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Vinda International Holdings Limited

維達國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3331)

INSIDE INFORMATION

UNAUDITED FINANCIAL INFORMATION FOR THE NINE MONTHS AND THREE MONTHS ENDED 30 SEPTEMBER 2018 OF VINDA INTERNATIONAL HOLDINGS LIMITED AND UNAUDITED THIRD QUARTER RESULTS FOR THE NINE MONTHS AND THREE MONTHS ENDED 30 SEPTEMBER 2018 OF THE CONTROLLING SHAREHOLDER

The board of directors (the “**Board**”) of Vinda International Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) is pleased to announce the unaudited financial information of the Group’s business for the nine months ended 30 September 2018 (“**9M2018**”) and three months ended 30 September 2018 (“**2018Q3**”).

This announcement is made pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

UNAUDITED FINANCIAL INFORMATION FOR 9M2018 AND 2018Q3 OF THE GROUP

The Group has been facing several challenges during the first nine months of 2018. Among which, the two most impactful challenges were the significant increase in wood pulp cost (denominated in US dollars (“USD”)) and the devaluation of Renminbi (“RMB”) against USD, which has been putting pressure on our profitability. To alleviate such pressure, we had taken a number of measures, namely, a. two rounds of price increase; b. active cost savings; and c. portfolio mix enhancement.

Compared to the nine months ended 30 September 2017 (“9M2017”), the unaudited financial information of the Group for 9M2018:

- Revenue increased by 11.1% (6.4% at constant exchange rate) to HK\$10,747 million, of which HK\$8,669 million was from the Tissue segment and HK\$2,079 million was from the Personal Care segment.
- Gross profit grew by 5.7% to HK\$3,102 million with a corresponding gross margin of 28.9%.
- Total foreign exchange loss was HK\$65 million (9M2017: HK\$17 million loss), of which HK\$58 million loss was from operating payable items (9M2017: HK\$3 million gain), and HK\$7 million loss was from financing items (9M2017: HK\$20 million loss).
- Operating profit increased by 1.2% to HK\$769 million with a corresponding operating margin of 7.2%. If excluding the foreign exchange effect from operating payable items, operating profit would have been increased by 9.4% to HK\$827 million with a corresponding operating margin of 7.7%.
- EBITDA increased by 8.6% to HK\$1,470 million with a corresponding EBITDA margin of 13.7%.

Compared to the three months ended 30 September of 2017 (“2017Q3”), the unaudited financial information of the Group for 2018Q3:

- After two rounds of price increase, the price gap between our products and our competitors’ products have widened as most of our competitors did not increase their prices to a similar level. Competitive pressure therefore remained intense. In addition, we had no significant e-festival during 2018Q3, a channel where Vinda is particularly strong. As a result, volume growth of 2018Q3 was lower than our expectation. Despite this, we recorded month-on-month improvement on revenue, with a record high September. For 2018Q3, total revenue increased by 1.4% (3.0% at constant exchange rate) to HK\$3,413 million, of which HK\$2,741 million was from the Tissue segment and HK\$672 million was from the Personal Care segment.
- Lower output volume had led to significant pressure on our manufacturing fixed cost. The devaluation of RMB against USD, together with further pulp price increases in USD, had also led to significant increase in pulp cost in terms of RMB. Apart from the cost impact, our increased promotion only led to higher volume in September, and we had slight negative mix impact on gross margin. As a result, gross profit for 2018Q3 decreased by 8.4% to HK\$924 million. Gross margin decreased by 2.9 percentage points (“ppts”) to 27.1%.
- Total foreign exchange loss was HK\$43 million (2017Q3: HK\$5 million gain), of which HK\$46 million loss was from operating payable items (2017Q3: HK\$14 million gain), and HK\$3 million gain was from financing items (2017Q3: HK\$9 million loss).
- Selling & marketing cost declined in absolute and relative terms, counter balancing part of the negative effects. Yet, operating profit still decreased by 50.0% to HK\$125 million. Operating margin was down by 3.7 ppts to 3.7%. Such decrease was mainly driven by the decline in gross margin, and a slightly higher general & administrative expenditure resulted from the opening of new Yangjiang facility and higher warehousing cost. Additionally, HK\$46 million of foreign exchange loss from operating payable items had put further pressure on operating margin. If excluding the foreign exchange effect from operating payable items, operating profit would have been HK\$171 million with a corresponding operating margin of 5.0%.
- EBITDA was down by 23.3% to HK\$353 million with a corresponding EBITDA margin of 10.3%.

- The short term volatility in China’s economic environment will have an impact on our growth for the second half of 2018. We do not expect our revenue growth to be in line with our original ambition amidst such competitive environment. Despite our continuous push on cost savings and focus on added-value stock keeping unit (“SKU”), in view of further pressure on pulp prices, we only expect a modest improvement in margin development.
- In the medium term, we are confident to be able to return to our original growth momentum and to improve our margins.

UNAUDITED THIRD QUARTER RESULTS FOR 9M2018 AND 2018Q3 OF ESSITY AKTIEBOLAG (PUBL)

Essity Aktiebolag (publ) (“**Essity**”), the Company’s controlling shareholder, is a company listed on NASDAQ OMX Stockholm. As at the date of this announcement, Essity beneficially owns approximately 51.97% of the entire issued share capital of the Company.

Essity files financial reports which include quarterly financial information and certain operating statistics on a quarterly basis in accordance with the ongoing disclosure obligations applicable to a publicly traded listed company on NASDAQ OMX Stockholm. Such reports include segment financial information on the operations of the Company and are available in the public domain.

Essity will on or about 29 October 2018 release its unaudited financial results for the third quarter ended 30 September 2018. For details, please visit Essity’s website: www.essity.com.

Shareholders and potential investors of the Company are advised that there is no indication or assurance from the Company that the unaudited financial information of the Group for 2018Q3 and 9M2018 will be the same as that presented in Essity’s report for the third quarter of 2018.

Potential investors and shareholders of the Company are reminded that the above financial information has not been reviewed or audited by the Company's independent auditors. Subject to review and audit adjustment, differences may arise between such financial information and the data disclosed in the audited report. Potential investors and shareholders of the Company should exercise caution when dealing in the shares of the Company.

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

Hong Kong, 26 October 2018

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

Executive Directors:

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

Non-executive Directors:

Mr. Jan Christer JOHANSSON
Mr. Carl Magnus GROTH
Mr. Carl Fredrik Stenson RYSTEDT

Independent non-executive Directors:

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

Alternate Directors:

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