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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)**

**FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023**

**HIGHLIGHTS**

- **Solid revenue growth despite challenging operating environment**
  - Revenue increased by 6.9% organically<sup>1</sup> to HK\$19,999 million
  - Strong organic growth<sup>1</sup> in mainland China driven by product mix and volume development
  - E-commerce sales up by 12.6% organically, contributing to 46% of the Group's total revenue
  - Premium categories maintained strong growth momentum
  - Personal care continued to grow and market position continued to improve
- **Gross profit was down by 4.2% to HK\$5,251 million, while gross profit margin was down by 1.9 percentage points (“ppts”) to 26.3%**
- **Net profit was HK\$253 million and net margin was 1.3%**
- **Net gearing ratio<sup>2</sup> dropped by 2.5 ppts to 26.1% (2022: 28.6%)**
- **Basic earnings per share was 21.0 HK cents (2022: 58.7 HK cents)**

The Board of Directors (the “**Board**”) of Vinda International Holdings Limited (“**Vinda**” or the “**Company**”) is pleased to present the audited annual results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2023 (the “**Year**”).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Overview**

Despite the complex macroeconomic environment in 2023, the Group has successfully overcome numerous obstacles and headwinds throughout the Year. By investing in innovation, continuously optimizing our product portfolio, and strengthening brand building, the Group achieved solid top-line growth during the Year. Benefiting from the ongoing premiumisation strategy, our tissue business continued to maintain its leading position in mainland China<sup>3</sup> and Hong Kong Special Administrative Region, China (the “**HKSAR**”) <sup>4</sup> with its solid sales growth in premium categories. Furthermore, during the Year we continued to promote the development of our personal care business while strengthening our market share in key markets.

During the Year, while margin recovery is in progress, the Group’s gross profit and net profit were negatively impacted by inflationary pressures and intensified market competition compared to last year. Although raw material prices have decreased significantly, it still takes time to digest the inventory of raw materials purchased earlier, which to a certain extent had a negative impact on the profit margin. This impact was partially offsetted by agile pricing strategies, better product mix and better operational efficiencies during the Year.

Despite all these challenges, the Group will remain committed to its investment in innovation and brand building, while focusing on strengthening its e-commerce channels. By leveraging online marketing to expand its market share, the Group aims to reaffirm its position as an industry leader. Furthermore, the Group will consistently execute its premiumisation strategy and implement measures to enhance various aspects such as category expansion, product pricing, marketing and promotion, channel expansion, and financial management. These efforts will further promote the Group to drive sustainable and profitable growth across all key markets.

### **Financial Highlights**

Total revenue increased by 6.9% organically and by 3.0% if presented in Hong Kong Dollar, to HK\$19,999 million.

In terms of business segment, the tissue and personal care segments contributed 83% and 17% of the Group's total revenue, respectively. In terms of sales channel, traditional distributors, key accounts managed supermarkets and hypermarkets, B2B corporate customers and e-commerce platforms accounted for 23%, 21%, 10% and 46%, respectively, of the total revenue. E-commerce maintained a strong momentum as the dominant sales channel, recording a year-on-year organic growth of 12.6% in sales value.

Gross profit was down by 4.2% to HK\$5,251 million with gross margin of 26.3%, representing a year-on-year decline of 1.9 percentage points (“ppts”). During the Year, the Group implemented effective measures such as marketing efficiency and product portfolio adjustments to cushion the impact and gradually recover profit margin level.

EBITDA fell by 16.0% to HK\$1,768 million while EBITDA margin decreased by 2.0 ppts to 8.8%, due to lower gross margin in the Year.

Total foreign exchange loss was HK\$34.8 million (2022: HK\$65.2 million loss), of which HK\$37.0 million loss came from operating activities (2022: HK\$75.5 million loss), and HK\$2.2 million gain was due to financing activities (2022: HK\$10.3 million gain).

The Group's total selling and marketing costs as a percentage of sales decreased by 0.3 ppt from the previous year to 19.5%. Operating profit decreased by 47.4% to HK\$424 million while operating margin was down by 2.1 ppts to 2.1%.

Interest expenses from borrowings increased by 70.0% to HK\$149 million primarily resulting from high interest rate of bank borrowings during the Year. The effective interest rate was up by 0.6 ppt to 3.1% from the previous year.

Net gearing ratio decreased by 2.5 ppts to 26.1%.

Net profit declined by 64.1% to HK\$253 million. The net profit margin decreased by 2.3 ppts from the previous year to 1.3%.

Basic earnings per share was 21.0 HK cents (2022: 58.7 HK cents).

## **Business Review**

### ***Tissue Segment***

In 2023, revenue from the tissue segment amounted to HK\$16,655 million, which delivered a year-on-year increase of 3.4% or an organic sales growth<sup>1</sup> of 7.6%, representing 83% of the Group's total revenue (2022: 83%). Throughout the Year, the Group adhered to its premiumisation strategy, resulting in a double-digit growth of the Group's premium tissue portfolio, further consolidating its market leadership in mainland China and HKSAR. The impact from the high-cost wood pulp inventory and promotion were relieved to an extent by the premium categories for its relatively higher profit margin. Additionally, the tissue business in the Southeast Asian market demonstrated an outstanding performance, with sales business rising steadily, experiencing an organic growth<sup>1</sup> of 24.4% year-on-year. In terms of the profit margin of the tissue segment for the Year, the gross profit margin for the tissue segment was 24.9%, while the segment result margin<sup>5</sup> was 2.4%.

In mainland China, Vinda has strategically focused on expanding its e-commerce sales channel in recent years, leading to remarkable results. Despite the changing consumer habits and the rapid evolution of sales channels, Vinda successfully developed extensive sales channels, enhanced brand recognition, and strengthened premium brand image of the Group in 2023, through implementation of innovative promotion strategies including brand crossover and cooperation with the top three e-commerce platforms and popular celebrities. Meanwhile, these initiatives yielded outstanding results, attracting consumers through key campaigns and driving increased repurchase rates. During the "Double-11" shopping event this year, *Vinda* moist flushable toilet tissues saw an online exposure of over 80 million in total, emerging as the hot-selling product on JD platform and achieving robust sales. In addition, several top-selling series such as *Vinda* washable kitchen towels and *Vinda* Deluxe embossed 4D-Déco™ tissues also received critical acclaim during the Year, ranking the first in terms of total online sales. On Tmall Annual Member Day, a crucial "SSS marketing projects" of Tmall, *Vinda* Ultra Strong tissues received billions of exposure across the platform. The success made in various significant e-commerce events has signified the market position of Vinda's premium products.

In the North Asia market, Vinda continued its efforts to develop its premium product positioning. In the second half of 2023, various crossover products were introduced in HKSAR, including Vinda x “Pisuke and Usagi”, and *Vinda 4D Deluxe* Botanical Toilet Roll pioneered in South Korea. In the Chinese Taiwan market, the Group has been proactive in promoting *Tempo* Airy Touch Inter Fold Tissue and *Tempo* Protect Disinfectant Wet Wipes Mini Pack, which have strengthened their presence in the market.

As a globally recognised leader in the commercial cleaning and hygiene industry, *Vinda Tork* has always committed to offering customers a comfortable and healthy sustainable lifestyle. We specialised in the research and development of premium tissue and hygiene solutions for public and business environments. In the second half of 2023, with a strong commitment to corporate responsibility for Environmental, Social and Governance (ESG) contributions and a proactive response to the national “Innovation-Driven” development strategy in the laboratory field, *Tork* actively participated in prestigious commercial and scientific research events, such as INTERCLEAN, the global cleaning and hygiene trade show, and the Building Owners and Managers Association (BOMA) China 11th Annual Conference. Through these engagements, *Tork* has built up its professional and premium brand image, strengthened its brand’s exposure within the industry, and effectively demonstrated *Vinda Tork*’s brand in commercial professional hygiene solutions and our all-new products, such as QuickDry fast-drying hand towels and S4 hand washing foam soap. *Vinda Tork*’s has also introduced its first “plastic-free” facial tissue box while Vinda launched its ECO-concept large-capacity hand towels.

### **Personal Care Segment**

Revenue from the personal care category increased by 0.9% to HK\$3,344 million, recording an organic sales growth of 3.7% and accounting for 17% of the Group’s total revenue (2022: 17%). Gross margin and segment result margin were 32.9% and 2.8%, respectively. The Group’s personal care segment maintained a stable growth, primarily driven by the demand for the personal care products in mainland China.

The *Libresse* brand has firmly embraced the concept of maintaining high-quality standards and prioritising customer satisfaction, resulting in its immense popularity and strong momentum in feminine care category in mainland China. During the year under review, the *Libresse* brand sought innovation and cooperation to boost category growth and channels expansion. During the Year, *Libresse* organised a series of marketing activities, including collaborations with upmarket skincare brands to penetrate to the young consumer, partnering with Pokémon to launch crossover products, releasing short videos that highlighted the superiority of its products, and promotion of the “Double-11” shopping event as well as offline activations. To capitalise on the growing demand for products in pants category and cater to the diverse needs of consumers, *Libresse* launched a variety of new and innovative products, including “Libresse x Pokémon”, “Libresse V-night comfort pants (XL size)”, and “V-night Comfort series – soft pants”, through which it can expand the reach of its premium brand image across diverse consumer base. Simultaneously, in the Malaysia market, *Libresse* also lifted its brand exposures and reinforced the leading position<sup>6</sup> in feminine care category through strategic advertising, KOL promotions and various other effective marketing methods.

In the incontinence care category, Vinda has shown a dedicated focus on addressing the needs of the elderly population over the years. The Company has expanded the market presence of its two key brands, *TENA* and *Dr. P.*, in mainland China, Southeast Asia and North Asia, which consolidated its professional image as a leading global care brand. During the Year, Vinda engaged in a series of hands-on events and social welfare activities, providing consumers with a tangible experience of the Group’s international professional care concepts. These initiatives effectively demonstrated the Group’s capabilities and the brand’s core value, while the consumers’ awareness was enhanced along with the penetration rate and online to offline conversions of *TENA* and *Dr. P.* At the same time, the Group made significant strides in its offline business by expanding the *TENA* Experience Centres and exploring the establishment of hospital stores. This ongoing effort optimised its business structure and brand image, ultimately driving sales across all categories. With approximately 500 *TENA* Experience Centres in operation, achieving a new record for the highest monthly average sales per store. In the HKSAR and Chinese Taiwan markets, with the help of comprehensive marketing activities, including TV advertising, newspaper advertising, online video, mobile advertising and offline activations, the Group has approached more new customers in the elderly age groups and incontinence care category, successfully strengthened customer connections and loyalty, and increased the popularity and sales of *TENA* and *Dr. P.* *TENA* also gained wide recognition in the Southeast Asian market. It received the “Friend of Singapore Red Cross Award 2023” in Singapore and was granted the Unity Popular Choice Awards for five consecutive years.

The baby care business, which takes root in Southeast Asia for years, continues to deliver an outstanding result. The Group's *Drypers* brand is a best seller in Malaysia for a number of years consecutively, and is our pioneering flagship product. Through its marketing activities including the launch of limited-edition package for the latest "DWWD" and "DDP PinkFong", the cooperation with institutions like hospitals, the organisation of offline activities, coupled with its efforts in complementing the promotion through social media, during the Year, the Group effectively has expanded its customer base, and thus further enhanced the professional brand awareness of *Drypers* and the penetration rate among the parent groups. The baby care brand *Libero* has been a widely popular brand of the consumers from the Chinese Taiwan market. The promotion of its limited Little Heroes edition, which comprised of charitable activities, media exposure and promotion by KOL, has reached the potential consumer groups of parents practically, greatly enhancing the positive perception and image of this brand. In Chinese Taiwan, *Libero* has also been voted by 40,000 readers of Mombaby, an authoritative maternal and child magazine, which strengthened the online and offline exposure of the products and their sales.

### **Production Capacity**

The annual designed capacity of the Group's papermaking facilities was 1,425,000 tons at the end of the Year. The Southeast Asia regional headquarters in Malaysia was officially put into operation on 16 December 2022. It has the Group's first overseas innovation and R&D centre, which would help the Group to accurately meet consumer demand in the Southeast Asian market and strengthen its regional supply chain footprint, improving Vinda's production and sales efficiency in Southeast Asia.

### **Employees**

Employees at Vinda are central to the Group's sustainable growth. Vinda is committed to providing equal employment opportunities that are free from discrimination of any kind, such as gender, age, nationality, race, religion or sexual orientation. In addition, the Group also offers fair and reasonable remuneration, performance incentive mechanism along with on-going career advancement training programs for employees.

During the Year, a total of 161,316 hours of training were conducted for a total of 10,030 participants.

We had a total of 11,465 employees as of 31 December 2023.



## **Health and Safety**

Health and safety are the highest priorities for Vinda. The Group aims for zero workplace accidents across all parts of its business and operations.

Lost-time accidents in 2023 amounted to 22 cases (2022: 28 cases) and lost days due to related incidents amount to 1,546 days (2022: 2,378 days).

## **Green Production**

During the Year, the Group was highly responsive to the domestic environmental protection policies and global development trend and devoted unrelenting efforts to achieve cost reduction and efficiency enhancement and empower the sustainable development. Our energy utilisation efficiency (standard coal consumption per HK\$10,000 of sales) was 0.20 ton, while the paper production sewage recycling rate was over 98%. The Group's greenhouse gas emissions (Scope 1 and Scope 2) totalled 1.27 million ton of carbon dioxide equivalent with an emission intensity of 0.63 ton of carbon dioxide equivalent per HK\$10,000 of sales. The Group has formulated the five-year sustainable development roadmap, covering eight areas including energy management, carbon emissions, green supply chain and sustainable sourcing. The wood pulp we sourced were all from controllable forest land.

We aim to source 100% of the wood pulp used by Vinda that is certified by recognised forest management standards. At the same time, we will continue to research and develop the use of biodegradable materials as packaging, and gradually increase the proportion of biodegradable materials in Vinda products.

## **Recognition of Our Sustainable Development**

Vinda has been consistently initiating the Group's sustainability in all aspects and creating more long-term values for the Group. During the year under review, the Group was honoured with an "A" rating in ESG again by MSCI, the largest index company in the world. The Group was assigned the "A" rating for the third consecutive year following the upgrade in 2021, with its leading position in the aspects of "Corporate Governance", "Packaging Material and Waste", "Chemical Safety" and "Raw Material Sourcing" among the industry players. The Group was also awarded the "Outstanding Award for Green and Sustainable Loan Issuer (Fast Moving Consumer Goods Industry) – Visionary Sustainability-linked Loan Performance Metrics" by the Hong Kong Quality Assurance Agency, which showed that the Group's excellence in ESG was well-recognised and its insistence in ESG concepts received high recognition from professional capital market institutions.



## Outlook

Looking ahead, despite economic recovery and consumer sentiment remain uncertain, the Group is confident in the growth potential of our categories.

The Group will continue to invest in further portfolio enhancement by focusing in premium and high margin categories.

The Group will continue to invest in personal care in our key markets and key categories.

The Group will continue to invest in e-commerce and new channels to further strengthen our leading positions in mainland China.

The Group will continue to invest in branding and innovations to further differentiate ourselves and to defend our premium pricing from competition.

With the foundation of strong in-market execution, these meaningful investments will further enhance the Group's competitive advantage, and position us well for long term sustainable and profitable growth.

### *Remarks*

<sup>1</sup> *Organically/organic growth/organic sales growth: Year-on-year growth excluding exchange rate effects*

<sup>2</sup> *Net gearing ratio: Net debt divided by total shareholders' equity*

*Net debt: Total debt including lease liabilities less cash and cash equivalents and restricted bank deposits*

<sup>3</sup> *Source: Kantar Worldpanel, mainland China sales value year-to-date at 1 December 2023*

<sup>4</sup> *Source: Nielsen, HKSAR sales value year-to-date at 31 December 2023*

<sup>5</sup> *Segment result: Segment profit before amortisation of trademarks, licenses and contractual customer relationship*

<sup>6</sup> *Source: Kantar Worldpanel, Malaysia sales value year-to-date at 1 December 2023*

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		For the year ended 31 December	
		2023	2022
	<i>Note</i>	<b>HK\$</b>	<b>HK\$</b>
Revenue	4	<b>19,999,100,319</b>	19,417,559,563
Cost of sales	5	<b>(14,747,699,693)</b>	(13,934,355,595)
<b>Gross profit</b>		<b>5,251,400,626</b>	5,483,203,968
Selling and marketing costs	5	<b>(3,890,392,804)</b>	(3,837,322,482)
Administrative expenses	5	<b>(1,038,431,803)</b>	(911,661,474)
Net impairment losses on financial assets	12	<b>(24,090,933)</b>	(4,448,991)
Other income and losses – net		<b>125,526,364</b>	76,745,523
<b>Operating profit</b>		<b>424,011,450</b>	806,516,544
Finance income and costs – net	6	<b>(136,399,340)</b>	(59,600,287)
Share of post-tax loss of an associate		<b>(1,513)</b>	(49,301)
<b>Profit before income tax</b>		<b>287,610,597</b>	746,866,956
Income tax expense	7	<b>(34,459,077)</b>	(40,827,454)
<b>Profit attributable to equity holders of the Company</b>		<b>253,151,520</b>	706,039,502
<b>Other comprehensive (loss)/income:</b>			
<i>Item that may be reclassified to profit or loss</i>			
– Currency translation differences		<b>(240,767,945)</b>	(1,152,993,589)
<i>Item that will not be reclassified subsequently to profit or loss</i>			
– Remeasurements of post-employment benefit obligations		<b>(412,294)</b>	1,954,733
<b>Total comprehensive income/(loss) attributable to equity holders of the Company</b>		<b>11,971,281</b>	(444,999,354)
<b>Earnings per share for profit attributable to equity holders of the Company</b>			
– basic	8(a)	<b>0.210</b>	0.587
– diluted	8(b)	<b>0.210</b>	0.587

## CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2023	2022
	Note	HK\$	HK\$
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	10,045,005,752	10,353,535,314
Right-of-use assets	11	1,135,354,163	1,221,438,469
Intangible assets	10	2,341,634,862	2,456,705,131
Deferred income tax assets		751,728,527	629,751,445
Investment properties		1,910,231	40,173,068
Investment in an associate		–	2,030,636
		<u>14,275,633,535</u>	<u>14,703,634,063</u>
<b>Current assets</b>			
Inventories		3,662,494,791	6,014,823,036
Trade and notes receivables	12	1,983,893,729	2,339,665,339
Other receivables	12	633,764,209	483,237,455
Prepayments	12	188,482,232	100,093,982
Due from related parties		28,241,044	40,242,578
Cash and cash equivalents		1,375,581,365	606,947,407
		<u>7,872,457,370</u>	<u>9,585,009,797</u>
<b>Total assets</b>		<u><b>22,148,090,905</b></u>	<u><b>24,288,643,860</b></u>
<b>EQUITY</b>			
<b>Capital and reserves attributable to the Company's equity holders</b>			
Share capital	14	120,328,537	120,327,537
Share premium	14	4,497,509,829	4,497,368,699
Other reserves		6,913,207,609	7,382,589,207
<b>Total equity</b>		<u><b>11,531,045,975</b></u>	<u><b>12,000,285,443</b></u>

## CONSOLIDATED BALANCE SHEET (CONTINUED)

		As at 31 December	
		2023	2022
	Note	HK\$	HK\$
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	15	3,839,479,423	2,800,715,036
Loans from a related party	15	–	88,282,378
Lease liabilities	11	83,616,575	99,385,024
Deferred government grants		258,616,552	247,961,760
Deferred income tax liabilities		209,338,951	215,293,079
Post-employment benefits		7,949,472	6,960,500
Other non-current liabilities	16	24,171,116	3,200,341
		<u>4,423,172,089</u>	<u>3,461,798,118</u>
<b>Current liabilities</b>			
Trade payables, other payables and accrued expenses	13	5,542,141,898	7,548,972,120
Contract liabilities		94,228,502	118,382,755
Borrowings	15	331,660,083	299,246,812
Loans from a related party	15	85,051,091	700,000,000
Lease liabilities	11	49,286,439	55,585,120
Due to related parties		13,783,970	22,509,163
Current income tax liabilities		77,720,858	81,864,329
		<u>6,193,872,841</u>	<u>8,826,560,299</u>
<b>Total liabilities</b>		<u><b>10,617,044,930</b></u>	<u><b>12,288,358,417</b></u>
<b>Total equity and liabilities</b>		<u><b>22,148,090,905</b></u>	<u><b>24,288,643,860</b></u>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Attributable to equity holders of the Company			Total HK\$
		Share capital HK\$	Share premium HK\$	Other reserves HK\$	
<b>Balance at 1 January 2022</b>		120,126,537	4,458,961,619	8,439,573,727	13,018,661,883
Profit for the year		–	–	706,039,502	706,039,502
Other comprehensive (loss)/income					
– Currency translation differences		–	–	(1,152,993,589)	(1,152,993,589)
– Remeasurements of post-employment benefit obligations		–	–	1,954,733	1,954,733
<b>Total comprehensive loss for 2022</b>		<u>–</u>	<u>–</u>	<u>(444,999,354)</u>	<u>(444,999,354)</u>
<b>Transaction with owners</b>					
Employees share option scheme					
– Exercise of share options	14	201,000	38,407,080	(10,347,480)	28,260,600
Dividends	9	–	–	(601,637,686)	(601,637,686)
<b>Transaction with owners</b>		<u>201,000</u>	<u>38,407,080</u>	<u>(611,985,166)</u>	<u>(573,377,086)</u>
<b>Balance at 31 December 2022</b>		<u>120,327,537</u>	<u>4,497,368,699</u>	<u>7,382,589,207</u>	<u>12,000,285,443</u>
<b>Balance at 1 January 2023</b>		<b>120,327,537</b>	<b>4,497,368,699</b>	<b>7,382,589,207</b>	<b>12,000,285,443</b>
Profit for the year		–	–	253,151,520	253,151,520
Other comprehensive loss					
– Currency translation differences		–	–	(240,767,945)	(240,767,945)
– Remeasurements of post-employment benefit obligations		–	–	(412,294)	(412,294)
<b>Total comprehensive income for 2023</b>		<u>–</u>	<u>–</u>	<u>11,971,281</u>	<u>11,971,281</u>
<b>Transaction with owners</b>					
Employees share option scheme					
– Exercise of share options	14	1,000	141,130	(38,730)	103,400
Dividends	9	–	–	(481,314,149)	(481,314,149)
<b>Transaction with owners</b>		<u>1,000</u>	<u>141,130</u>	<u>(481,352,879)</u>	<u>(481,210,749)</u>
<b>Balance at 31 December 2023</b>		<u>120,328,537</u>	<u>4,497,509,829</u>	<u>6,913,207,609</u>	<u>11,531,045,975</u>

## CONSOLIDATED STATEMENT OF CASH FLOWS

	For the year ended 31 December	
	2023	2022
Note	HK\$	HK\$
<b>Cash flows generated from operating activities:</b>		
– cash generated from operations	2,272,324,627	2,399,371,922
– interest paid	(165,702,701)	(109,358,060)
– income tax paid	(162,219,452)	(208,823,513)
	<u>1,944,402,474</u>	<u>2,081,190,349</u>
<b>Cash flows used in investing activities:</b>		
– payment for acquisition of subsidiaries, net of cash acquired	(6,864,598)	–
– purchase of property, plant and equipment	(1,117,540,565)	(1,099,742,904)
– proceeds from disposal of property, plant and equipment and investment properties	2,568,517	4,412,949
– proceeds from government grants	44,425,653	22,939,702
– proceeds from disposal of land use rights	11 25,697,474	–
– payment for land use rights	–	(26,838,329)
– purchase of intangible assets	(655,197)	(27,566,022)
– interest received	17,083,674	24,691,224
	<u>(1,035,285,042)</u>	<u>(1,102,103,380)</u>
<b>Cash flows used in financing activities:</b>		
– proceeds from shares issued	103,400	28,260,600
– proceeds from borrowings	4,074,955,423	4,711,269,760
– repayments of borrowings	(2,949,414,411)	(5,202,906,642)
– repayments of loans from a related party	(700,000,000)	(200,000,000)
– dividends paid	9 (481,314,149)	(601,637,686)
– lease payments for right-of-use assets excluding land use rights	11 (69,837,382)	(74,480,171)
	<u>(125,507,119)</u>	<u>(1,339,494,139)</u>
<b>Net cash used in financing activities</b>		
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>783,610,313</b>	<b>(360,407,170)</b>
Effect of foreign exchange rate changes	(14,976,355)	(57,973,112)
<b>Cash and cash equivalents, beginning of the year</b>	<b>606,947,407</b>	<b>1,025,327,689</b>
<b>Cash and cash equivalents, end of the year</b>	<b><u>1,375,581,365</u></b>	<b><u>606,947,407</u></b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

## 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 manufacturing 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.

Essity Aktiebolag (publ) (“Essity”) is the ultimate holding company of the Group and it is incorporated in the state of Sweden.

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

These consolidated financial statements are presented in Hong Kong dollar (“HK\$”) unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 24 January 2024.

## 2 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) and requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of other non-current liabilities and plan assets of defined benefit pension plans, which are measured at fair value.



### 3 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

- (a) A number of new or amended standards became applicable for the current reporting period. The adoption of these new standards and amendments did not have material impact on the Group's financial position or operating result and did not require retrospective adjustment.

		<b>Effective for annual periods beginning on or after</b>
HKAS 8 (Amendments)	Definition of Accounting Estimates	1 January 2023
HKAS 12 (Amendments)	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 January 2023
HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies	1 January 2023
HKFRS 17	Insurance Contracts	1 January 2023
HKAS 12 (Amendments)	International Tax Reform – Pillar Two Model Rules	1 January 2023

- (b) Certain new accounting standards and interpretations have been published that are not mandatory for the year ended 31 December 2023 and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

		<b>Effective for annual periods beginning on or after</b>
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2024
HKAS 1 (Amendments)	Non-current Liabilities with Covenants	1 January 2024
HKFRS 16 (Amendments)	Lease Liability in a Sale and Leaseback	1 January 2024
HKAS 7 and HKFRS 7 (Amendments)	Supplier Finance Arrangements	1 January 2024
HK Int 5 (Revised)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024
HKAS 21 (Amendments)	Lack of Exchangeability	1 January 2025
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture	To be determined

### 3 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (Continued)

#### (c) Change in accounting policy on offsetting arrangement in long service payment scheme in HKSAR

In June 2022, the HKSAR Government enacted the Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the “Amendment Ordinance”) which will be effective from 1 May 2025 (the “Transition Date”). Under the Amendment Ordinance, any accrued benefits attributable to the employer’s mandatory contributions under mandatory provident fund scheme (“MPF Benefits”) of an entity would no longer be eligible to offset against its obligations on long service payment (“LSP”) for the portion of the LSP accrued on or after the Transition Date. There is also a change in the calculation basis of last monthly wages for the portion of the LSP accrued before the Transition Date.

Prior to 1 January 2023, the Group applied practical expedient in HKAS 19 paragraph 93(b) (the “Practical expedient”) to account for the offsettable MPF Benefits as deemed employee contributions to reduce the current service costs in the period in which the related services were rendered.

In July 2023, the HKICPA published “Accounting implications of the abolition of the MPF-LSP offsetting mechanism in HKSAR” (the “Guidance”) which provides clarified and detailed guidance on the accounting considerations relating to the abolition of the offsetting mechanism. The Guidance clarified that following the enactment of the Amendment Ordinance, LSP is no longer a “simple type of contributory plans” to which the Practical expedient had been intended to apply.

By following the Guidance, the Group has therefore changed its accounting policy and ceased to apply the Practical expedient and reattribute the deemed employee contributions on a straight-line basis from the date when services by employees first lead to their benefits in terms of the LSP legislation in accordance with HKAS 19 paragraph 93(a). The cumulative effect of recognising these adjustments as of 31 December 2022 or for the year ended was not material and hence no adjustment was made to the beginning retained earnings, or another component of equity.

## 4 SEGMENT INFORMATION

### (a) Description of segments and principal activities

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, other income and losses, 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 statement of comprehensive income.

The Company is domiciled in the HKSAR. The amount of Group's external revenue based on delivery destination are analysed as follows:

	<b>For the year ended 31 December</b>	
	<b>2023</b>	<b>2022</b>
	<b>HK\$</b>	<b>HK\$</b>
Mainland China	<b>15,685,228,868</b>	15,154,602,695
Malaysia	<b>1,681,907,257</b>	1,628,944,425
HKSAR	<b>1,250,568,983</b>	1,178,345,242
Chinese Taiwan	<b>357,800,625</b>	347,770,870
Japan	<b>249,314,912</b>	351,517,422
Others	<b>774,279,674</b>	756,378,909
Total revenue	<b><u>19,999,100,319</u></b>	<b><u>19,417,559,563</u></b>

#### 4 SEGMENT INFORMATION (Continued)

##### (a) Description of segments and principal activities (Continued)

The total non-current assets are analysed as follows:

	As at 31 December	
	2023	2022
	<i>HK\$</i>	<i>HK\$</i>
Total non-current assets other than deferred income tax assets and investment in an associate		
– Mainland China	<b>9,850,761,171</b>	10,186,539,060
– HKSAR and overseas	<b>3,673,143,837</b>	3,885,312,922
Deferred income tax assets	<b>751,728,527</b>	629,751,445
Investment in an associate	<b>–</b>	2,030,636
	<hr/>	<hr/>
Total non-current assets	<b><u>14,275,633,535</u></b>	<b><u>14,703,634,063</u></b>

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

4 SEGMENT INFORMATION (Continued)

(b) Segment profit or loss

	For the year ended 31 December 2023		
	Household paper products <i>HK\$</i>	Personal care products <i>HK\$</i>	Total <i>HK\$</i>
Segment revenue	<u>16,655,088,487</u>	<u>3,344,011,832</u>	<u>19,999,100,319</u>
Segment results	392,593,554	92,886,379	485,479,933
Amortisation of trademarks, licences and contractual customer relationships	<u>(9,746,667)</u>	<u>(53,027,206)</u>	<u>(62,773,873)</u>
Segment profit	<u><u>382,846,887</u></u>	<u><u>39,859,173</u></u>	<u><u>422,706,060</u></u>
Other income and losses – net			125,526,364
Unallocated costs			<u>(124,220,974)</u>
Operating profit			<u><u>424,011,450</u></u>
Finance income and costs – net			(136,399,340)
Share of post-tax loss of an associate			<u>(1,513)</u>
Profit before income tax			287,610,597
Income tax expense			<u>(34,459,077)</u>
Profit for the year			<u><u>253,151,520</u></u>
Depreciation of property, plant and equipment	(981,340,119)	(165,658,299)	(1,146,998,418)
Depreciation of right-of-use assets	(75,880,272)	(16,098,060)	(91,978,332)
Depreciation and amortisation of investment properties and intangible assets	<u>(45,573,468)</u>	<u>(60,045,484)</u>	<u>(105,618,952)</u>
Additions to non-current assets	<u><u>896,479,446</u></u>	<u><u>130,902,804</u></u>	<u><u>1,027,382,250</u></u>

**4 SEGMENT INFORMATION (Continued)**

**(b) Segment profit or loss (Continued)**

	For the year ended 31 December 2022		
	Household paper products <i>HK\$</i>	Personal care products <i>HK\$</i>	Total <i>HK\$</i>
Segment revenue	<u>16,103,169,549</u>	<u>3,314,390,014</u>	<u>19,417,559,563</u>
Segment results	837,131,675	65,480,426	902,612,101
Amortisation of trademarks, licences and contractual customer relationships	<u>(10,609,096)</u>	<u>(54,293,252)</u>	<u>(64,902,348)</u>
Segment profit	<u>826,522,579</u>	<u>11,187,174</u>	<u>837,709,753</u>
Other income and losses – net			76,745,523
Unallocated costs			<u>(107,938,732)</u>
Operating profit			<u>806,516,544</u>
Finance income and costs – net			(59,600,287)
Share of post-tax loss of an associate			<u>(49,301)</u>
Profit before income tax			746,866,956
Income tax expense			<u>(40,827,454)</u>
Profit for the year			<u>706,039,502</u>
Depreciation of property, plant and equipment	(946,696,016)	(139,508,484)	(1,086,204,500)
Depreciation of right-of-use assets	(74,929,295)	(23,718,479)	(98,647,774)
Depreciation and amortisation of investment properties and intangible assets	<u>(50,316,590)</u>	<u>(61,940,131)</u>	<u>(112,256,721)</u>
Additions to non-current assets	<u>883,125,878</u>	<u>368,121,335</u>	<u>1,251,247,213</u>

4 SEGMENT INFORMATION (Continued)

(c) Segment assets and liabilities

	As at 31 December 2023		
	Household paper products <i>HK\$</i>	Personal care products <i>HK\$</i>	Total <i>HK\$</i>
Segment assets	<u>16,374,174,661</u>	<u>4,971,040,731</u>	21,345,215,392
Deferred income tax assets			751,728,527
Investment in an associate			–
Prepaid income tax recoverable			<u>51,146,986</u>
<b>Total assets</b>			<b><u>22,148,090,905</u></b>
Segment liabilities	<u>9,195,335,364</u>	<u>1,134,649,757</u>	10,329,985,121
Deferred income tax liabilities			209,338,951
Current income tax liabilities			<u>77,720,858</u>
<b>Total liabilities</b>			<b><u>10,617,044,930</u></b>

	As at 31 December 2022		
	Household paper products <i>HK\$</i>	Personal care products <i>HK\$</i>	Total <i>HK\$</i>
Segment assets	<u>18,477,023,735</u>	<u>5,116,071,717</u>	23,593,095,452
Deferred income tax assets			629,751,445
Investment in an associate			2,030,636
Prepaid income tax recoverable			<u>63,766,327</u>
<b>Total assets</b>			<b><u>24,288,643,860</u></b>
Segment liabilities	<u>10,442,010,406</u>	<u>1,549,190,603</u>	11,991,201,009
Deferred income tax liabilities			215,293,079
Current income tax liabilities			<u>81,864,329</u>
<b>Total liabilities</b>			<b><u>12,288,358,417</u></b>



**5 EXPENSES BY NATURE**

	<b>For the year ended 31 December</b>	
	<b>2023</b>	2022
	<b>HK\$</b>	<b>HK\$</b>
Raw materials and trading merchandise consumed	<b>11,087,278,772</b>	10,300,989,656
Staff costs	<b>2,121,523,243</b>	1,985,346,018
Promotion expenses	<b>1,456,200,293</b>	1,439,798,011
Transportation expenses	<b>1,332,883,136</b>	1,377,938,361
Utilities	<b>1,328,954,205</b>	1,364,743,920
Depreciation of property, plant and equipment ( <i>Note 10</i> )	<b>1,146,998,418</b>	1,086,204,500
Spare parts, repair and maintenance	<b>320,445,254</b>	285,752,757
Advertising costs	<b>128,386,536</b>	144,051,988
Amortisation of intangible assets ( <i>Note 10</i> )	<b>104,386,395</b>	111,540,728
Depreciation of right-of-use assets ( <i>Note 11</i> )	<b>91,978,332</b>	98,647,774
Travel and office expenses	<b>75,328,755</b>	57,517,322
Real estate tax, stamp duty and other taxes	<b>68,147,501</b>	54,501,012
Contracted processing expenses	<b>42,534,631</b>	50,430,349
Short-term and low-value lease expenses ( <i>Note 11</i> )	<b>20,430,620</b>	31,636,407
Auditor's remuneration – Audit services	<b>8,512,266</b>	8,786,403
Bank charges	<b>3,704,391</b>	2,983,071
Auditor's remuneration – Non-audit services	<b>1,899,625</b>	1,584,879
Provision/(Reversal of provision) for write-down of inventories	<b>1,464,938</b>	(4,065,034)
Other expenses	<b>335,466,989</b>	284,951,429
	<hr/>	<hr/>
Total cost of sales, selling and marketing costs and administrative expenses	<b><u>19,676,524,300</u></b>	<b><u>18,683,339,551</u></b>

## 6 FINANCE INCOME AND COSTS – NET

	For the year ended 31 December	
	2023	2022
	HK\$	HK\$
Interest expense		
– borrowings	(149,331,326)	(87,836,706)
– lease liabilities ( <i>Note 11</i> )	(6,550,560)	(7,105,808)
Foreign exchange gain – net	2,175,630	10,312,439
Interest income		
– bank deposits	<u>17,306,916</u>	<u>25,029,788</u>
Net finance costs	<u><u>(136,399,340)</u></u>	<u><u>(59,600,287)</u></u>

## 7 INCOME TAX EXPENSE

The applicable corporate income tax rates for the HKSAR, Malaysia and Chinese Taiwan subsidiaries are 16.5%, 24% and 20% respectively. The applicable corporate income tax rate for Mainland China subsidiaries is 25% except for subsidiaries which are qualified as High and New Technology Enterprises (“HNTE”) and would be entitled to enjoy a beneficial tax rate of 15%. The subsidiaries in Mainland China may additionally deduct 100% of qualified research and development expenses (“R&D”) when calculating the taxable income.

	For the year ended 31 December	
	2023	2022
	HK\$	HK\$
Current income tax		
– HKSAR and overseas profits tax	115,281,024	94,913,003
– Mainland China income tax	45,935,630	22,364,906
– Tax filing difference for prior year	1,977,188	1,168,537
Deferred income tax	(134,900,826)	(84,196,502)
Withholding tax	<u>6,166,061</u>	<u>6,577,510</u>
	<u><u>34,459,077</u></u>	<u><u>40,827,454</u></u>

## 7 INCOME TAX EXPENSE (Continued)

The Group has operation in Mainland China, HKSAR and Malaysia. It is within the scope of the OECD Pillar Two model rules. As of the reporting date, there is no public announcement in Mainland China. HKSAR has announced that it plans to implement the Global Minimum Tax and HKSAR Domestic Minimum Top-up Tax starting from 2025 onwards but it is still under public consultation with the expectation that draft legislation will be published in the second half of 2024. Malaysia published the draft legislation in 2023, which introduced the Pillar Two rules with effect from 1 January 2025 and was expected to be enacted in 2024.

Since the Pillar Two legislation was not effective at the reporting date, the Group has no related current tax exposure. The Group applies the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in the amendments to HKAS 12 issued in November 2023.

In addition, since the Pillar Two legislation in the jurisdictions that the Group operates in was not enacted or substantively enacted as at the reporting date, and due to the uncertainty of the announcement of the legislation and the complexities in applying the legislation and calculating GloBE income, the Group is in the process of assessing its exposure to the Pillar Two legislation for when it comes into effect.

## 8 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 year.

	For the year ended 31 December	
	2023	2022
Profit attributable to equity holders of the Company (HK\$)	<u>253,151,520</u>	<u>706,039,502</u>
Weighted average number of ordinary shares issued	<u>1,203,283,154</u>	<u>1,202,935,874</u>
Basic earnings per share (HK\$ per share)	<u><u>0.210</u></u>	<u><u>0.587</u></u>

## 8 EARNINGS PER SHARE (Continued)

### (b) Diluted

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

	For the year ended 31 December	
	2023	2022
Profit attributable to equity holders of the Company (HK\$)	<u>253,151,520</u>	<u>706,039,502</u>
Weighted average number of ordinary shares issued	1,203,283,154	1,202,935,874
Adjustments for share options	<u>1,069</u>	<u>103,647</u>
Weighted average number of ordinary shares for diluted earnings per share	<u>1,203,284,223</u>	<u>1,203,039,521</u>
Diluted earnings per share (HK\$ per share)	<u><u>0.210</u></u>	<u><u>0.587</u></u>

## 9 DIVIDENDS

	2023	2022
	HK\$	HK\$
Interim dividend paid of HK\$0.10 (2022: HK\$0.10) per ordinary share	120,328,537	120,327,537
Proposed nil final dividend (2022: HK\$0.30) per ordinary share	<u>–</u>	<u>360,982,612</u>
	<u><u>120,328,537</u></u>	<u><u>481,310,149</u></u>

On 24 January 2024, the Board of Directors has resolved not to declare final dividend in respect of the year ended 31 December 2023.

The actual final dividends paid for the year ended 31 December 2022 was HK\$360,985,612 based on the 1,203,285,373 issued shares outstanding at that time.

The interim dividends actually paid in 2023 were HK\$120,328,537 based on the number of issued shares outstanding at that time.

## 10 PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

	<b>Property, plant and equipment</b>	<b>Intangible assets</b>
	<i>HK\$</i>	<i>HK\$</i>
<b>Year ended 31 December 2022</b>		
Opening net book amount	11,225,685,513	2,646,685,234
Additions	1,169,073,062	27,566,022
Disposals	(3,349,338)	–
Transfer to investment properties	(40,013,278)	–
Depreciation and amortisation ( <i>Note 5</i> )	(1,086,204,500)	(111,540,728)
Exchange differences	(911,656,145)	(106,005,397)
	<u>10,353,535,314</u>	<u>2,456,705,131</u>
Closing net book amount	<u>10,353,535,314</u>	<u>2,456,705,131</u>
<b>Year ended 31 December 2023</b>		
Opening net book amount	<b>10,353,535,314</b>	<b>2,456,705,131</b>
Acquisition of subsidiaries	<b>6,508,343</b>	<b>2,565,989</b>
Additions	<b>969,311,069</b>	<b>31,746,909</b>
Disposals	<b>(1,631,377)</b>	<b>(142,403)</b>
Transfer from investment properties	<b>36,670,684</b>	–
Depreciation and amortisation ( <i>Note 5</i> )	<b>(1,146,998,418)</b>	<b>(104,386,395)</b>
Exchange differences	<b>(172,389,863)</b>	<b>(44,854,369)</b>
	<u>10,045,005,752</u>	<u>2,341,634,862</u>
Closing net book amount	<u>10,045,005,752</u>	<u>2,341,634,862</u>

During the year ended 31 December 2023, the Group has capitalised borrowing costs amounting to HK\$9,040,070 (2022: HK\$28,518,479) on qualifying assets. Borrowing costs were capitalised at the weighted average rate of its general borrowings of 3.48% (2022: 3.03%).

## 11 LEASES

	<b>As at 31 December</b>	
	<b>2023</b>	2022
	<b>HK\$</b>	<b>HK\$</b>
<b>Right-of-use assets</b>		
– Land use rights	<b>1,006,033,576</b>	1,073,897,973
– Buildings	<b>124,965,573</b>	141,018,510
– Equipment and others	<b>4,355,014</b>	6,521,986
	<u><b>1,135,354,163</b></u>	<u>1,221,438,469</u>
<b>Total right-of-use assets</b>		
	<u><b>1,135,354,163</b></u>	<u>1,221,438,469</u>
<b>Lease liabilities</b>		
– Current	<b>49,286,439</b>	55,585,120
– Non-current	<b>83,616,575</b>	99,385,024
	<u><b>132,903,014</b></u>	<u>154,970,144</u>
<b>Total lease liabilities</b>		
	<u><b>132,903,014</b></u>	<u>154,970,144</u>

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

	<b>For the year ended 31 December</b>	
	<b>2023</b>	2022
	<b>HK\$</b>	<b>HK\$</b>
<b>Depreciation of right-of-use assets (Note 5)</b>		
– Land use rights	<b>27,119,658</b>	28,332,695
– Buildings	<b>61,680,295</b>	67,334,899
– Equipment and others	<b>3,178,379</b>	2,980,180
	<u><b>91,978,332</b></u>	<u>98,647,774</u>
Interest expense (Note 6)	<b>6,550,560</b>	7,105,808
Expense relating to short-term leases	<b>19,395,195</b>	30,905,345
Expense relating to leases of low-value assets	<b>1,035,425</b>	731,062

The cash proceeds from disposal of land use rights is HK\$25,697,474. The cash payments for short-term leases, leases of low-value assets and right-of-use assets excluding land use rights were HK\$19,395,195, HK\$1,035,425 and HK\$69,837,382 respectively, totaling HK\$90,268,002 for the year ended 31 December 2023 (2022: HK\$132,954,907).

## 12 TRADE, NOTES AND OTHER RECEIVABLES AND PREPAYMENTS

	As at 31 December	
	2023	2022
	<i>HK\$</i>	<i>HK\$</i>
Trade receivables	2,043,093,895	2,367,772,943
Less: Provision for impairment of trade receivables	<u>(65,973,435)</u>	<u>(47,266,782)</u>
	1,977,120,460	2,320,506,161
Notes receivable	<u>6,773,269</u>	<u>19,159,178</u>
Trade and notes receivables	<u>1,983,893,729</u>	<u>2,339,665,339</u>
Other receivables		
– creditable input VAT	492,819,003	256,117,142
– prepaid income tax recoverable	51,146,986	63,766,327
– purchase rebates	2,352,129	1,831,471
– deposits and others	<u>87,446,091</u>	<u>161,522,515</u>
	<u>633,764,209</u>	<u>483,237,455</u>
Prepayments		
– purchase of raw materials	84,728,794	14,437,131
– prepaid expenses	41,620,851	34,046,057
– prepayments of utility fee	15,044,075	7,501,771
– others	<u>47,088,512</u>	<u>44,109,023</u>
	<u>188,482,232</u>	<u>100,093,982</u>
	<u><b>2,806,140,170</b></u>	<u><b>2,922,996,776</b></u>



## 12 TRADE, NOTES AND OTHER RECEIVABLES AND PREPAYMENTS (Continued)

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 31 December 2023 and 2022 is as below:

	As at 31 December	
	2023	2022
	HK\$	HK\$
Within 3 months	1,901,739,639	2,192,548,789
4 months to 6 months	66,398,224	104,836,574
7 months to 12 months	16,166,821	25,336,069
Over 1 year	58,789,211	45,051,511
	<u>2,043,093,895</u>	<u>2,367,772,943</u>

All notes receivable of the Group as at 31 December 2023 and 2022 is aged within 3 months based on invoice date.

Due to the short-term nature of the trade, notes and other receivables, their carrying amounts are considered to approximate their fair value.

The closing loss allowances for trade receivables as at 31 December reconcile to the opening loss allowance as follows:

	2023	2022
	HK\$	HK\$
Opening loss allowance at 1 January	47,266,782	49,365,723
Recognition of loss allowance in profit or loss during the year	24,090,933	4,448,991
Receivables written off during the year as uncollectible	(4,645,558)	(2,581,253)
Exchange differences	(738,722)	(3,966,679)
Closing loss allowance as at 31 December	<u>65,973,435</u>	<u>47,266,782</u>

### 13 TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES

	As at 31 December	
	2023	2022
	<i>HK\$</i>	<i>HK\$</i>
Trade payables	2,657,881,438	4,500,445,917
Notes payable	315,924,035	321,486,143
Other payables		
– salaries and bonus payable	305,704,185	267,250,667
– taxes payable other than income tax	45,418,441	49,099,461
– payables for property, plant and equipment	270,456,894	423,299,710
– others	223,832,071	254,887,853
Long-term incentive plans – current portion ( <i>Note 16</i> )	53,162,200	46,047,386
Accrued expenses		
– promotion fees	1,111,981,772	1,145,631,290
– utility charges	69,978,633	74,441,783
– transportation fees	252,316,876	282,952,240
– advertising fee	36,001,594	38,321,232
– accrued interest	5,078,656	7,974,158
– professional services	38,720,447	4,472,525
– others	155,684,656	132,661,755
	<b><u>5,542,141,898</u></b>	<b><u>7,548,972,120</u></b>

As at 31 December 2023 and 2022, the carrying amounts of the Group's trade payables, notes payable and other payables approximated their fair values.

The credit period granted by the creditors generally ranged from 30 to 180 days. Ageing analysis of trade and notes payable as at 31 December 2023 and 2022 based on invoice date is as follows:

	As at 31 December	
	2023	2022
	<i>HK\$</i>	<i>HK\$</i>
Within 3 months	2,365,140,673	4,221,075,633
4 months to 6 months	606,726,984	588,864,427
7 months to 12 months	232,556	10,834,808
Over 1 year	1,705,260	1,157,192
	<b><u>2,973,805,473</u></b>	<b><u>4,821,932,060</u></b>

## 14 SHARE CAPITAL AND SHARE PREMIUM

	Number of authorized shares	Number of issued and fully paid shares	Amount		
			Ordinary shares <i>HK\$</i>	Share premium <i>HK\$</i>	Total <i>HK\$</i>
At 1 January 2022	80,000,000,000	1,201,265,373	120,126,537	4,458,961,619	4,579,088,156
Employee share option scheme – Exercise of share options	–	2,010,000	201,000	38,407,080	38,608,080
At 31 December 2022	80,000,000,000	1,203,275,373	120,327,537	4,497,368,699	4,617,696,236
Employee share option scheme – Exercise of share options	–	10,000	1,000	141,130	142,130
At 31 December 2023	<u>80,000,000,000</u>	<u>1,203,285,373</u>	<u>120,328,537</u>	<u>4,497,509,829</u>	<u>4,617,838,366</u>

## 15 BORROWINGS

	As at 31 December	
	2023 <i>HK\$</i>	2022 <i>HK\$</i>
<b>Non-current</b>		
Unsecured bank borrowings	<b>3,839,479,423</b>	2,800,715,036
Loans from a related party	–	88,282,378
Total non-current borrowings	<u><b>3,839,479,423</b></u>	<u>2,888,997,414</u>
<b>Current</b>		
Portion of loans from banks due for repayment within one year – Unsecured	<b>331,660,083</b>	299,246,812
Portion of loans from a related party due for repayment within one year – Unsecured	<u><b>85,051,091</b></u>	<u>700,000,000</u>
Total current borrowings	<u><b>416,711,174</b></u>	<u>999,246,812</u>
<b>Total borrowings</b>	<u><b>4,256,190,597</b></u>	<u><b>3,888,244,226</b></u>

The Company provided corporate guarantees for bank facilities used by certain subsidiaries.

## 15 BORROWINGS (Continued)

(a) The maturity of borrowings is as follows:

	Bank borrowings		Loans from a related party	
	As at 31 December		As at 31 December	
	2023	2022	2023	2022
	HK\$	HK\$	HK\$	HK\$
Portion of loans due for repayment				
within 1 year	331,660,083	299,246,812	85,051,091	700,000,000
Loans due for repayment after 1 year:				
Between 1 and 2 years	2,204,155,724	874,228,318	–	88,282,378
Between 2 and 5 years	1,635,323,699	1,926,486,718	–	–
	<u>4,171,139,506</u>	<u>3,099,961,848</u>	<u>85,051,091</u>	<u>788,282,378</u>

(b) The effective interest rates during the year were as follows:

	Bank borrowings		Loans from a related party	
	2023	2022	2023	2022
HK\$	4.47%~6.53%	0.78%~6.36%	3.81%~5.68%	0.74%~5.68%
US\$	–	0.57%~2.73%	–	–
RMB	2.25%~3.10%	2.45%~3.75%	–	–
KRW	2.20%~5.35%	1.40%~5.30%	–	–
MYR	3.29%~4.85%	2.12%~4.83%	4.55%~4.87%	3.07%~4.75%

## 15 BORROWINGS (Continued)

- (c) The carrying values of the borrowings approximate their fair values, as the market interest rates are relatively stable. The effective interest rates (per annum) at the balance sheet date were as follows:

	As at 31 December	
	2023	2022
HK\$	4.97%	2.03%
US\$	–	1.30%
RMB	2.58%	2.86%
KRW	4.90%	2.59%
MYR	4.25%	3.36%

- (d) The carrying amounts of the borrowings are denominated in the following currencies:

	As at 31 December	
	2023 HK\$	2022 HK\$
RMB	3,842,679,529	2,350,409,171
HK\$	300,000,000	1,000,000,000
MYR	95,257,222	500,737,649
KRW	18,253,846	37,097,406
	<u>4,256,190,597</u>	<u>3,888,244,226</u>

## 16 LONG-TERM INCENTIVE PLANS

	As at 31 December	
	2023 HK\$	2022 HK\$
<b>Current liabilities</b>		
Long-term incentive plans – current portion	53,162,200	46,047,386
<b>Other non-current liabilities</b>		
Long-term incentive plans	<u>24,171,116</u>	<u>3,200,341</u>
<b>Total incentive plans (i)(ii)</b>	<u>77,333,316</u>	<u>49,247,727</u>

## 16 LONG-TERM INCENTIVE PLANS (Continued)

- (i) On 17 September 2020, the Board of Directors approved a cash settled long-term incentive plan for specific employees.

A total of 11,684,000 Option Equivalent Units (“OEU”) were granted to selected management, senior management and Directors at a nominal price of HK\$21.83 per unit. The exercise price of an OEU will be the stock price at the time of exercise. The exercise price of an OEU is capped at HK\$43.66. The vesting period is from 30 October 2020 to 30 October 2023.

As at 31 December 2023, the fair value of OEU granted was HK\$4.55 determined by using the Binomial Model.

The significant inputs into the model were share price at the valuation date, the grant price, volatility of 41%, dividend yield of 1.96%, and annual risk-free interest rate of 3.11%. 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) On 20 July 2022, the Board of Directors approved a cash settled long-term incentive plan for specific employees.

A total of 10,770,000 OEUs were granted to selected management, senior management and Directors at a nominal price of HK\$14.97 per unit. The exercise price of an OEU will be the stock price at the time of exercise. The exercise price of an OEU is capped at HK\$29.94. The vesting period is from 1 November 2022 to 31 October 2025.

As at 31 December 2023, the fair value of OEU granted was determined by using the Binomial Model. The fair value of OEU in management’s plan was HK\$5.78 and the fair value of OEU in Directors and senior managements’ plan was HK\$5.77.

The significant inputs into the model were share price at the valuation date, the grant price, volatility of 41%, dividend yield of 1.74%, and annual risk-free interest rate of 2.92%. 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.

The charges of the long-term incentive plans for the year ended 31 December 2023 and 2022 amounted to HK\$28 million and HK\$34 million respectively.

## **Foreign Exchange and Fair Value Interest Rate Risk**

The majority of the Group's assets and sales business are located in mainland China, the HKSAR, Malaysia, Chinese 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 31 December 2023, the Group's bank and cash balances amounted to HK\$1,375,581,365 (31 December 2022: HK\$606,947,407), and short-term and long-term loans amounted to HK\$4,256,190,597 (31 December 2022: HK\$3,888,244,226), including the loans from a related party amounting to HK\$85,051,091 (31 December 2022: HK\$788,282,378). 90.2% of the borrowings are medium to long-term (31 December 2022: 74.3%). The annual interest rates of bank loans ranged from 2.20% to 6.53%.

As at 31 December 2023, 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 26.1% (31 December 2022: 28.6%).

As at 31 December 2023, unutilized credit facilities amounted to approximately HK\$8.15 billion (31 December 2022: HK\$7.20 billion).

## **Charges on Group Assets**

As at 31 December 2023, the Group did not have any charges on assets (31 December 2022: nil).

## **Contingent Liabilities**

As at 31 December 2023, the Group had no material contingent liabilities (31 December 2022: nil).



## **Final Dividend**

The Board has resolved not to declare a final dividend for the Year (2022: 30 HK cents per share).

## **Purchase, Sale or Redemption of the Listed Securities**

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Year.

## **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. The Company has adopted the principles set out in the Corporate Governance Code (the “**CG Code**”) in Appendix C1 of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) as its own code of corporate governance. The Company has applied the principles of CG Code on the Company's corporate governance structure and operation. For the Year, the Company has complied with all the code provisions set out in the CG Code.

## **Internal Control**

We regularly review and update our internal control policies, handling procedures and guidelines to align with the latest external regulatory and internal control requirements. All employees are required to comply with Vinda's code of conduct and 100% 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 (the “**Audit Committee**”).

## **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 for Securities Transaction by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix C3 of 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 Year.

## **Audit Committee**

The Audit Committee has four members comprising three Independent Non-Executive Directors, namely, Mr. TSUI King Fai, Mr. WONG Kwai Huen, Albert and Mr. LAW Hong Ping, Lawrence 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, among others, the review and supervision of the financial reporting process. It also reviews the effectiveness of internal audit, internal controls and risk evaluation and the interim and annual results of the Group.

The annual results of the Group for the Year 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, Mr. LAW Hong Ping, Lawrence and Dr. CAO Zhenlei, and two Non-Executive Directors, namely, Mr. Johann Christoph MICHALSKI and Mr. Jan Christer JOHANSSON. The chairman of the Remuneration Committee is Mr. TSUI King Fai. The Remuneration Committee is responsible for, among others, formulating and making recommendation to the Board on the Group's remuneration policy, the determination of specific remuneration packages of senior management and making recommendations to the Board on the remuneration packages of individual Executive Directors and 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, Mr. WONG Kwai Huen, Albert, Mr. LAW Hong Ping, Lawrence and Dr. CAO Zhenlei, 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, among others, 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, Ms. LI Jielin 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, among others, 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 four members and is chaired by Mr. LI Chao Wang, an Executive Director. The other members are also all Executive Directors, namely Ms. YU Yi Fang, Mr. DONG Yi Ping and Ms. LI Jielin. The duties of the Executive Committee include, among others, 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 individual annual salary increases for 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 four members are two Executive Directors, namely Mr. DONG Yi Ping and Ms. LI Jielin, a Non-Executive Director, Mr. Johann Christoph MICHALSKI and an Independent Non-Executive Director, Dr. CAO Zhenlei. The principal duties of the Strategic Development Committee are, among others, (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.

## **Annual General Meeting**

It is proposed that the annual general meeting of the Company will be held on a date to be fixed by the Board. Further announcement(s) will be made in respect of date of the annual general meeting of the Company and book closure date in due course.

## **Publication of Results Announcement and Annual Report**

This announcement is published on the websites of the Company ([www.vinda.com](http://www.vinda.com)) and the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)). The 2023 annual report of the Company will be dispatched to the shareholders of the Company and available on the same websites in due course.

## **Acknowledgement**

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

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

HKSAR, 24 January 2024

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

*Executive Directors*

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

*Non-Executive Directors*

Mr. Jan Christer JOHANSSON  
Mr. Carl Magnus GROTH  
Mr. Carl Fredrik Stenson RYSTEDT  
Mr. Johann Christoph MICHALSKI

*Independent Non-Executive Directors*

Mr. TSUI King Fai  
Mr. WONG Kwai Huen, Albert  
Mr. LAW Hong Ping, Lawrence  
Dr. CAO Zhenlei

*Alternate Directors*

Mr. Gert Mikael SCHMIDT (*alternate to Mr. JOHANSSON and Mr. GROTH*)  
Mr. Dominique Michel Jean DESCHAMPS (*alternate to Mr. RYSTEDT*)