Vinda 維達

Vinda International Holdings Limited

(incorporated in the Cayman Islands with limited liability)

Stock Code: 3331

Healthy Lifestyle
Starts from

VINDA

Interim Results Announcement 2014

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I. Business Review

II. Financial Highlights

III. Future Outlook

IV. Q&A

Major Achievement

Brand Recognition	• Rank 19th as a leading fast-moving consumer goods (FMCG) brand in China in Kantar Worldpanel's "Brand Footprint 2014".
Steady Growth	• Revenue recorded HK$3,680million, up 11.1% yoy. • Sales volume reached 256,377 tons, up 8.6% yoy.
Product Mix Enhancement	• Softpack sales +37.2% yoy. • Wet wipes sales +63.2% yoy.
Increase Stake in V-Care	• V-care now being 100% subsidiary of Vinda. • Greater synergy under Vinda's platform.
Co-operation with SCA	• Integrate SCA's commercial operation in Mainland China, HK & Macau. • Obtain exclusive rights of SCA brands.

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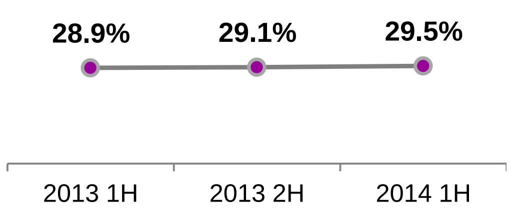
Financial Highlights

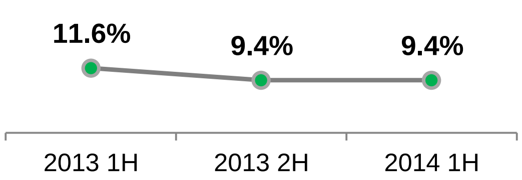
(HK$ million)	For the 6 months ended 30 June 2014	2013	Change
Revenue	**3,680.0**	3,313.7	+11.1%
Gross profit	**1,085.5**	957.8	+13.3%
Operating profit	**345.7**	383.8	-9.9%
EBITDA	**522.0**	490.5	+6.4%
Share of post-tax profit/(loss) of associate	**(4.4)**	(15.8)	-72.4%
Profit attributable to equity holders of the Company	**222.2**	284.0	-21.8%
Basic earnings per share (HK cents)	**22.3**	28.4	-21.5%
Interim dividend per share (HK cents)	**4.0**	4.8	-16.7%

- Recorded a FX loss of HK$33.4 million(1H2013: FX gain of HK$31.4million), which would not have significant impact on core business profitability and cash flow.

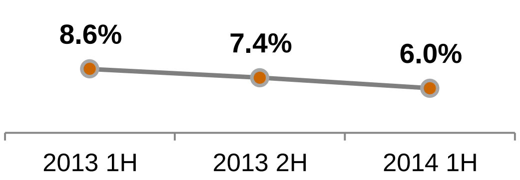
Gross margin



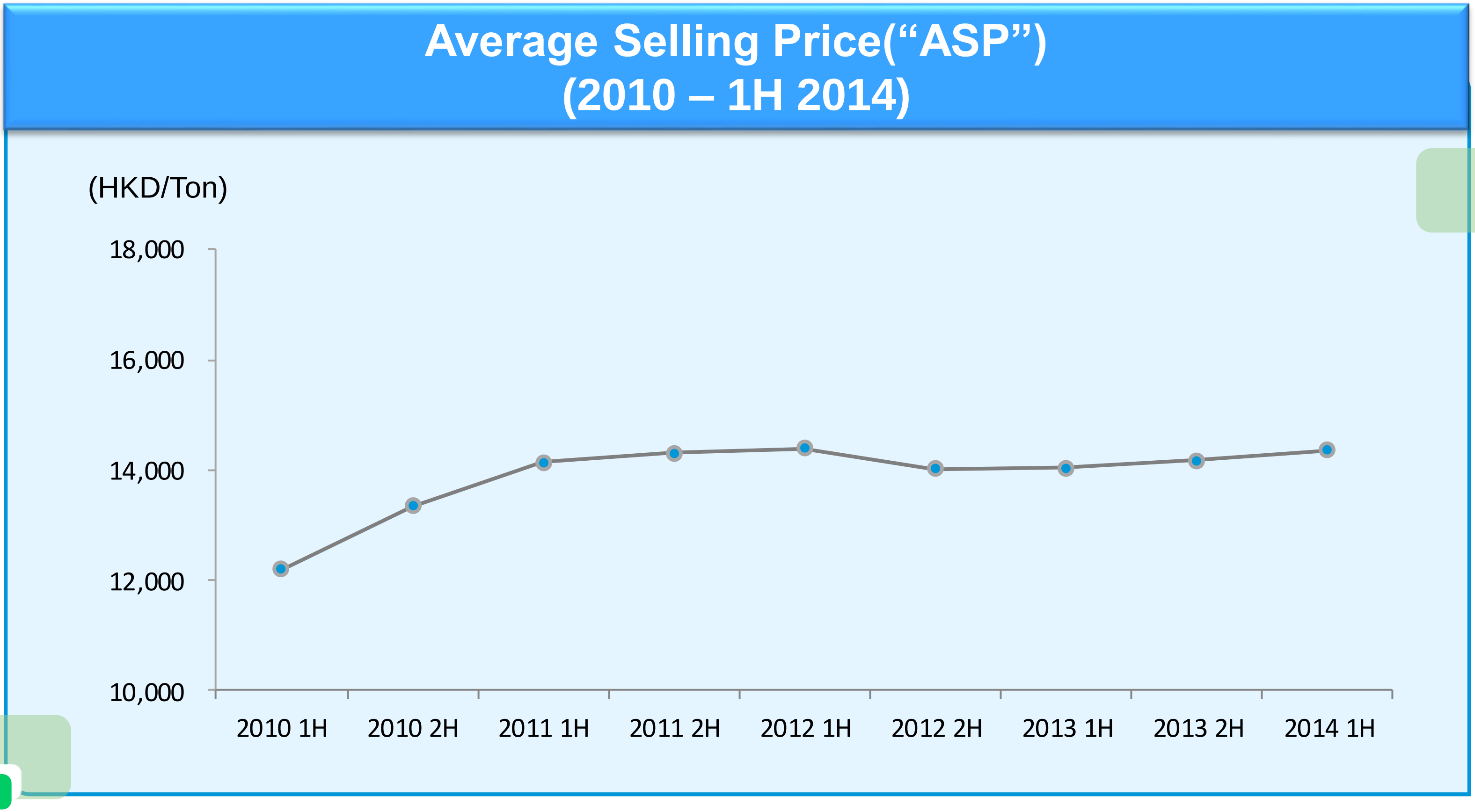
Operating Margin



Net Margin



Average Selling Price Overview

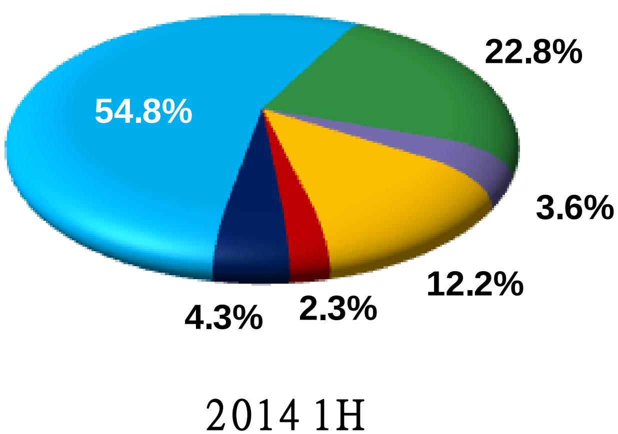


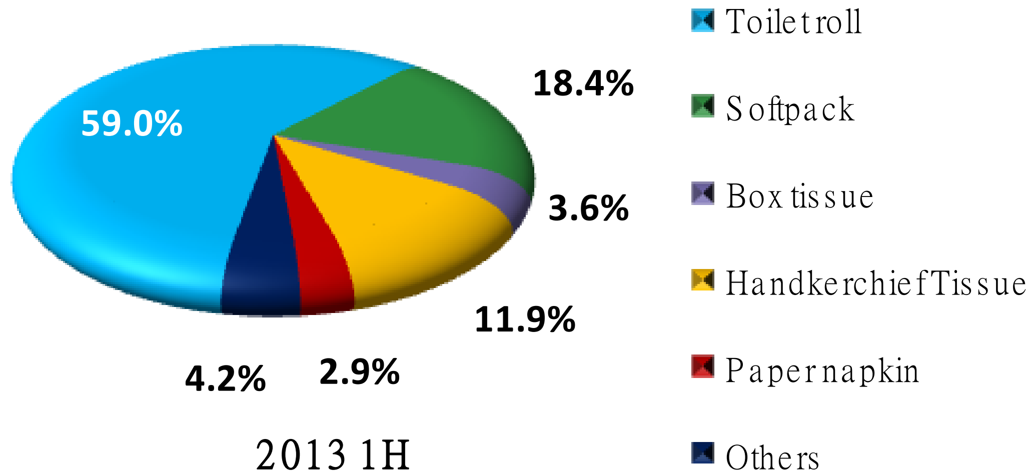
- Thanks to product mix enhancement, ASP per ton for 1H 2014 was approximately HK$14,354, up by 2.3% yoy.

Revenue by Product Category

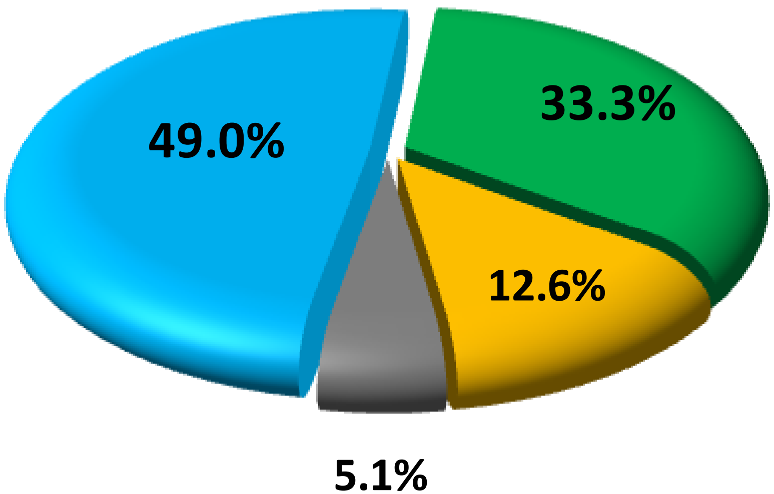
(HK$ million)	For the 6 months ended 30 June 2014	2013	Change
Toilet roll	**2,016.9**	1,955.2	**+3.2%**
Softpack	**838.5**	611.3	**+37.2%**
Box tissue	**132.0**	118.1	**+11.8%**
Hanky (including wet wipes *)	**448.7**	393.5	**+14.0%**
Paper napkin	**84.4**	94.9	**-11.0%**
Others	**159.5**	140.7	**+13.3%**
*** Wet wipes**	**79.0**	48.4	**+63.2%**

Product Mix % of Sales

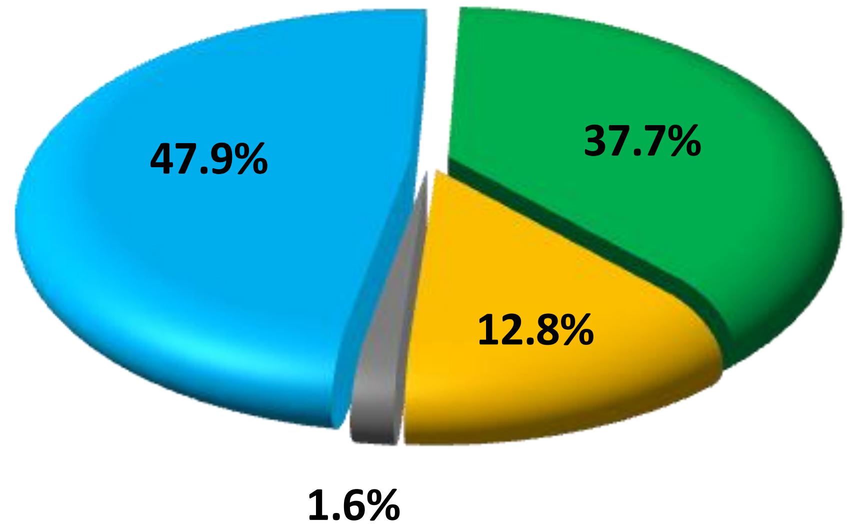




Revenue by Distribution Channels



2014 1H



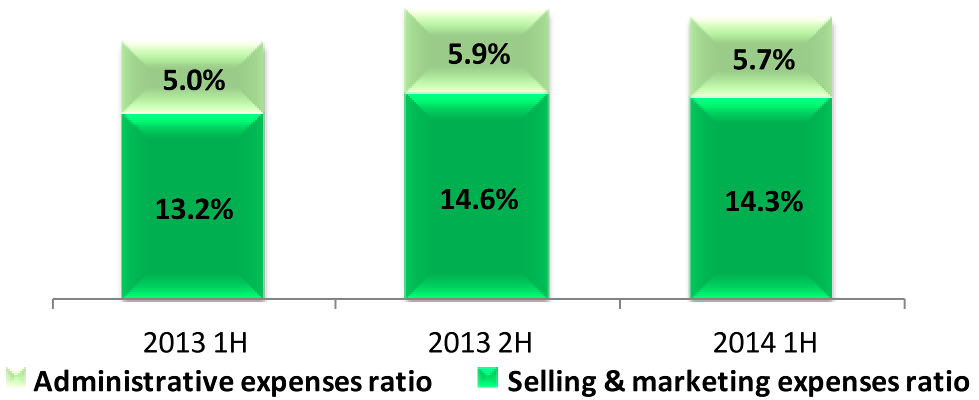
2013 1H

- **Traditional channels (i.e. Distributors)**
- **Modern channels (i.e. Hypermarkets, Supermarkets)**
- **B2B (i.e. Corporate clients)**
- **E-commerce**

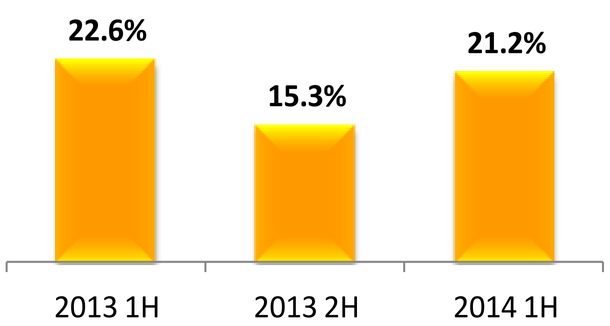
Note: There were 216 sales offices & 1,231 distributors as of 30 Jun 2014.

Operating Expenditure

Operating Expenditure as % of Sales



Effective Tax Rate



- Administrative expenses ratio decreased compared to 2013 2H but increased 0.7 p.pt yoy because of increase in Sanjiang factory rental fee, R&D expenditure and professional fees.
- Selling and marketing expenses ratio increased mainly due to:
  - Increase in sales promotion level & number of store-promoters.
  - Increase in brand building efforts for long-term investment.

- Effective tax rate decreased by 1.4 p.pt., because:
  - Tax planning took effect
  - One subsidiary granted high-tech preferential rate

Key Financial Indicators

	2014 **As at 30 Jun**	2013 As at 30 Jun
Receivable Turnover Days	**47**	49
Payable Turnover Days	**70**	65
Finished Goods Turnover Days	**37**	34

(HK$ million)	**2014** **As at 30 Jun**	2013 **As at 31 Dec**
Total borrowings (including SCA shareholder loan)	**3,100**	2,737
Cash and cash equivalents	**578**	690
Net gearing ratio* (%)	**53.4%**	44.0%
Interest coverage** (times)	**7.3**	7.4

- Solid financial resources for business expansion and sustained business growth:
  - Shareholder loan granted by SCA, with interest rate equal to or more favorable than those offered by independent third parties.
    - HK$1.5 billion short term loan granted on Apr 2014.
    - HK$1.2 billion 3-year loan granted on July 2014.
  - As at 30 Jun 2014, unutilized credit facilities (including unutilized shareholder loan) amounted to approximately HK$6.08 billion.

** Net gearing ratio: Total borrowings less bank balances and cash and restricted deposits / total shareholders' equity.*
*** Interest coverage: EBIT/interest (times), excluding exchange rate factor.*

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Outlook of Operating Environment

Challenges		Opportunities
• Mild growth in GDP and commodity demand	**China Economic Environment**	• Urbanization • Relaxation of “One-child policy” • Aging population
• Intensified peer competition due to over-supply situation • Fluctuation of pulp price	**Industry Environment**	• Weaker market price of the short-fibre. • Stricter environment regulations to speed up market consolidation
• Goring frugal trend in consumption behavior	**Consumer Demand**	• Rise of O2O business • Increasing concern over product quality & health issues

Sales & Marketing Strategy

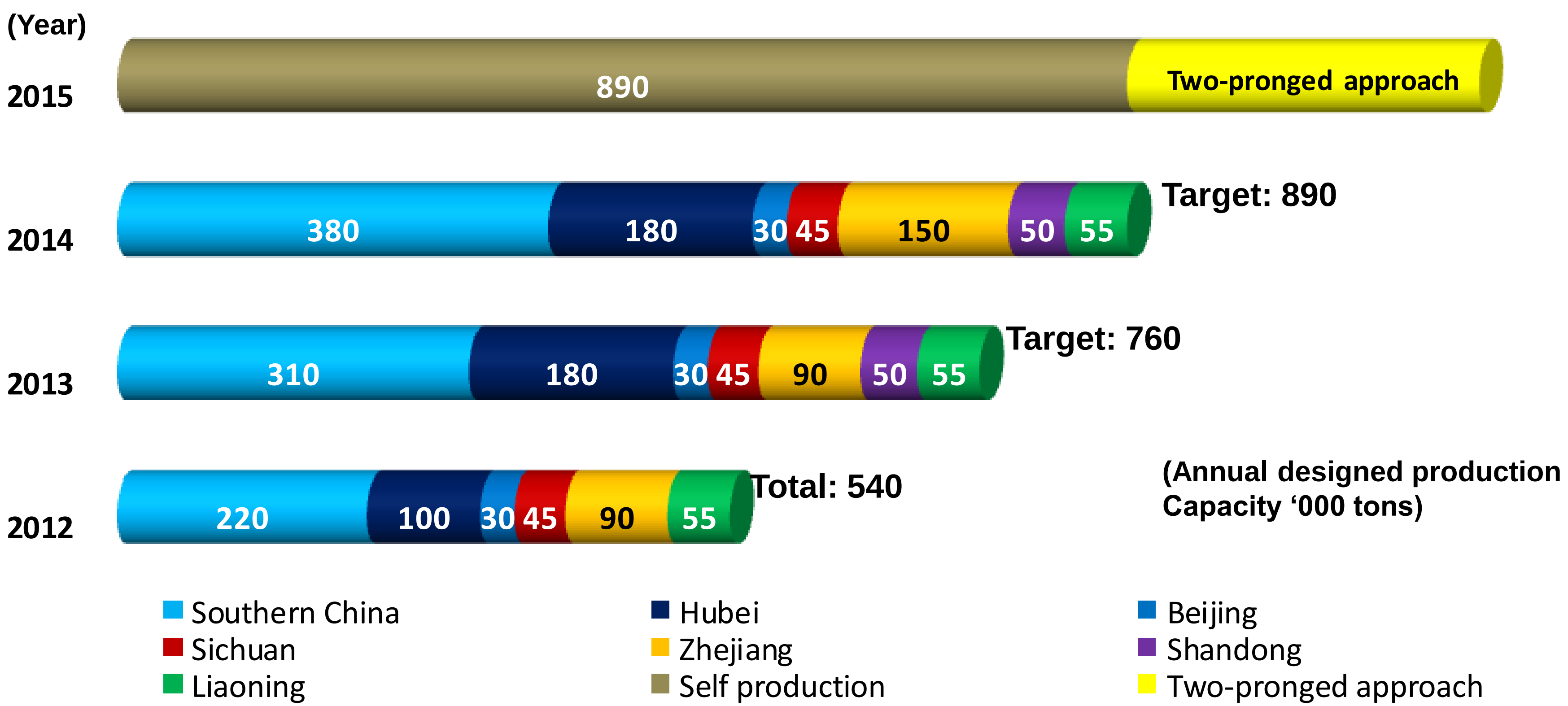
Creative Marketing Campaigns

- Sponsored one of the most viewed variety shows “Fashion Kids” (《潮童天下》) produced by Dragon Television .
- “Ultra Strong National Bus Tour – The Second Season” was conducted in 14 major cities on mainland China
- “Vinda Tissue-made Wedding Gown Show for Families”.

Channel Building

- Broaden online sales channel amidst O2O era.
- Penetrate into lower-tier provinces and counties.

Production Capacity Expansion



- Annual designed production capacity:
  - As of 30 Jun 2014: 760,000 tons.
  - Expected to reach 890,000 tons by end of 2014 as planned.
- To evaluate the viability of implementing a two-pronged development strategy, which fuses both the investment-driven growth model and asset-light model together, starting from 2015.

V-Care Transaction Summary

V-Care Overview

V-care 维安洁

- **Baby Care**
  - Babifit 贝爱多

- **Feminine Care**
  - 薇尔 VIA™

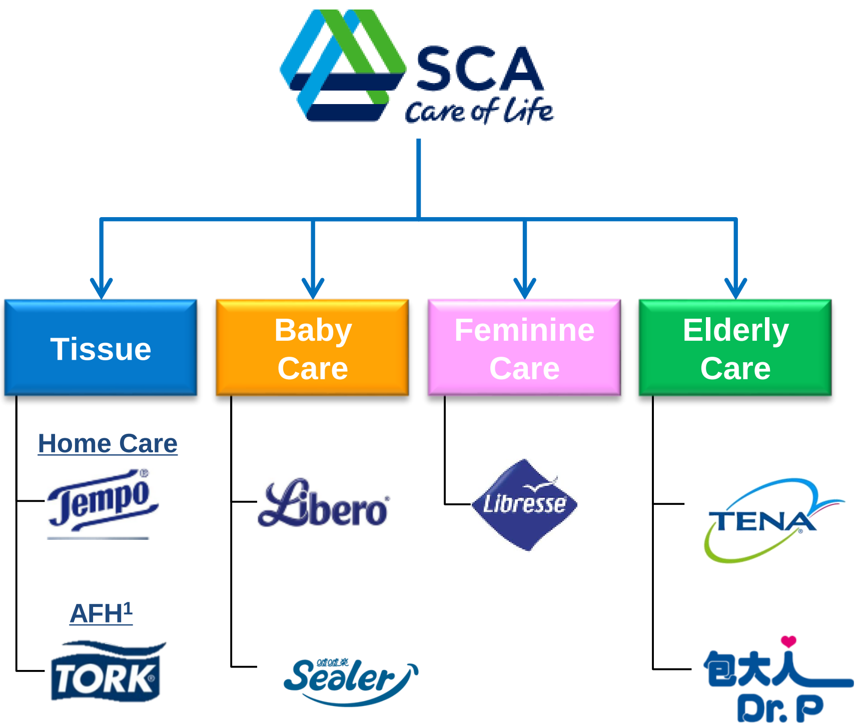
Transaction Summary

Total Consideration	HK$ 295,000,000
% of Shares Acquired	59.0%
Vinda Ownership Post-acquisition	100.0%

Vinda will be able to gain full control of V-Care, allowing greater operational flexibility and future profitability

SCA Transaction Summary

Overview of SCA Brand Rights Acquired



Mainland China, HK & Macau

Transaction Rationale

- ✓ Tempo has strong brand recognition in Hong Kong market.
- ✓ Further strengthen Vinda's ability to expand into other personal hygiene product categories.
- ✓ Leverage on SCA global brands' strong brand equity.
- ✓ SCA's sales network will further expand Vinda's sales coverage in Mainland China, Hong Kong and Macau.
- ✓ Further enhance Vinda's strategic relationship with SCA.

Transaction Summary

Consideration	HK$ 1,144,000,000
Assets Acquired	▪ SCA Tissue ▪ PRC Assets - SCA PRC Contracts - SCA PRC Inventories ▪ Everbeauty Industry (Fujian) - Land use right to site in Xiaman with a total site area of 96,226 square meters ▪ SCA Healthcare Management - Home based healthcare service in Mainland China
SCA Support	▪ Term loan facilities of HK$ 1,200,000,000 ▪ Up to 3 years tenure

SCA Transaction Summary (cont'd)

Brands	Nature	Tenure	Regions Covered	Brand Licensing Fees
Tempo 	▪ Exclusive	▪ Perpetual	▪ Mainland China, Hong Kong, Macau	▪ Free
包大人 Dr. P 	▪ Trademark rights	▪ n/a	▪ Mainland China, Hong Kong, Macau	▪ n/a
Sealer 	▪ Trademark rights	▪ n/a	▪ Mainland China, Hong Kong, Macau	▪ n/a
TENA TORK Libero Libresse 	▪ Exclusive	▪ 3 + 3 + 3 (9 years total)	▪ Mainland China, Hong Kong, Macau	▪ Waived for first 3 years

Vinda's Brand and Product Portfolio Post Acquisition

Vinda 維達

- ✓ Brand Portfolio Expansion
- ✓ Market Expansion
- ✓ Product Expansion

Tissue	Baby Care	Feminine Care	Elderly Care
AFH[1]: Tork; Home Care: Vinda 維達, Tempo	Libero, Babifit 贝爱多, Sealer	Libresse, 薇尔 VIA	TENA, 包大人 Dr. P

Becoming a leading, full-fledged and multi-brand company.

Notes: (1) Away from home

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