
				<b>290,000</b>	<b>0.02</b>
DONG Yi Ping	Shares	–	–	–	–
	Equity Derivatives – Share options	240,000 <sup>(1)</sup>	–	240,000	0.02
				<b>240,000</b>	<b>0.02</b>
Johann Christoph MICHALSKI	Shares	197,000	–	197,000	0.02
	Equity Derivatives – Share options	140,000	–	140,000	0.01
				<b>337,000</b>	<b>0.03</b>
TSUI King Fai	Shares	–	–	–	–
	Equity Derivatives – Share options	140,000 <sup>(1)</sup>	–	140,000	0.01
				<b>140,000</b>	<b>0.01</b>

Notes:

1. The share options granted by the Company are regarded for the time being as unlisted physically settled equity derivatives. Details of share options held by the directors of the Company (the "**Directors**", individually the "**Director**") are set out in the section headed "Share Option Scheme" of this report.
2. LI Chao Wang is deemed to be interested in the 271,341,581 shares in the Company held by Fu An International Company Limited for the purpose of Part XV of the SFO. Fu An International Company Limited is held as to 74.21% by Sentential Holdings Limited, 15.79% by Join Pride International Limited and 10.00% by Daminos Management Limited. The entire issued share capital of each of Sentential Holdings Limited, Join Pride International Limited and Daminos Management Limited is held by LI Chao Wang, YU Yi Fang and DONG Yi Ping, respectively.
3. Actual percentages may not equal to the stated figures due to rounding.

### Long Positions In Shares, Underlying Shares and Debentures of Associated Corporations of the Company

Name	Associated corporation	Class of shares in associated corporation	Number of shares held			Approximate percentage (%) of interests <sup>(1&amp;2)</sup>
			Personal interests (held as beneficial owner)	Corporate interests (interests of controlled corporations)	Total interests	
Johann Christoph MICHALSKI	Essity Aktiebolag (publ)	Class B shares	70	–	70	0.00001
Jan Christer JOHANSSON	Essity Aktiebolag (publ)	Class B shares	1,000	–	1,000	0.0001
Carl Magnus GROTH	Essity Aktiebolag (publ)	Class B shares	48,900	–	48,900	0.0070
Carl Fredrik Stenson RYSTEDT	Essity Aktiebolag (publ)	Class B shares	21,200	–	21,200	0.0030
Gert Mikael SCHMIDT	Essity Aktiebolag (publ)	Class B shares	28,500	–	28,500	0.0041
Dominique Michel Jean DESCHAMPS	Essity Aktiebolag (publ)	Class B shares	5,787	–	5,787	0.0008

Notes:

1. As at 30 June 2020, the total number of registered shares in the share capital of Essity Aktiebolag (publ) was 702,342,489, of which 61,736,963 are Class A shares and 640,605,526 are Class B shares.
2. Actual percentages may not equal to the stated figures due to rounding.

Save as disclosed above, as at 30 June 2020, none of the Directors and chief executives of the Company are, under Divisions 7 and 8 of Part XV of the SFO, taken to be interested or deemed to have any other interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations, that are required to be entered in the register kept by the Company pursuant to section 352 of the SFO or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

## Share Option Scheme

A long term incentive scheme (the “**Scheme**”) was conditionally adopted and approved by a written resolution of the shareholders of the Company passed on 19 June 2007. The terms of the Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules, where appropriate.

The purpose of the Scheme is to attract and retain the best available personnel, to provide additional incentive to employees, Directors, shareholders of any member of the Group or any holder of any securities issued by any member of the Group, and to promote the success of the Group.

The Scheme enables the Company to grant options (the “**Options**”) to subscribe for shares of the Company (the “**Shares**”) to employees of the Company or any member of the Group (including any Executive, Non-Executive and Independent Non-Executive Directors), advisors, consultants of the Group as incentives or rewards for their contributions to the Group.

The Scheme shall be valid and effective for a period of 10 years commencing from the date of adoption and expired on 18 June 2017, after which no further Options may be offered or granted. The Board shall, subject to the rules of the Scheme and the Listing Rules, have the right to determine, among others, the exercise price of an Option, the minimum period for which the Option must be held before its vesting, performance, operating and financial targets and other criteria to be satisfied before the vesting of an Option and other terms and conditions of an Option, provided that the exercise price of an Option shall be a price determined by the Board at its absolute discretion but shall be the highest of (i) the closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of offer; (ii) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five trading days immediately preceding the date of the offer; or (iii) the nominal value of a Share.

An Option shall be deemed to have been granted and accepted when the duplicate letter comprising acceptance of the Option duly signed by the participant with the number of Shares in respect of which the offer is accepted clearly stated therein, together with a remittance in favour of the Company of HK\$1.00 by way of consideration for the grant thereof, is received by the Company within 28 days from the date of the offer.

Subject to the Listing Rules, the overall limit on the number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the Scheme and any other share option schemes adopted by the Company ("**Other Schemes**") must not, in aggregate, exceed 30% of the Shares in issue from time to time. The total number of Shares issued and to be issued upon exercise of Options granted and to be granted to each participant or grantee (including exercised, cancelled and outstanding Options) in any 12-month period shall not exceed 1% of the Shares in issue at the offer date. Any further grant of Options in excess of the above limit must be subject to shareholders' approval by ordinary resolution in general meeting. Where any offer proposed to be made to a substantial shareholder or an Independent Non-Executive Director of the Company or any of their associates would result in the total number of the Shares issued and to be issued upon exercise of the Options granted and to be granted (including Options exercised, cancelled and outstanding) to such person under the Scheme or Other Schemes in any 12-month period up to and including the date of offer: (i) representing in aggregate over 0.1% of the Shares in issue at the date of offer; and (ii) having an aggregate value, based on the closing price of the Shares at the date of offer, in excess of HK\$5 million, then such proposed grant of Options must be subject to approval of the shareholders in general meeting taken on a poll.

An Option may be exercised in accordance with the terms of the Scheme and such other terms and conditions upon which an Option was granted, at any time during the option period after the Option has been granted by the Board but in any event, not longer than ten (10) years from the date upon which the Option is accepted or deemed to be accepted in accordance with the terms of the Scheme. An Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the expiry of the option period.

## OTHER INFORMATION

Details of movements of the Options granted under the Scheme for the six months ended 30 June 2020 are as follows:

	Date of Grant	Exercise price per Share HK\$	Number of Shares issuable under the Options					as at 30/06/2020	Exercise period	Weighted average closing price of the Share immediately before the exercise date HK\$
			as at 01/01/2020	granted during the Period	exercised during the Period	lapsed during the Period	cancelled during the Period			
<b>Directors</b>										
LI Chao Wang	02/05/2012	14.06	999,000	-	-	-	-	999,000	02/05/2012 to 01/05/2022	-
	02/05/2013	10.34	999,000	-	(947,000)	-	-	52,000	02/05/2013 to 01/05/2023	19.95
YU Yi Fang	02/05/2012	14.06	240,000	-	-	-	-	240,000	(Note 1)	-
DONG Yi Ping	02/05/2012	14.06	240,000	-	-	-	-	240,000	(Note 1)	-
Johann Christoph MICHALSKI	15/04/2011	8.648	80,000	-	(80,000)	-	-	-	-	20.30
	02/05/2012	14.06	140,000	-	-	-	-	140,000	(Note 2)	-
LI Jielin	02/05/2012	14.06	80,000	-	(80,000)	-	-	-	-	21.02
TSUI King Fai	02/05/2012	14.06	140,000	-	-	-	-	140,000	(Note 2)	-
<b>Employees of the Group</b>										
In aggregate	15/04/2011	8.648	1,185,000	-	(630,000)	-	-	555,000	15/04/2011 to 14/04/2021	20.30
	02/05/2012	14.06	4,109,000	-	(597,000)	-	-	3,512,000	(Note 3)	21.02
	02/05/2013	10.34	120,000	-	(60,000)	-	-	60,000	02/05/2013 to 01/05/2023	19.95
<b>Total</b>			<b>8,332,000</b>	<b>-</b>	<b>(2,394,000)</b>	<b>-</b>	<b>-</b>	<b>5,938,000</b>		<b>-</b>



Note 1: 120,000 Options out of the total 240,000 Options are subject to the exercise period from 2 May 2012 to 1 May 2022.

120,000 Options out of the total 240,000 Options are subject to the exercise period from 2 May 2013 to 1 May 2022. These Options are subject to the vesting period from 2 May 2012 to 1 May 2013 and the vesting condition that the Board has confirmed that the Company has met the 2012 (or combined 2012 and 2013) income and profit performance benchmarks as set by the Board and that the performance appraisal of the grantee has satisfied the requirements of the management of the Company.

Note 2: 70,000 Options out of the total 140,000 Options are subject to the exercise period from 2 May 2012 to 1 May 2022.

70,000 Options out of the total 140,000 Options are subject to the exercise period from 2 May 2013 to 1 May 2022. These Options are subject to the vesting period from 2 May 2012 to 1 May 2013 and the vesting condition that the Board has confirmed that the Company has met the 2012 (or combined 2012 and 2013) income and profit performance benchmarks as set by the Board and that the performance appraisal of the grantee has satisfied the requirements of the management of the Company.

Note 3: 1,369,000 Options out of the total 3,512,000 Options are subject to the exercise period from 2 May 2012 to 1 May 2022.

2,143,000 Options out of the total 3,512,000 Options are subject to the exercise period from 2 May 2013 to 1 May 2022. These Options are subject to the vesting period from 2 May 2012 to 1 May 2013 and the vesting condition that the Board has confirmed that the Company has met the 2012 (or combined 2012 and 2013) income and profit performance benchmarks as set by the Board and that the performance appraisal of the grantee has satisfied the requirements of the management of the Company.

## Arrangement to Purchase Shares or Debentures

Save as disclosed above, at no time during the Period were there any rights to acquire benefits by means of the acquisition of securities of the Company granted to any Director or their respective spouse or children under 18 years of age, or were there any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

## Substantial Shareholders' Interests and Short Positions in the Shares and Underlying Shares of the Company

As at 30 June 2020, to the best of the Directors' knowledge, the following persons (other than the Directors and chief executives of the Company) had or deemed or taken to have an interests and/or short position in the Shares or the underlying shares of the Company which fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept pursuant to section 336 of the SFO, or which are notified to the Company:

## OTHER INFORMATION

### Long Positions in Shares and Underlying Shares in the Company

Name of substantial shareholder		Number of shares and underlying shares held under equity derivatives			Approximate percentage (%) of issued share capital <sup>(1)</sup>
		Personal interests (held as beneficial owner)	Corporate interests (interests of controlled corporations)	Total interests	
Essity Group Holding BV	Shares	620,737,112 <sup>(2)</sup>	–	620,737,112	51.84
Essity Aktiebolag (publ)	Shares	–	620,737,112 <sup>(2)</sup>	620,737,112	51.84
Fu An International Company Limited	Shares	271,341,581 <sup>(3) &amp; (4)</sup>	–	271,341,581	22.66
Sentential Holdings Limited	Shares	–	271,341,581 <sup>(3)</sup>	271,341,581	22.66

Notes:

- Actual percentages may not equal to the stated figures due to rounding.
- Essity Group Holding BV is wholly-owned by Essity Aktiebolag (publ), a company whose shares are quoted and traded on NASDAQ OMX Stockholm, and as American Depositary Receipts (ADR level 1) in the United States through Deutsche Bank. Essity Aktiebolag (publ) is deemed to be interested in the 620,737,112 Shares in the Company held by Essity Group Holding BV for the purpose of Part XV of the SFO.
- Fu An International Company Limited is held as to 74.21% by Sentential Holdings Limited, 15.79% by Join Pride International Limited and 10.00% by Daminos Management Limited. The entire issued share capital of Sentential Holdings Limited, Join Pride International Limited and Daminos Management Limited are held by each of LI Chao Wang, YU Yi Fang and DONG Yi Ping, respectively. Sentential Holdings Limited is deemed to be interested in the 271,341,581 Shares in the Company held by Fu An International Company Limited for the purpose of Part XV of the SFO.
- Such 271,341,581 Shares are the same Shares in the Company referred to in Note 2 of LI Chao Wang as disclosed in the table under the sub-section headed "Long Positions In Shares, Underlying Shares and Debentures in the Company" under the section headed "Directors' and Chief Executives' Interests in the Shares, Underlying Shares and Debentures of the Company or any Associated Corporation" above.

Save as disclosed above, as at 30 June 2020, there are no other persons (other than Directors or chief executives of the Company) who had or are taken to have interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which are recorded in the register required to be kept by the Company under section 336 of the SFO, or which are notified to the Company.

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

Mr. Jan Christer JOHANSSON has been appointed as the Chairman of Serneke Group AB (publ) (a Sweden construction company, the B shares of which are listed on the Nasdaq Stockholm Exchange) since June 2020.

## Directors' Securities Transactions

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

## Audit Committee

The Company's audit committee (the "**Audit Committee**") has 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.

## Remuneration Committee

The Company's remuneration committee (the "**Remuneration Committee**") has five members comprising three Independent Non-Executive Directors, namely Mr. TSUI King Fai, Ms. LEE Hsiao-yun Ann and Mr. 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 (the "**Nomination Committee**") has five members comprising three Independent Non-Executive Directors, namely, Ms. LEE Hsiao-yun Ann, Mr. WONG Kwai Huen, Albert and Mr. 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 (the "**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 on identified key risks, risk register and related risk mitigating actions including crisis management.

## Executive Committee

The Company's executive committee (the "**Executive Committee**") comprises 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 on the Company's annual budgets, CAPEX budget, material business plans, and to review and approve proposals for restructuring and major asset disposal as well as annual salaries for senior management and senior executives of the Group within the annual budget approved by the Remuneration Committee.

## Strategic Development Committee

The Company's strategic development committee (the "**Strategic Development Committee**") comprises 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; and (b) to monitor, review and advise the implementations of strategic plans.

# REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



羅兵咸永道

## REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF VINDA INTERNATIONAL HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

### Introduction

We have reviewed the interim financial information set out on pages 28 to 58 which comprises the interim condensed consolidated balance sheet of Vinda International Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2020 and the interim condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

#### **PricewaterhouseCoopers**

Certified Public Accountants

Hong Kong, 16 July 2020

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# INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2020

	Note	30 June 2020 Unaudited HK\$	31 December 2019 Audited HK\$
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	7	8,746,510,389	8,858,171,961
Right-of-use assets	8	1,206,606,536	1,250,456,963
Intangible assets	7	2,668,905,611	2,780,086,369
Deferred income tax assets		422,064,446	456,674,351
Investment properties	7	3,901,723	4,039,119
Investment in an associate		2,463,879	2,525,619
<b>Total non-current assets</b>		<b>13,050,452,584</b>	13,351,954,382
<b>Current assets</b>			
Inventories		3,515,648,809	3,223,321,363
Trade and notes receivables	9	1,938,787,693	1,916,318,675
Other receivables	9	261,274,625	237,999,919
Prepayments	9	92,333,083	59,439,391
Due from related parties	21(c)	35,324,304	32,065,779
Cash and cash equivalents		876,106,948	460,387,446
<b>Total current assets</b>		<b>6,719,475,462</b>	5,929,532,573
<b>Total assets</b>		<b>19,769,928,046</b>	19,281,486,955
<b>EQUITY</b>			
<b>Capital and reserves attributable to the equity holders of the Company</b>			
Share capital	10	119,749,737	119,510,337
Share premium	10	4,391,632,445	4,356,240,018
Other reserves		5,397,983,711	4,987,460,947
<b>Total equity</b>		<b>9,909,365,893</b>	9,463,211,302

## INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2020

	Note	30 June 2020 Unaudited HK\$	31 December 2019 Audited HK\$
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	12	2,507,207,530	2,297,063,820
Loans from a related party	12,21(c)	90,487,607	1,274,928,072
Lease liabilities	8	110,470,003	119,942,991
Deferred government grants		266,941,345	266,342,534
Deferred income tax liabilities		187,591,921	193,616,342
Post-employment benefits		24,339,164	26,952,299
Other non-current liabilities	13	14,361,232	29,214,726
<b>Total non-current liabilities</b>		<b>3,201,398,802</b>	4,208,060,784
<b>Current liabilities</b>			
Trade payables, other payables and accrued expenses	14	4,537,161,093	4,603,848,772
Dividends payable		251,474,448	–
Contract liabilities		125,577,845	122,842,206
Borrowings	12	1,028,440,236	584,195,903
Loan from a related party	12,21(c)	300,000,000	–
Lease liabilities	8	60,761,364	62,796,875
Due to related parties	21(c)	19,467,673	15,813,259
Current income tax liabilities		252,901,092	220,717,854
Other current liabilities	13	83,379,600	–
<b>Total current liabilities</b>		<b>6,659,163,351</b>	5,610,214,869
<b>Total liabilities</b>		<b>9,860,562,153</b>	9,818,275,653
<b>Total equity and liabilities</b>		<b>19,769,928,046</b>	19,281,486,955

The notes on pages 33 to 58 form an integral part of this condensed consolidated interim financial information.

LI Chao Wang  
Director

Johann Christoph MICHALSKI  
Director

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	Note	Unaudited	
		Six months ended 30 June	
		2020	2019
		HK\$	HK\$
<b>Revenue</b>	6	<b>7,633,952,987</b>	7,890,727,154
Cost of sales		<b>(4,693,143,894)</b>	(5,673,422,318)
<b>Gross profit</b>		<b>2,940,809,093</b>	2,217,304,836
Selling and marketing costs		<b>(1,268,323,900)</b>	(1,230,433,416)
Administrative expenses		<b>(427,396,249)</b>	(359,645,696)
Net impairment losses on financial assets		<b>(4,212,575)</b>	(1,629,925)
Other income and gains – net		<b>15,886,083</b>	4,130,044
<b>Operating profit</b>	15	<b>1,256,762,452</b>	629,725,843
Finance income and costs – net	16	<b>(74,954,307)</b>	(106,166,757)
Share of post-tax loss of an associate		<b>(61,740)</b>	–
<b>Profit before income tax</b>		<b>1,181,746,405</b>	523,559,086
Income tax expense	17	<b>(268,952,518)</b>	(83,697,831)
<b>Profit attributable to the equity holders of the Company</b>		<b>912,793,887</b>	439,861,255
<b>Other comprehensive income:</b>			
<i>Item that may be reclassified to profit or loss</i>			
– Currency translation differences		<b>(241,235,928)</b>	(34,118,556)
<b>Total comprehensive income attributable to the equity holders of the Company</b>		<b>671,557,959</b>	405,742,699
<b>Earnings per share for profit attributable to the equity holders of the Company</b>			
– basic	18	<b>0.763</b>	0.368
– diluted	18	<b>0.761</b>	0.368

The notes on pages 33 to 58 form an integral part of this condensed consolidated interim financial information.



# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Note	Unaudited			Total HK\$
		Attributable to the equity holders of the Company			
		Share capital HK\$	Share premium HK\$	Other reserves HK\$	
<b>Balance as at 1 January 2019</b>		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					
<i>Item that may be reclassified to profit or loss</i>					
– Currency translation differences		–	–	(34,118,556)	(34,118,556)
<b>Total comprehensive income for the six months ended 30 June 2019</b>		–	–	405,742,699	405,742,699
<b>Transaction with owners</b>					
Employees share option scheme					
– Exercise of share options	10	14,500	2,433,340	(652,680)	1,795,160
Dividends		–	–	(167,299,632)	(167,299,632)
<b>Transaction with owners</b>		14,500	2,433,340	(167,952,312)	(165,504,472)
<b>Balance as at 30 June 2019</b>		119,499,737	4,354,214,570	4,496,440,331	8,970,154,638
<b>Balance as at 1 January 2020</b>		<b>119,510,337</b>	<b>4,356,240,018</b>	<b>4,987,460,947</b>	<b>9,463,211,302</b>
Profit for the period		–	–	912,793,887	912,793,887
Other comprehensive income					
<i>Item that may be reclassified to profit or loss</i>					
– Currency translation differences		–	–	(241,235,928)	(241,235,928)
<b>Total comprehensive income for the six months ended 30 June 2020</b>		–	–	671,557,959	671,557,959
<b>Transaction with owners</b>					
Employees share option scheme					
– Exercise of share options	10	239,400	35,392,427	(9,560,747)	26,071,080
Dividends		–	–	(251,474,448)	(251,474,448)
<b>Transaction with owners</b>		239,400	35,392,427	(261,035,195)	(225,403,368)
<b>Balance as at 30 June 2020</b>		<b>119,749,737</b>	<b>4,391,632,445</b>	<b>5,397,983,711</b>	<b>9,909,365,893</b>

The notes on pages 33 to 58 form an integral part of this condensed consolidated interim financial information.

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	Note	Unaudited	
		Six months ended 30 June	
		2020	2019
		HK\$	HK\$
<b>Cash flows from operating activities:</b>			
– cash generated from operations		1,233,791,209	1,490,649,248
– interest paid		(91,985,994)	(112,729,406)
<b>Cash flows generated from operating activities – net</b>		<b>1,141,805,215</b>	<b>1,377,919,842</b>
<b>Cash flows from investing activities:</b>			
– purchases of property, plant and equipment		(546,492,232)	(801,791,094)
– purchases of intangible assets		(12,960,482)	(36,098,851)
– purchases of land use rights		(2,391,250)	(7,756,876)
– payment for addition of investment properties		–	(83,000)
– proceeds on disposal of property, plant and equipment		666,614	937,258
– government grants received		16,659,852	30,085,808
– interest received		10,102,929	6,563,226
<b>Cash flows used in investing activities – net</b>		<b>(534,414,569)</b>	<b>(808,143,529)</b>
<b>Cash flows from financing activities:</b>			
– dividends paid		–	(167,299,632)
– repayments of borrowings	12	(1,122,938,009)	(2,541,565,499)
– repayments of loans from a related party	12, 21(b)(6)	(880,116,846)	(168,000,000)
– proceeds from borrowings	12	1,832,310,432	1,946,284,946
– proceeds from loan from a related party	12, 21(b)(5)	–	300,000,000
– proceeds from shares issued		26,071,080	1,795,160
– lease payments for right-of-use assets excluding land use rights		(37,938,800)	(35,264,474)
<b>Cash flows used in financing activities – net</b>		<b>(182,612,143)</b>	<b>(664,049,499)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>			
		<b>424,778,503</b>	<b>(94,273,186)</b>
Cash and cash equivalents at beginning of the period		460,387,446	574,465,154
Exchange differences		(9,059,001)	6,730,653
<b>Cash and cash equivalents at end of the period</b>		<b>876,106,948</b>	<b>486,922,621</b>

The notes on pages 33 to 58 form an integral part of this condensed consolidated interim financial information.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2020

## 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) (“Essity”) 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 16 July 2020 by the Board of Directors.

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 2020 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 2019, 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.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2020

### 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 2019, 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. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

		Effective for annual periods beginning on or after
HKAS 1 and HKAS 8 (Amendments)	Definition of Material	1 January 2020
HKFRS 3 (Amendments)	Definition of a Business	1 January 2020
Revised Conceptual Framework	Revised Conceptual Framework for Financial Reporting	1 January 2020
HKFRS 9, HKAS 39 and HKFRS 7 (Amendments)	Interest Rate Benchmark Reform	1 January 2020
HKFRS 16 (Amendments)	Covid-19-related Rent Concessions	1 June 2020

### 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 2020 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2022
HKAS 16 (Amendments)	Property, Plant and Equipment: Proceeds before intended use	1 January 2022
HKAS 37 (Amendments)	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
HKFRS 3 (Amendments)	Reference to the Conceptual Framework	1 January 2022
HKFRS 17	Insurance contracts	1 January 2023
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
Annual Improvements to HKFRS Standards 2018–2020		1 January 2022

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

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2020

### 4 Estimates

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2019.

### 5 Financial risk management

#### 5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk.

The interim condensed consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2019.

There have been no changes in the risk management policies approved by the board of directors since year end.

#### 5.2 Liquidity risk

Compared to year end, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

## 5 Financial risk management *(continued)*

### 5.2 Liquidity risk *(continued)*

As at 30 June 2020, the contractual maturities of the Group's non-derivative financial liabilities were as follows:

	Less than 1 year HK\$	Between 1 and 2 years HK\$	Between 2 and 5 years HK\$	Over 5 years HK\$	Total Amount HK\$
<b>As at 30 June 2020</b>					
Bank loans and interest payables (i)	1,134,531,020	534,707,262	2,123,946,634	–	3,793,184,916
Loans from a related party and interest payables (i)	308,549,760	3,100,960	98,159,298	–	409,810,018
Lease liability	61,851,390	31,517,856	55,788,755	45,395,981	194,553,982
Trade payables	2,257,447,252	–	–	–	2,257,447,252
Notes payable	259,375,364	–	–	–	259,375,364
Dividends payable	251,474,448	–	–	–	251,474,448
Other payables	430,097,987	–	–	–	430,097,987
<b>As at 31 December 2019</b>					
Bank loans and interest payables (i)	703,227,289	833,500,346	1,641,971,899	–	3,178,699,534
Loans from a related party and interest payables (i)	43,552,262	1,198,685,816	107,313,216	–	1,349,551,294
Lease liabilities	63,977,549	40,019,700	52,665,216	52,243,593	208,906,058
Trade payables	2,323,041,560	–	–	–	2,323,041,560
Notes payable	298,347,336	–	–	–	298,347,336
Other payables	439,718,801	–	–	–	439,718,801

- (i) The interest on borrowings is calculated based on borrowings held as at 30 June 2020 and 31 December 2019 without taking account of future issues. Floating-rate interest is estimated using interest rate prevailing as at 30 June 2020 and 31 December 2019 respectively.

### 5.3 Fair value estimation

As at 30 June 2020, the Group held no financial instrument measured at fair value.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2020

### 6 Segment information

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

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

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

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

The Company is domiciled in Hong Kong. The amount of its revenue from external customers in Mainland China, Hong Kong and overseas for the six months ended 30 June 2020 is HK\$5,582,659,127 (for the six months ended 30 June 2019: HK\$5,905,617,632), HK\$608,787,384 (for the six months ended 30 June 2019: HK\$621,365,554) and HK\$1,442,506,476 (for the six months ended 30 June 2019: HK\$1,363,743,968) respectively.

The total non-current assets are analysed as follows:

	As at	
	30 June 2020 Unaudited HK\$	31 December 2019 Audited HK\$
Total non-current assets other than deferred tax assets		
– Mainland China	9,108,688,719	9,333,219,863
– Hong Kong and overseas	3,517,235,540	3,559,534,549
Deferred tax assets	422,064,446	456,674,351
Investment in an associate	2,463,879	2,525,619
<b>Total non-current assets</b>	<b>13,050,452,584</b>	<b>13,351,954,382</b>

Additions to non-current assets comprise additions to property, plant and equipment, right-of-use assets and intangible assets.



## 6 Segment information *(continued)*

The segment information for the six months ended 30 June 2020 and 2019 are as follows:

Six months ended 30 June 2020	Six months ended 30 June 2020 (Unaudited)		
	Household paper products HK\$	Personal care products HK\$	Total HK\$
Segment revenue	6,242,466,130	1,391,486,857	7,633,952,987
Segment results	1,206,894,554	176,599,378	1,383,493,932
Amortisation of trademarks, licences and contractual customer relationships	(5,420,075)	(27,723,843)	(33,143,918)
Segment profit	1,201,474,479	148,875,535	1,350,350,014
Other income and gains – net			15,886,083
Unallocated costs			(109,473,645)
Operating profit			1,256,762,452
Finance income and costs – net			(74,954,307)
Share of post-tax loss of an associate			(61,740)
Profit before income tax			1,181,746,405
Income tax expense			(268,952,518)
Profit for the period			912,793,887
<b>Other segment items included in the income statement</b>			
Depreciation of property, plant and equipment	(397,188,934)	(60,221,602)	(457,410,536)
Depreciation of right-of-use assets	(33,528,135)	(14,833,617)	(48,361,752)
Depreciation and amortization of investment properties and intangible assets other than trademarks, licences and contractual customer relationships	(21,300,951)	(1,399,869)	(22,700,820)
Additions to non-current assets	492,089,995	106,076,621	598,166,616

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2020

### 6 Segment information *(continued)*

Six months ended 30 June 2019	Six months ended 30 June 2019 (Unaudited)		Total HK\$
	Household paper products HK\$	Personal care products HK\$	
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 – 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
<b>Other segment items included in the income statement</b>			
Depreciation of property, plant and equipment	(392,997,140)	(57,372,219)	(450,369,359)
Depreciation 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

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2020

## 6 Segment information (continued)

As at 30 June 2020	As at 30 June 2020 (Unaudited)		Total HK\$
	Household paper products HK\$	Personal care products HK\$	
Segment assets	15,241,761,024	4,101,068,528	19,342,829,552
Deferred income tax assets			422,064,446
Investment in an associate			2,463,879
Prepaid income tax recoverable			2,570,169
<b>Total assets</b>			<b>19,769,928,046</b>
Segment liabilities	8,151,975,574	1,016,619,118	9,168,594,692
Dividends payable			251,474,448
Deferred income tax liabilities			187,591,921
Current income tax liabilities			252,901,092
<b>Total liabilities</b>			<b>9,860,562,153</b>

As at 31 December 2019	As at 31 December 2019 (Audited)		Total HK\$
	Household paper products HK\$	Personal care products HK\$	
Segment assets	14,766,367,163	4,053,847,319	18,820,214,482
Deferred income tax assets			456,674,351
Investment in an associate			2,525,619
Prepaid income tax recoverable			2,072,503
<b>Total assets</b>			<b>19,281,486,955</b>
Segment liabilities	8,404,133,627	999,807,830	9,403,941,457
Deferred income tax liabilities			193,616,342
Current income tax liabilities			220,717,854
<b>Total liabilities</b>			<b>9,818,275,653</b>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2020

### 7 Property, plant and equipment, intangible assets and investment properties

	Property, plant and equipment HK\$	Unaudited	
		Intangible assets HK\$	Investment properties HK\$
<b>Six months ended 30 June 2019</b>			
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	(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
<b>Six months ended 30 June 2020</b>			
Opening net book amount as at 1 January 2020	8,858,171,961	2,780,086,369	4,039,119
Additions	554,309,146	12,960,482	–
Disposals	(2,279,113)	–	–
Depreciation and amortisation	(457,410,536)	(55,755,007)	(89,731)
Impairment	(25,629,102)	–	–
Exchange differences	(180,651,967)	(68,386,233)	(47,665)
Closing net book amount as at 30 June 2020	8,746,510,389	2,668,905,611	3,901,723

During the period, the Group has capitalized borrowing costs amounting to HK\$5,052,278 (for the six months ended 30 June 2019: HK\$711,014) on qualifying assets.

## 8 Leases

	As at	
	30 June 2020 Unaudited HK\$	31 December 2019 Audited HK\$
<b>Right-of-use assets</b>		
– Land use rights	1,038,988,388	1,070,176,115
– Buildings	165,517,008	177,110,717
– Equipment and others	2,101,140	3,170,131
<b>Total right-of-use assets</b>	<b>1,206,606,536</b>	1,250,456,963
<b>Lease liabilities</b>		
– Current	60,761,364	62,796,875
– Non-current	110,470,003	119,942,991
<b>Total lease liabilities</b>	<b>171,231,367</b>	182,739,866

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

The statement of profit or loss shows the following amounts relating to leases:

	Unaudited Six months ended 30 June	
	2020 HK\$	2019 HK\$
Depreciation of right-of-use assets		
– Land use rights	12,959,679	12,799,921
– Buildings	34,589,533	32,668,619
– Equipment and others	812,540	641,473
	<b>48,361,752</b>	46,110,013
Interest expense (Note 16)	3,781,734	4,324,252
Expense relating to short-term leases	27,411,268	30,307,326
Expense relating to leases of low-value assets	549,262	1,006,653

The total cash payment for leases during the period was HK\$68,290,580.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2020

### 9 Trade and notes receivables, other receivables and prepayments

	As at	
	30 June 2020 Unaudited HK\$	31 December 2019 Audited HK\$
Trade receivables	1,964,482,081	1,937,867,729
Notes receivable	3,710,015	4,224,805
Other receivables (Note(a))	261,274,625	237,999,919
Prepayments	92,333,083	59,439,391
Less: Provision for impairment of receivables	(29,404,403)	(25,773,859)
	<b>2,292,395,401</b>	2,213,757,985

(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 2020 and 31 December 2019 is as below:

	As at	
	30 June 2020 Unaudited HK\$	31 December 2019 Audited HK\$
Within 3 months	1,815,043,881	1,839,881,135
4 months to 6 months	106,777,809	64,165,114
7 months to 12 months	23,420,375	13,779,084
Over 1 year	19,240,016	20,042,396
	<b>1,964,482,081</b>	1,937,867,729

## 10 Share capital and share premium

	Number of issued and fully paid shares	Unaudited Amount	
		Share capital HK\$	Share premium HK\$
<b>Opening balance as at 1 January 2019</b>	1,194,852,373	119,485,237	4,351,781,230
Employee share option scheme (Note 11)			
– Exercise of options	145,000	14,500	2,433,340
<b>As at 30 June 2019</b>	1,194,997,373	119,499,737	4,354,214,570
<b>Opening balance as at 1 January 2020</b>	<b>1,195,103,373</b>	<b>119,510,337</b>	<b>4,356,240,018</b>
Employee share option scheme (Note 11)			
– Exercise of options	<b>2,394,000</b>	<b>239,400</b>	<b>35,392,427</b>
<b>As at 30 June 2020</b>	<b>1,197,497,373</b>	<b>119,749,737</b>	<b>4,391,632,445</b>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2020

### 11 Share-based payment

Movements in the number of share options outstanding and their related weighted average exercise prices for the six months period ended 30 June 2020 and 2019 were as follows:

	For the six months period ended 30 June			
	2020		2019	
	Unaudited		Unaudited	
	Weighted average exercise price in HK\$	Number of options	Weighted average exercise price in HK\$	Number of options
At 1 January	12.74	8,332,000	12.75	8,583,000
Exercised	10.89	(2,394,000)	12.38	(145,000)
At 30 June	13.48	5,938,000	12.76	8,438,000

Share options outstanding as at 30 June 2020 have the following expiry dates and exercise prices:

Expiry date	Exercise price HK\$ per share	Number of options
14 April 2021	8.648	555,000
1 May 2022	14.06	5,271,000
1 May 2023	10.34	112,000



## 12 Borrowings

	As at	
	30 June 2020 Unaudited HK\$	31 December 2019 Audited HK\$
<b>Non-current – unsecured</b>		
Bank borrowings	2,507,207,530	2,297,063,820
Loans from a related party (Note 21(c))	90,487,607	1,274,928,072
Total non-current borrowings	2,597,695,137	3,571,991,892
<b>Current – unsecured</b>		
Bank borrowings	1,028,440,236	584,195,903
Loans from a related party (Note 21(c))	300,000,000	–
Total current borrowings	1,328,440,236	584,195,903
<b>Total borrowings</b>	<b>3,926,135,373</b>	4,156,187,795

Movements in borrowings are analysed as follows:

	Unaudited HK\$
<b>Six months ended 30 June 2019</b>	
Opening amount as at 1 January 2019	5,245,496,240
New borrowings and loans from a related party	2,246,284,946
Repayments of borrowings and loan from a related party	(2,709,565,499)
Exchange differences	(1,927,289)
Closing amount as at 30 June 2019	4,780,288,398
<b>Six months ended 30 June 2020</b>	
Opening amount as at 1 January 2020	4,156,187,795
New borrowings	1,832,310,432
Repayments of borrowings and loan from a related party	(2,003,054,855)
Exchange differences	(59,307,999)
Closing amount as at 30 June 2020	3,926,135,373

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2020

### 13 Long term incentive plans

	As at	
	30 June 2020 Unaudited HK\$	31 December 2019 Audited HK\$
Long term incentive plans	97,740,832	29,214,726

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

#### (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 2020, the fair value of each CU granted determined by using the Binomial Model was HK\$12.19. The significant inputs into the model were share price at the valuation date, the grant price, volatility of 30%, dividend yield of 1.16%, and annual risk-free interest rate of 0.31%. 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 management

Selected management were granted long term incentive program on 7 April 2017. 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 are two measurement periods. The second measurement period for this program is from 2019 to 2021. Payment is normally made in the first quarter following the end of the relevant measurement period.

As at 30 June 2020, the TSR is determined by using the Monte Carlo Simulation Model. The significant inputs into the model were annualized drift rate of 5.12% of the Company and 8.10% of the peer group, dividend yield of 1.27% of the Company and 2.58% of the peer group and annualized asset price volatility of 35% of the Company and 15% of the peer group matching the life of the incentive program.

**14 Trade payables, other payables and accrued expenses**

	As at	
	30 June 2020 Unaudited HK\$	31 December 2019 Audited HK\$
Trade payables	2,257,447,252	2,323,041,560
Notes payable	259,375,364	298,347,336
Other payables	726,409,967	813,013,027
Accrued expenses	1,293,928,510	1,169,446,849
	<b>4,537,161,093</b>	4,603,848,772

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 2020 and 31 December 2019 is as follows:

	As at	
	30 June 2020 Unaudited HK\$	31 December 2019 Audited HK\$
Within 3 months	2,141,899,346	1,944,893,219
4 months to 6 months	374,184,281	675,345,534
7 months to 12 months	192,811	918,340
Over 1 year	546,178	231,803
	<b>2,516,822,616</b>	2,621,388,896

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2020

### 15 Significant unusual profit and loss information

Profit for the period includes the following items that are unusual because of their nature, size and incidence:

	Unaudited	
	Six months ended 30 June	
	2020	2019
	HK\$	HK\$
<b>Gains</b>		
Reversal for impairment of inventories	<b>22,973,680</b>	10,327,809
<b>Expenses</b>		
Remeasurement of long-term incentive plans	<b>69,470,832</b>	8,142,354
Impairment losses on property, plant and equipment	<b>25,629,102</b>	–
Net impairment losses on financial assets	<b>4,212,575</b>	1,629,925
Loss on disposal of property, plant and equipment	<b>1,612,499</b>	460,039

### 16 Finance income and costs – net

	Unaudited	
	Six months ended 30 June	
	2020	2019
	HK\$	HK\$
Interest expense		
– Borrowings	<b>(82,812,000)</b>	(111,126,128)
– Lease liability (Note 8)	<b>(3,781,734)</b>	(4,324,252)
Foreign exchange gain – net	<b>1,536,498</b>	2,720,397
Interest income		
– Bank deposits	<b>10,102,929</b>	6,563,226
Net finance costs	<b>(74,954,307)</b>	(106,166,757)

## 17 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	
	2020	2019
	HK\$	HK\$
Current income tax		
– Overseas and Hong Kong profits tax	<b>78,859,374</b>	100,432,923
– Mainland China income tax	<b>167,404,918</b>	50,025,772
Deferred income tax	<b>22,688,226</b>	(66,760,864)
	<b>268,952,518</b>	83,697,831

The estimated average annual tax rate used for the six months ended 30 June 2020 is 22.8% (for the six months ended 30 June 2019: 16.0%).

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2020

### 18 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	
	2020	2019
Profit attributable to equity holders of the Company (HK\$)	912,793,887	439,861,255
Weighted average number of ordinary shares in issue	1,196,731,483	1,194,960,522
Basic earnings per share (HK\$ per share)	0.763	0.368

#### (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	
	2020	2019
Profit attributable to equity holders of the Company (HK\$)	912,793,887	439,861,255
Weighted average number of ordinary shares in issue	1,196,731,483	1,194,960,522
Adjustments for share options	2,433,692	938,643
Weighted average number of ordinary shares for diluted earnings per share	1,199,165,175	1,195,899,165
Diluted earnings per share (HK\$ per share)	0.761	0.368

## 19 Dividends

On 1 June 2020, the Annual General Meeting of the Company approved final dividend of HK\$0.210 per ordinary share for the year ended 31 December 2019. The final dividend will be paid on 14 August 2020 based on the number of issued shares outstanding at that time.

On 16 July 2020, the Board of Directors has resolved to declare an interim dividend of HK\$0.10 per share (2019: HK\$0.07 per share). This interim dividend, amounting to HK\$119,749,737 (2019: HK\$83,649,816) based on the 1,197,497,373 issued shares as at 30 June 2020, 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 2020.

## 20 Contingent liabilities

As at 30 June 2020 and 31 December 2019, the Group had no material contingent liabilities.

## 21 Related-party transactions

The immediate holding company of the Group is Essity BV (formerly known as SCA Group Holding BV) (incorporated in Netherlands).

### (a) Information on related parties and their relationships with the Group are as follows:

Name of related party	Relationship
Uni-Charm Mölnlycke KK ("Uni-Charm")	Subsidiary of Essity
Asaleo Care Fiji Limited	Associate of Essity
Productos Familia, S.A., Colombia	Subsidiary of Essity
Asaleo Personal Care Pty Ltd	Associate of Essity
Asaleo Care New Zealand Ltd.	Associate of Essity
Essity Hygiene and Health AB ("Essity HH")	Subsidiary of Essity
Essity Canada Inc.	Subsidiary of Essity
Essity Hygiene y Salud Mexico, S.A. de C.V. ("Essity Mexico")	Subsidiary of Essity
Essity Operations Hoogezand B.V. ("Essity Hoogezand B.V.")	Subsidiary of Essity

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2020

### 21 Related-party transactions *(continued)*

(a) Information on related parties and their relationships with the Group are as follows: *(continued)*

Name of related party	Relationship
Essity Netherlands B.V.	Subsidiary of Essity
Essity Operations Mainz-Kostheim GmbH ("Essity Kostheim")	Subsidiary of Essity
Essity Operations Gennep B.V. ("Essity OG B.V.")	Subsidiary of Essity
Essity Poland Sp.z o.o.	Subsidiary of Essity
Essity Slovakia s.r.o.	Subsidiary of Essity
Essity Operations Neuss GmbH ("Essity ON GmbH")	Subsidiary of Essity
Essity Treasury AB	Subsidiary of Essity
Essity (China) Holding Co Ltd ("Essity China")	Subsidiary of Essity
BSN Medical Shanghai ("BSN Shanghai")	Subsidiary of Essity
SCA Hygiene Products GmbH ("SCA Hygiene")	Subsidiary of Essity

#### (b) Significant related party transactions

In the opinion of the Company's directors, the related party transactions were conducted in the ordinary course of business and based on terms mutually agreed by the underlying parties. Significant related party transactions of the Group during the six months ended 30 June 2020 include:

##### (1) Sales of products to related parties:

	Unaudited	
	Six months ended 30 June	
	2020	2019
	HK\$	HK\$
– Uni-Charm	50,627,838	55,711,523
– Asaleo Care Fiji Ltd	10,860,265	8,579,830
– Productos Familia, S.A., Colombia	8,418,682	5,645,808
– Asaleo Personal Care Pty Ltd	6,305,362	10,547,819
– Asaleo Care New Zealand Ltd	5,869,172	1,377,541
– Essity HH	2,223,394	4,236,703
– Essity Canada Inc.	2,077,713	2,226,432
– Essity Mexico	1,112,514	949,199
– Essity Hoogezand B.V.	885,933	1,006,751
	<b>88,380,873</b>	90,281,606



**21 Related-party transactions** *(continued)***(b) Significant related party transactions** *(continued)*

## (2) Purchase of products from related parties:

	Unaudited	
	Six months ended 30 June	
	2020	2019
	HK\$	HK\$
– Essity Netherlands B.V.	24,586,972	–
– Essity Kostheim	14,679,209	18,777,410
– Essity HH	13,346,192	18,914,048
– Essity OG B.V.	12,810,017	24,024,573
– Essity Poland Sp.Z o.o.	7,537,121	13,620,583
– Essity Hoogezand B.V.	3,493,546	20,194,763
– Essity Mexico	570,088	–
– Essity Slovakia s.r.o.	439,825	1,350,307
– Essity ON GmbH	–	855,657
	<b>77,462,970</b>	97,737,341

## (3) Research and development expenses charged to a related party:

	Unaudited	
	Six months ended 30 June	
	2020	2019
	HK\$	HK\$
– Essity HH	8,969,508	9,961,746

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2020

### 21 Related-party transactions *(continued)*

#### (b) Significant related party transactions *(continued)*

(4) IT costs charged by a related party:

	Unaudited	
	Six months ended 30 June	
	2020	2019
	HK\$	HK\$
– Essity HH	474,368	1,728,728

(5) Loans borrowed from a related party:

	Unaudited	
	Six months ended 30 June	
	2020	2019
	HK\$	HK\$
– Essity Treasury AB	–	300,000,000

(6) Loans repaid to a related party:

	Unaudited	
	Six months ended 30 June	
	2020	2019
	HK\$	HK\$
– Essity Treasury AB	880,116,846	168,000,000

(7) Interest expenses accrued to a related party:

	Unaudited	
	Six months ended 30 June	
	2020	2019
	HK\$	HK\$
– Essity Treasury AB	14,501,154	18,869,276

**21 Related-party transactions** *(continued)***(b) Significant related party transactions** *(continued)*

## (8) Key management compensation:

	Unaudited	
	Six months ended 30 June	
	2020	2019
	HK\$	HK\$
Directors		
– Basic salaries, housing allowances, other allowances, benefits-in-kind, share-based payment and other benefits	29,494,151	25,020,130
– Long-term incentive plans	55,072,756	2,777,700
Senior management		
– Basic salaries, housing allowances, other allowances, benefits-in-kind, share-based payment and other benefits	28,727,898	21,335,118
– Long-term incentive plans	11,122,298	2,893,127
	124,417,103	52,026,075

**(c) Period-end/year-end balances with related parties**

## (1) Due from related parties:

	As at	
	30 June 2020	31 December 2019
	Unaudited	Audited
	HK\$	HK\$
– Uni-Charm	14,808,198	10,940,760
– Asaleo Care Fiji Ltd	5,577,280	4,796,900
– Essity HH	5,184,320	6,601,490
– Asaleo Care New Zealand Ltd	3,052,642	873,247
– Asaleo Personal Care Pty Ltd	2,862,232	5,060,142
– Productos Familia, S.A., Colombia	1,933,132	2,178,534
– Essity Mexico	787,075	134,909
– Essity Canada Inc.	665,248	503,511
– Essity	330,000	330,000
– Essity Hoogezand B.V.	124,177	277,892
– Essity China	–	267,923
– BSN Shanghai	–	100,471
	35,324,304	32,065,779

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2020

### 21 Related-party transactions *(continued)*

#### (c) Period-end/year-end balances with related parties *(continued)*

##### (2) Due to related parties

	As at	
	30 June 2020 Unaudited HK\$	31 December 2019 Audited HK\$
– Essity Netherlands B.V.	5,529,983	1,456,959
– Essity HH	3,989,870	2,101,478
– Essity Kostheim	3,561,182	1,420,831
– Essity OG B.V.	2,947,797	1,379,590
– Essity Poland Sp.z o.o.	2,029,078	807,811
– Essity Mexico	566,592	–
– Essity Treasury AB (Note (a))	412,584	5,758,190
– SCA Hygiene	403,655	–
– Essity Hoogezand B.V.	25,636	2,866,703
– Uni-Charm	1,296	21,697
	<b>19,467,673</b>	15,813,259

##### (3) Loans from a related party:

	As at	
	30 June 2020 Unaudited HK\$	31 December 2019 Audited HK\$
– Essity Treasury AB (Note (a))	390,487,607	1,274,928,072

- (a) As at 30 June 2020, loans from a related party represent loans with principal of HK\$300,000,000 and MYR 50,000,000 (HK\$90,487,607) respectively. The weighted average interest rate is 3.11%. These loans are due on 10 June 2021 and 18 December 2024 respectively.