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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 2022

HIGHLIGHTS

- **Solid revenue growth despite challenging operating environment and significant cost headwind**
 - Organic sales¹ grew by 8.1% driven by price, mix and volume
 - Revenue increased by 4.0% to HK\$19,418 million
 - E-commerce sales grew by 16.7% organically¹
 - Feminine Care in mainland China continued to grow and gain share
 - Implementation of multiple pricing actions
 - Successful execution of cost saving programme
 - Consistent and focused investment in premium products
- **Gross profit decreased by 16.9% to HK\$5,483 million, while gross profit margin down by 7.1 percentage points (“ppts”) to 28.2%**
- **Net profit was HK\$706 million and net margin was 3.6%**
- **Net gearing ratio² dropped by 1.9 ppts to 28.6% (2021: 30.5%)**
- **Basic earnings per share declined by 57.0% to 58.7 HK cents (2021: 136.5 HK cents)**
- **Total dividend per share for the Year was 40 HK cents (2021: 50 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 2022 (the “**Year**”).

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

2022 has been a year of significant macro volatility and unprecedented level of cost inflation. While Covid-19 related restrictions largely eased in most parts of Southeast Asia to facilitate the start of recovery in those markets, the Group continued to face challenges from operational disruptions and weaker consumer confidence as a result of Covid-19 related restriction in mainland China. The Group’s profit margin was also negatively impacted by continuous rise of material costs and currency fluctuation.

Despite the challenging operating environment, the Group delivered solid top-line growth, driven from positive price, mix and volume developments. Execution of our long-term strategy continues to contribute to mix improvement. Top-line growth continues to be strong for premium tissue portfolio and personal care business.

In offsetting the impact of significant higher costs, the Group has taken multiple pricing actions throughout the Year which helped to improve net selling prices. In addition to price increases and mix improvement, the Group have remained disciplined with spending. Successful implementation of efficiency improvement program has helped the Group to achieve meaningful cost savings during the Year. Despite market volatilities, the Group continued to make committed investments in innovation, brand development and commercial capabilities with a focus in premium portfolio.

These actions we have taken and the continued execution of our strategy will position the Group well for future long term profitable growth and value creation.

Financial Summary

Total revenue increased by 8.1% organically and by 4.0% if presented in Hong Kong Dollar, to HK\$19,418 million.

In terms of business segments, the tissue and personal care segments accounted for 83% and 17% of the Group's total revenue, respectively. Traditional channels, key accounts managed supermarkets and hypermarkets, B2B corporate customers and e-commerce platforms accounted for 24%, 21%, 11% and 44% of revenue by sales channels, respectively. The changing consumer behavior from offline to online accelerated further and e-commerce has been the dominant sales channel with an organic growth¹ of 16.7% year-on-year.

Gross profit was down by 16.9% to HK\$5,483 million, with a gross margin of 28.2%.

EBITDA was down by 36.1% to HK\$2,104 million and the EBITDA margin declined by 6.8 ppts to 10.8%, due to lower gross margin in the Year.

Total foreign exchange loss amounted to HK\$65.2 million (2021: HK\$27.5 million gain), of which HK\$75.5 million loss was derived from operating activities (2021: HK\$27.7 million gain) and HK\$10.3 million gain from financing activities (2021: HK\$0.2 million loss).

During the Year, the Group's total selling and marketing costs as a percentage of revenue increased by 0.1 ppt to 19.8%, while total administrative costs as a percentage of revenue edged down by 0.6 ppt to 4.7%. Operating profit declined by 60.5% to HK\$807 million while the operating profit margin dropped by 6.7 ppts to 4.2%.

The decrease in interest expenses from borrowings of 16.6% to HK\$87.8 million was mainly due to the reduced bank borrowings during the Year. The effective interest rate was up by 0.1 ppt to 2.5% from the previous year.

The net gearing ratio dipped by 1.9 ppts to 28.6%.

Net profit declined by 56.9% to HK\$706 million while the net profit margin dipped by 5.2 ppts from the previous year to 3.6%.

Basic earnings per share was 58.7 HK cents (2021: 136.5 HK cents).

The Board proposes the payment of a final dividend of 30 HK cents per share. Together with the interim dividend, the total dividend per share for the Year will be 40 HK cents (2021: 50 HK cents).

Business Review

Tissue

In 2022, revenue from tissue category amounted to HK\$16,103 million, which delivered a year-on-year increase of 3.9% or an organic sales growth¹ of 7.8%, representing 83% of the Group's total revenue (2021: 83%). The Group continued to strengthen its leading position in mainland China³, with positive sales growth driven by price, mix and volume developments. Development of the tissue business in Malaysia also made further headway with a solid growth and overall market share gain. Despite weaker consumer sentiment and lower in-store foot traffic on the back of extended Covid related restrictions, the Group's premium tissue portfolio captured a double-digit growth in mainland China.

Profit margin for tissue segment was negatively impacted by significant increase in input cost. These impacts were partially offset by better pricing, better mix, and better efficiencies during the Year. Gross margin and segment result⁴ margin of the tissue segment dropped by 7.9 ppts and 7.2 ppts to 27.5% and 5.2%, respectively.

The Group continued to make meaningful investments in branding, innovation and commercial capabilities, with a focus in premium categories.

In mainland China where channel revolution continues to accelerate, *Vinda* focused on delivering a series of high-impact collaborations with emerging online retail platforms throughout the second half of 2022 to reinforce brand awareness, attract new consumers and launch new innovations. Compelling marketing and brand activations in connection with widely promoted E-commerce platforms, had successfully generated hundreds of millions of brand exposures and the strongest ever e-commerce sales in the history of the *Vinda* and *Tempo* brand during the Year. In addition, the Group worked closely with Chinese celebrities across differentiated campaigns to further elevate awareness and strengthen the premium images of both *Vinda* and *Tempo* brands. The collaborations with celebrities and platforms are integral to sustaining broad consumer appeal and of high levels of interest on social media.

With its premiumization strategy and expansion ambitions across Asia, the Group continued to launch numerous tissue innovations and activations, while strengthening its premium tissue offer for consumers during the Year. The debut of the first-in-market *Vinda* POWER-X washable kitchen towels and all-new *Vinda* Deluxe Soft tissues delivered promising results in mainland China, while the launch of *Vinda* Pro-X kitchen towels, *Vinda* 4D Deluxe moist flushable toilet tissues and *Tempo* Cotton Soft facial tissues were well received in Hong Kong Special Administrative Region, China (“**HKSAR**”). Several limited editions were introduced with impactful brand campaigns across different markets to engage consumers and drive sales, including *Tempo* European Garden hankies with Peach, Jasmine and Sakura floral scents in mainland China, *Vinda* X Kanahei’s Small Animals range of adorable soft packs and wet wipes in HKSAR, and *Vinda* X BT21 cartoon characters’ range of toilet rolls and soft packs in Malaysia. Brand-building efforts also ramped up in South Korea to drive awareness and sales for *Vinda* Ultra Soft products.

The *Tork* professional hygiene brand continued to seize growth opportunities throughout the Year via new innovations and growth segments. To meet the growing demand for elevated hand hygiene solutions in mainland China, innovative *Tork* QuickDry™ fast-drying hand towels were launched in the second quarter and delivered highly robust omni-channel sales within a short time. During the Year, *Tork* was chosen as the preferred professional hygiene partner for the high-end offices and properties of prominent Chinese enterprises. *Tork* hygiene solutions are now also present in more than 50% of all “4F” classified international airports in China: the highest class assigned to large-scale airports capable of handling wide-body aircraft.

Personal Care Segment

Revenue from the personal care category increased by 4.4% to HK\$3,314 million, which delivered an organic sales growth¹ of 9.6% and representing 17% of the Group’s total revenue (2021: 17%) with gross margin and segment result⁴ margin of 31.7% and 2.0%, respectively. Revenue contribution from mainland China to the personal care segment continues to grow on a year-on-year basis.

In the incontinence care category, the Group further expanded its innovative *TENA* Experience Health Centres by *Vinda* retail concept to over 300 points-of-sale in mainland China. These established *TENA* specialty stores in ‘hospital districts’ nationwide has proven to be highly effective in driving sales by reaching and engaging directly with target consumers and local communities in a more personalized way, and positioning *TENA* to be the first brand-of-contact for those at the start of their incontinence journey in this fast-aging market. Omni-channel sales were strongly supported by digital campaigns and activations for *TENA* and *Dr. P*’s flagship stores on major Chinese e-commerce platforms. Marketing activities to promote *TENA* and *Dr. P* brands also intensified in HKSAR and Chinese Taiwan, with sampling initiatives and brand campaigns to boost sales and penetration.

The *Libresse* brand maintained its strong momentum in mainland China and achieved an impressive growth during the Year. The brand continues to strengthen its No.4 market position in the premium segment⁵ and grow its significant consumer base in mainland China. During the Year, *Libresse* continued to engage in brand collaborations with local celebrities and upmarket sports fashion labels such as Skechers and Lululemon, as well as a first-of-its-kind brand activation with the popular Pokémon IP. The *Libresse* marketing campaigns in mainland China has won recognitions from the prestigious Great Wall Advertising Awards and international Effie Awards, etc. Likewise, *Libresse* enjoys immense popularity in Malaysia where the brand has continued to grow its leadership to a leading market share⁶.

The *Drypers* brand continued to consolidate its No.1 position in Malaysia for the Group’s baby care business⁷. Some of the Year’s highlights to drive sales included the launch of an exclusive *Drypers* x CoComelon limited edition diapers featuring the much loved baby cartoon characters, and a digital series of *Drypers* Fit into Parenthood masterclasses to support parents in embracing their parenting journey with confidence. The Group is also well presented in South Korea and Chinese Taiwan with the *Libero* baby care brand, where the launch of special *Libero* Friendship limited edition diapers boosted category sales and brand awareness in both markets.

Production Capacity

The annualized designed capacity of the Group's tissue manufacturing facilities was 1,390,000 tons at the end of the Year, including the capacity expansion of tissue production in South and East China which was to fulfil the growing market demand.

The grand opening of the first phase of the Group's new Southeast Asia regional hub in Malaysia was held at the end of the Year. Located on 30 acres of land, the hub houses the Group's Southeast Asia headquarters and first innovation centre outside of China, as well as state-of-the-art production, warehousing and distribution facilities built in line with Vinda's commitment to digital transformation and sustainability. In the longer term, the regional hub will also offer potential production and sales synergies with other areas of the Group's businesses in China and North Asia.

Employees

Employees at Vinda are central to the Group's sustainable growth. Vinda is committed to offering equal employment opportunities, market competitive remuneration and individual development programs with trainings for employees. Vinda was recognised with numbers of prestigious awards, including "Preferred Employers of the Year 2021" (二零二一年度優選僱主) by Zhaopin (智聯招聘), "Excellence in Human Resources Management Award 2022" (二零二二年人力資源管理傑出獎) by JOBS (前程無憂) and "Best Employer Brand Out-standing Business Award" (最佳僱主品牌優秀企業獎) by KNX (肯耐珂薩), for its extensive employer efforts in mainland China.

Vinda provided a total of 163,192 hours of trainings to 10,856 employees during the Year.

We had a total of 12,112 employees as of 31 December 2022.

Health and Safety

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

Lost-time accidents in 2022 amounted to 28 cases (2021: 20 cases) and lost days due to related incidents amount to 2,378 days (2021: 2,044 days).

Green Production

During the Year, the Group was highly responsive to the global development trend and devoted unstinting efforts to fulfil the energy conservation and emission reduction responsibilities. Our energy utilization efficiency (standard coal consumption per HK\$10,000 of sales) was 0.20 ton and the paper production sewage recycling rate was over 95% while the Group's total carbon dioxide emissions (Scope 1 and Scope 2) totalled 1.22 million tons with emission intensity (carbon dioxide emitted per HK\$10,000 of sales) of 0.63 ton. The Group proactively implements the concept of green production and has formulated a sustainable five-year 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.

Vinda presented an encouraging performance on Environmental, Social and Governance (ESG) aspects in the Year. The Group received the Outstanding Award for Green and Sustainable Loan Issuer (Fast Moving Consumer Goods Industry) – Visionary Sustainability-linked Loan Framework and Pioneering Organisation in ESG Disclosure Enhancement from HKQAA to recognize the accomplishment and contribution on green finance. Also, in recognition of its notable performance across corporate governance, social responsibility and environmental protection aspects, Vinda also received a number of ESG awards during the Year, including the Hong Kong Management Association's 2022 "Certificate of Excellence in Environmental, Social and Governance Reporting", the Bloomberg Businessweek's "Leading Environmental Initiative Awards", Platinum Award from The Asset's "ESG Corporate Awards 2022" as well as the "Best ESG Award" from Roadshow China.

Outlook

Looking ahead, while China has lifted its Covid-19 restrictions, operating environment remains uncertain in 2023. The Group is committed in delivering sustainable growth while navigating through such volatilities.

The Group will continue to support our brands in the tissue segment, especially in premium portfolio with new innovations and superior market execution.

The Group had strong organic sales growth and share momentum in personal care in the past years and we will continue to make committed investments to support the category's future development.

The Group is committed to restoring our margins and we will continue to make progress in 2023. We will maintain discipline with our pricing strategy and continue to work on mix improvement and efficiency improvement.

We remain confident in the growth potential of the categories and the markets we operate in. We are also confident that our innovation and commercial capabilities will help us further enhance our product portfolio, continue to differentiate from our competitors, and position us well for long-term sustainable and profitable growth.

Remarks

¹ *Organic growth: Year-on-year growth excluding exchange rate effects*

² *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

³ *Source: Kantar Worldpanel, sales value year-to-date at 2 December 2022*

⁴ *Segment result: Segment profit before amortisation of trademarks, licenses and contractual customer relationship*

⁵ *Source: Kantar Worldpanel, sales value year-to-date at 30 September 2022*

⁶ *Source: Kantar Worldpanel, sales value year-to-date at 2 December 2022*

⁷ *Source: Kantar Worldpanel, sales value year-to-date at 2 December 2022*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		For the year ended 31 December	
		2022	2021
	<i>Note</i>	<i>HK\$</i>	<i>HK\$</i>
Revenue	4	19,417,559,563	18,675,739,458
Cost of sales	5	<u>(13,934,355,595)</u>	<u>(12,079,392,782)</u>
Gross profit		5,483,203,968	6,596,346,676
Selling and marketing costs	5	(3,837,322,482)	(3,672,134,223)
Administrative expenses	5	(911,661,474)	(957,701,901)
Net impairment losses on financial assets	5, 12	(4,448,991)	(24,720,800)
Other income and losses – net		<u>76,745,523</u>	<u>101,696,044</u>
Operating profit		<u>806,516,544</u>	<u>2,043,485,796</u>
Finance income and costs – net	6	(59,600,287)	(93,686,208)
Share of post-tax loss of an associate		<u>(49,301)</u>	<u>(225,086)</u>
Profit before income tax		746,866,956	1,949,574,502
Income tax expense	7	<u>(40,827,454)</u>	<u>(311,209,930)</u>
Profit attributable to equity holders of the Company		<u>706,039,502</u>	<u>1,638,364,572</u>
Other comprehensive (loss)/income:			
<i>Item that may be reclassified to profit or loss</i>			
– Currency translation differences		(1,152,993,589)	253,638,907
<i>Item that will not be reclassified subsequently to profit or loss</i>			
– Remeasurements of post-employment benefit obligations		<u>1,954,733</u>	<u>965,695</u>
Total comprehensive (loss)/income attributable to equity holders of the Company		<u>(444,999,354)</u>	<u>1,892,969,174</u>
Earnings per share for profit attributable to equity holders of the Company			
– basic	8(a)	<u>0.587</u>	<u>1.365</u>
– diluted	8(b)	<u>0.587</u>	<u>1.363</u>

CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2022	2021
	Note	HK\$	HK\$
ASSETS			
Non-current assets			
Property, plant and equipment	10	10,353,535,314	11,225,685,513
Right-of-use assets	11	1,221,438,469	1,375,505,525
Intangible assets	10	2,456,705,131	2,646,685,234
Deferred income tax assets		629,751,445	568,181,251
Investment properties		40,173,068	2,421,930
Investment in an associate		2,030,636	2,122,690
		<u>14,703,634,063</u>	<u>15,820,602,143</u>
Current assets			
Inventories		6,014,823,036	4,426,626,084
Trade and notes receivables	12	2,339,665,339	2,364,447,931
Other receivables	12	483,237,455	408,932,536
Prepayments	12	100,093,982	91,065,446
Due from related parties		40,242,578	43,969,461
Cash and cash equivalents		606,947,407	1,025,327,689
		<u>9,585,009,797</u>	<u>8,360,369,147</u>
Total assets		<u>24,288,643,860</u>	<u>24,180,971,290</u>
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	14	120,327,537	120,126,537
Share premium	14	4,497,368,699	4,458,961,619
Other reserves		7,382,589,207	8,439,573,727
Total equity		<u>12,000,285,443</u>	<u>13,018,661,883</u>

CONSOLIDATED BALANCE SHEET (CONTINUED)

		As at 31 December	
		2022	2021
	Note	HK\$	HK\$
LIABILITIES			
Non-current liabilities			
Borrowings	15	2,800,715,036	2,936,090,168
Loans from a related party	15	88,282,378	993,358,611
Lease liabilities	11	99,385,024	135,989,954
Deferred government grants		247,961,760	275,423,717
Deferred income tax liabilities		215,293,079	198,190,965
Post-employment benefits		6,960,500	9,372,989
Other non-current liabilities	16	3,200,341	15,848,793
		<u>3,461,798,118</u>	<u>4,564,275,197</u>
Current liabilities			
Trade payables, other payables and accrued expenses	13	7,548,972,120	5,431,671,084
Contract liabilities		118,382,755	91,625,046
Borrowings	15	299,246,812	866,657,776
Loans from a related party	15	700,000,000	–
Lease liabilities	11	55,585,120	69,203,205
Due to related parties		22,509,163	19,748,675
Current income tax liabilities		81,864,329	119,128,424
		<u>8,826,560,299</u>	<u>6,598,034,210</u>
Total liabilities		<u><u>12,288,358,417</u></u>	<u><u>11,162,309,407</u></u>
Total equity and liabilities		<u><u>24,288,643,860</u></u>	<u><u>24,180,971,290</u></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\$	
Balance at 1 January 2021		119,947,437	4,428,374,681	7,119,034,916	11,667,357,034
Profit for the year		–	–	1,638,364,572	1,638,364,572
Other comprehensive income					
– Currency translation differences		–	–	253,638,907	253,638,907
– Remeasurements of post-employment benefit obligations		–	–	965,695	965,695
Total comprehensive income for 2021		–	–	1,892,969,174	1,892,969,174
Transaction with owners					
Employees share option scheme					
– Exercise of share options	14	179,100	30,586,938	(8,212,758)	22,553,280
Dividends		–	–	(564,217,605)	(564,217,605)
Transaction with owners		179,100	30,586,938	(572,430,363)	(541,664,325)
Balance at 31 December 2021		120,126,537	4,458,961,619	8,439,573,727	13,018,661,883
Balance at 1 January 2022		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
Total comprehensive loss for 2022		–	–	(444,999,354)	(444,999,354)
Transaction with owners					
Employees share option scheme					
– Exercise of share options	14	201,000	38,407,080	(10,347,480)	28,260,600
Dividends		–	–	(601,637,686)	(601,637,686)
Transaction with owners		201,000	38,407,080	(611,985,166)	(573,377,086)
Balance at 31 December 2022		120,327,537	4,497,368,699	7,382,589,207	12,000,285,443

CONSOLIDATED STATEMENT OF CASH FLOWS

	For the year ended 31 December	
	2022	2021
<i>Note</i>	<i>HK\$</i>	<i>HK\$</i>
Cash flows generated from operating activities:		
– cash generated from operations	2,399,371,922	3,248,162,616
– interest paid	(109,358,060)	(142,354,855)
– income tax paid	(208,823,513)	(460,101,528)
	<u>2,081,190,349</u>	<u>2,645,706,233</u>
Net cash generated from operating activities		
Cash flows used in investing activities:		
– purchase of property, plant and equipment	(1,099,742,904)	(1,754,822,545)
– proceeds from disposal of property, plant and equipment and investment properties	4,412,949	13,287,221
– proceeds from government grants	22,939,702	8,349,603
– payment for land use rights	11 (26,838,329)	(129,570)
– purchase of intangible assets	(27,566,022)	(45,342,506)
– interest received	24,691,224	19,179,882
	<u>(1,102,103,380)</u>	<u>(1,759,477,915)</u>
Net cash used in investing activities		
Cash flows used in financing activities:		
– proceeds from shares issued	28,260,600	22,553,280
– proceeds from borrowings	4,711,269,760	5,323,737,713
– proceeds from loans from a related party	–	600,000,000
– repayments of borrowings	(5,202,906,642)	(5,935,590,167)
– repayments of loans from a related party	(200,000,000)	–
– dividends paid	9 (601,637,686)	(564,217,605)
– lease payments for right-of-use assets excluding land use rights	11 (74,480,171)	(84,857,326)
	<u>(1,339,494,139)</u>	<u>(638,374,105)</u>
Net cash used in financing activities		
Net (decrease)/increase in cash and cash equivalents		
Effect of foreign exchange rate changes	(360,407,170)	247,854,213
	(57,973,112)	28,074,147
Cash and cash equivalents, beginning of the year	<u>1,025,327,689</u>	<u>749,399,329</u>
Cash and cash equivalents, end of the year	<u><u>606,947,407</u></u>	<u><u>1,025,327,689</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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 20 January 2023.

2 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”) and the disclosure 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 Group did not change its accounting policies or make retrospective adjustments as a result of adopting these standards.

		Effective for annual periods beginning on or after
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
AG 5 (Revised)	Merger Accounting for Common Control Combinations	1 January 2022
Annual Improvements to HKFRS Standards 2018-2020		1 January 2022

- (b) Certain new accounting standards and interpretations have been published that are not mandatory for the year ended 31 December 2022 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.

		Effective for annual periods beginning on or after
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2023
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
HKAS 8 (Amendments)	Definition of Accounting Estimates	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
HK Int 5 (2020)	Presentation of Financial Statements- Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	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

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:

	For the year ended 31 December	
	2022	2021
	HK\$	HK\$
Mainland China	15,154,602,695	14,448,818,216
Malaysia	1,628,944,425	1,577,175,716
HKSAR	1,178,345,242	1,170,906,668
Japan	351,517,422	400,262,446
Chinese Taiwan	347,770,870	335,786,459
Others	756,378,909	742,789,953
Total revenue	<u>19,417,559,563</u>	<u>18,675,739,458</u>

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	
	2022	2021
	HK\$	HK\$
Total non-current assets other than deferred income tax assets and investment in an associate		
– Mainland China	10,186,539,060	11,396,068,217
– HKSAR and overseas	3,885,312,922	3,854,229,985
Deferred income tax assets	629,751,445	568,181,251
Investment in an associate	<u>2,030,636</u>	<u>2,122,690</u>
Total non-current assets	<u><u>14,703,634,063</u></u>	<u><u>15,820,602,143</u></u>

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 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><u>826,522,579</u></u>	<u><u>11,187,174</u></u>	<u><u>837,709,753</u></u>
Other income and losses – net			76,745,523
Unallocated costs			<u>(107,938,732)</u>
Operating profit			<u><u>806,516,544</u></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><u>706,039,502</u></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><u>883,125,878</u></u>	<u><u>368,121,335</u></u>	<u><u>1,251,247,213</u></u>

4 SEGMENT INFORMATION (Continued)

(b) Segment profit or loss (Continued)

	For the year ended 31 December 2021		
	Household paper products <i>HK\$</i>	Personal care products <i>HK\$</i>	Total <i>HK\$</i>
Segment revenue	<u>15,500,824,803</u>	<u>3,174,914,655</u>	<u>18,675,739,458</u>
Segment results	1,918,813,539	182,742,275	2,101,555,814
Amortisation of trademarks, licences and contractual customer relationships	<u>(10,942,961)</u>	<u>(57,634,147)</u>	<u>(68,577,108)</u>
Segment profit	<u><u>1,907,870,578</u></u>	<u><u>125,108,128</u></u>	<u><u>2,032,978,706</u></u>
Other income and losses – net			101,696,044
Unallocated costs			<u>(91,188,954)</u>
Operating profit			<u><u>2,043,485,796</u></u>
Finance income and costs – net			(93,686,208)
Share of post-tax loss of an associate			<u>(225,086)</u>
Profit before income tax			1,949,574,502
Income tax expense			<u>(311,209,930)</u>
Profit for the year			<u><u>1,638,364,572</u></u>
Depreciation of property, plant and equipment	(899,480,261)	(127,655,413)	(1,027,135,674)
Depreciation of right-of-use assets	(75,388,138)	(30,604,610)	(105,992,748)
Depreciation and amortisation of investment properties and intangible assets	<u>(49,735,827)</u>	<u>(65,353,176)</u>	<u>(115,089,003)</u>
Additions to non-current assets	<u><u>1,741,646,297</u></u>	<u><u>286,497,975</u></u>	<u><u>2,028,144,272</u></u>

4 SEGMENT INFORMATION (Continued)

(c) Segment assets and liabilities

	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>
Total assets			<u>24,288,643,860</u>
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>
Total liabilities			<u>12,288,358,417</u>

	As at 31 December 2021		
	Household paper products <i>HK\$</i>	Personal care products <i>HK\$</i>	Total <i>HK\$</i>
Segment assets	<u>18,810,193,410</u>	<u>4,788,019,123</u>	23,598,212,533
Deferred income tax assets			568,181,251
Investment in an associate			2,122,690
Prepaid income tax recoverable			<u>12,454,816</u>
Total assets			<u>24,180,971,290</u>
Segment liabilities	<u>9,640,111,933</u>	<u>1,204,878,085</u>	10,844,990,018
Deferred income tax liabilities			198,190,965
Current income tax liabilities			<u>119,128,424</u>
Total liabilities			<u>11,162,309,407</u>

5 EXPENSES BY NATURE

	For the year ended 31 December	
	2022	2021
	HK\$	HK\$
Raw materials and trading merchandise consumed	10,300,989,656	8,585,895,968
Staff costs	1,985,346,018	2,079,070,493
Promotion expenses	1,439,798,011	1,383,937,327
Transportation expenses	1,377,938,361	1,199,518,982
Utilities	1,364,743,920	1,183,999,286
Depreciation of property, plant and equipment (<i>Note 10</i>)	1,086,204,500	1,027,135,674
Spare parts, repair and maintenance	285,752,757	325,493,752
Advertising costs	144,051,988	147,595,679
Amortisation of intangible assets (<i>Note 10</i>)	111,540,728	114,926,843
Depreciation of right-of-use assets (<i>Note 11</i>)	98,647,774	105,992,748
Travel and office expenses	57,517,322	68,254,082
Real estate tax, stamp duty and other taxes	54,501,012	49,168,426
Contracted processing expenses	50,430,349	80,024,804
Short-term and low-value lease expenses (<i>Note 11</i>)	31,636,407	72,072,371
Auditor's remuneration	8,786,403	9,024,079
Provision for impairment of receivables (<i>Note 12</i>)	4,448,991	24,720,800
Bank charges	2,983,071	3,454,296
(Reversal of provision)/provision for write-down of inventories	(4,065,034)	2,783,728
Impairment charge on property, plant and equipment (<i>Note 10</i>)	–	50,186
Other expenses	286,536,308	270,830,182
	<hr/>	<hr/>
Total cost of sales, selling and marketing costs, administrative expenses and net impairment losses on financial assets	<u>18,687,788,542</u>	<u>16,733,949,706</u>

6 FINANCE INCOME AND COSTS – NET

	For the year ended 31 December	
	2022	2021
	<i>HK\$</i>	<i>HK\$</i>
Interest expense		
– borrowings	(87,836,706)	(105,374,539)
– lease liabilities (<i>Note 11</i>)	(7,105,808)	(7,302,446)
Foreign exchange gain/(loss) – net	10,312,439	(189,105)
Interest income		
– bank deposits	<u>25,029,788</u>	<u>19,179,882</u>
Net finance costs	<u><u>(59,600,287)</u></u>	<u><u>(93,686,208)</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	
	2022	2021
	<i>HK\$</i>	<i>HK\$</i>
Current income tax		
– HKSAR and overseas profits tax	94,913,003	160,745,247
– Mainland China income tax	22,364,906	188,408,318
– Tax filing difference for prior year	1,168,537	(4,825,022)
Deferred income tax	(84,196,502)	(41,285,431)
Withholding tax	<u>6,577,510</u>	<u>8,166,818</u>
	<u><u>40,827,454</u></u>	<u><u>311,209,930</u></u>

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	
	2022	2021
Profit attributable to equity holders of the Company (HK\$)	<u>706,039,502</u>	<u>1,638,364,572</u>
Weighted average number of ordinary shares issued	<u>1,202,935,874</u>	<u>1,200,503,307</u>
Basic earnings per share (HK\$ per share)	<u><u>0.587</u></u>	<u><u>1.365</u></u>

(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	
	2022	2021
Profit attributable to equity holders of the Company (HK\$)	<u>706,039,502</u>	<u>1,638,364,572</u>
Weighted average number of ordinary shares issued	<u>1,202,935,874</u>	<u>1,200,503,307</u>
Adjustments for share options	<u>103,647</u>	<u>1,196,259</u>
Weighted average number of ordinary shares for diluted earnings per share	<u>1,203,039,521</u>	<u>1,201,699,566</u>
Diluted earnings per share (HK\$ per share)	<u><u>0.587</u></u>	<u><u>1.363</u></u>

9 DIVIDENDS

	2022	2021
	<i>HK\$</i>	<i>HK\$</i>
Interim dividend paid of HK\$0.10 (2021: HK\$0.10) per ordinary share	120,327,537	120,088,337
Proposed final dividend of HK\$0.30 (2021: HK\$0.40) per ordinary share	<u>360,982,612</u>	<u>480,506,149</u>
	<u>481,310,149</u>	<u>600,594,486</u>

On 20 January 2023, the Board of Directors has resolved to declare a final dividend in respect of the year ended 31 December 2022 of HK\$360,982,612, representing HK\$0.30 per ordinary share. Such dividend is to be approved by the shareholders at the Annual General Meeting of the Company. These financial statements do not reflect this dividend payable.

The actual final dividends paid for the year ended 31 December 2021 was HK\$481,310,149 based on the 1,203,275,373 issued shares outstanding at that time.

The interim dividends actually paid in 2022 were HK\$120,327,537 based on the number of issued shares outstanding at that time.

10 PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

	Property, plant and equipment	Intangible assets
	<i>HK\$</i>	<i>HK\$</i>
Year ended 31 December 2021		
Opening net book amount	10,117,404,823	2,746,074,511
Additions	1,900,048,324	45,342,506
Disposals	(6,966,887)	–
Depreciation and amortisation (<i>Note 5</i>)	(1,027,135,674)	(114,926,843)
Impairment charges (<i>Note 5</i>)	(50,186)	–
Exchange differences	242,385,113	(29,804,940)
	<u>11,225,685,513</u>	<u>2,646,685,234</u>
Closing net book amount	<u>11,225,685,513</u>	<u>2,646,685,234</u>
Year ended 31 December 2022		
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>

During the year ended 31 December 2022, the Group has capitalised borrowing costs amounting to HK\$28,518,479 (2021: HK\$35,003,102) on qualifying assets. Borrowing costs were capitalised at the weighted average rate of its general borrowings of 3.03% (2021: 2.65%).

11 LEASES

	As at 31 December	
	2022	2021
	HK\$	HK\$
Right-of-use assets		
– Land use rights	1,073,897,973	1,174,865,671
– Buildings	141,018,510	199,192,476
– Equipment and others	6,521,986	1,447,378
	<u>1,221,438,469</u>	<u>1,375,505,525</u>
Total right-of-use assets		
	<u>1,221,438,469</u>	<u>1,375,505,525</u>
Lease liabilities		
– Current	55,585,120	69,203,205
– Non-current	99,385,024	135,989,954
	<u>154,970,144</u>	<u>205,193,159</u>
Total lease liabilities		
	<u>154,970,144</u>	<u>205,193,159</u>

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

	For the year ended 31 December	
	2022	2021
	HK\$	HK\$
Depreciation of right-of-use assets (Note 5)		
– Land use rights	28,332,695	29,347,216
– Buildings	67,334,899	75,163,235
– Equipment and others	2,980,180	1,482,297
	<u>98,647,774</u>	<u>105,992,748</u>
Interest expense (Note 6)	7,105,808	7,302,446
Expense relating to short-term leases	30,905,345	71,513,287
Expense relating to leases of low-value assets	731,062	559,084

The cash payments for land use rights, short-term leases, leases of low-value assets and right-of-use assets excluding land use rights were HK\$26,838,329, HK\$30,905,345, HK\$731,062 and HK\$74,480,171 respectively, totaling HK\$132,954,907 for the year ended 31 December 2022 (2021: HK\$157,059,267).

12 TRADE, NOTES AND OTHER RECEIVABLES AND PREPAYMENTS

	As at 31 December	
	2022	2021
	<i>HK\$</i>	<i>HK\$</i>
Trade receivables	2,367,772,943	2,402,597,765
Less: Provision for impairment of trade receivables	<u>(47,266,782)</u>	<u>(49,365,723)</u>
	2,320,506,161	2,353,232,042
Notes receivable	<u>19,159,178</u>	<u>11,215,889</u>
Trade and notes receivables	<u>2,339,665,339</u>	<u>2,364,447,931</u>
Other receivables		
– creditable input VAT	256,117,142	280,624,225
– prepaid income tax recoverable	63,766,327	12,454,816
– purchase rebates	1,831,471	6,032,365
– deposits and others	<u>161,522,515</u>	<u>109,821,130</u>
	<u>483,237,455</u>	<u>408,932,536</u>
Prepayments		
– purchase of raw materials	14,437,131	3,713,478
– prepaid expenses	34,046,057	35,688,889
– prepayments of utility fee	7,501,771	9,379,221
– others	<u>44,109,023</u>	<u>42,283,858</u>
	<u>100,093,982</u>	<u>91,065,446</u>
	<u>2,922,996,776</u>	<u>2,864,445,913</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 2022 and 2021 is as below:

	As at 31 December	
	2022	2021
	HK\$	HK\$
Within 3 months	2,192,548,789	2,250,304,720
4 months to 6 months	104,836,574	90,608,818
7 months to 12 months	25,336,069	43,055,961
Over 1 year	45,051,511	18,628,266
	<u>2,367,772,943</u>	<u>2,402,597,765</u>

All notes receivable of the Group as at 31 December 2022 and 2021 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:

	2022	2021
	HK\$	HK\$
Opening loss allowance at 1 January	49,365,723	25,495,088
Recognition of loss allowance in profit or loss during the year	4,448,991	24,720,800
Receivables written off during the year as uncollectible	(2,581,253)	(1,419,705)
Exchange differences	(3,966,679)	569,540
Closing loss allowance as at 31 December	<u>47,266,782</u>	<u>49,365,723</u>

13 TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES

	As at 31 December	
	2022	2021
	<i>HK\$</i>	<i>HK\$</i>
Trade payables	4,500,445,917	2,322,244,652
Notes payable	321,486,143	351,765,967
Other payables		
– salaries and bonus payable	267,250,667	410,670,182
– taxes payable other than income tax	49,099,461	83,639,716
– payables for property, plant and equipment	423,299,710	416,565,656
– others	254,887,853	202,028,778
Long-term incentive plans – current portion (<i>Note 16</i>)	46,047,386	–
Accrued expenses		
– promotion fees	1,145,631,290	1,131,244,515
– utility charges	74,441,783	68,384,844
– transportation fees	282,952,240	230,358,070
– advertising fee	38,321,232	37,077,379
– accrued interest	7,974,158	5,171,972
– professional services	4,472,525	7,592,555
– others	132,661,755	164,926,798
	<u>7,548,972,120</u>	<u>5,431,671,084</u>

As at 31 December 2022 and 2021, 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 2022 and 2021 based on invoice date is as follows:

	As at 31 December	
	2022	2021
	<i>HK\$</i>	<i>HK\$</i>
Within 3 months	4,221,075,633	1,931,209,078
4 months to 6 months	588,864,427	742,272,082
7 months to 12 months	10,834,808	105,059
Over 1 year	1,157,192	424,400
	<u>4,821,932,060</u>	<u>2,674,010,619</u>

14 SHARE CAPITAL AND SHARE PREMIUM

	Number of authorized shares	Number of issued and fully paid shares	Amount		
			Ordinary shares HK\$	Share premium HK\$	Total HK\$
At 1 January 2021	80,000,000,000	1,199,474,373	119,947,437	4,428,374,681	4,548,322,118
Employee share option scheme – Exercise of share options	–	1,791,000	179,100	30,586,938	30,766,038
At 31 December 2021	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

15 BORROWINGS

	As at 31 December	
	2022 HK\$	2021 HK\$
Non-current		
Unsecured bank borrowings	2,800,715,036	2,936,090,168
Loans from a related party	88,282,378	993,358,611
Total non-current borrowings	2,888,997,414	3,929,448,779
Current		
Portion of loans from banks due for repayment within one year – Unsecured	299,246,812	866,657,776
Portion of loans from a related party due for repayment within one year – Unsecured	700,000,000	–
Total current borrowings	999,246,812	866,657,776
Total borrowings	3,888,244,226	4,796,106,555

The Company provided corporate guarantee 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	
	2022	2021	2022	2021
	HK\$	HK\$	HK\$	HK\$
Portion of loans due for repayment				
within 1 year	299,246,812	866,657,776	700,000,000	–
Loans due for repayment after 1 year:				
Between 1 and 2 years	874,228,318	1,015,890,786	88,282,378	900,000,000
Between 2 and 5 years	1,926,486,718	1,920,199,382	–	93,358,611
	<u>3,099,961,848</u>	<u>3,802,747,944</u>	<u>788,282,378</u>	<u>993,358,611</u>

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

	Bank borrowings		Loans from a related party	
	2022	2021	2022	2021
HK\$	0.78%~6.36%	0.78%~1.41%	0.74%~5.68%	0.74%~1.26%
US\$	0.57%~2.73%	0.57%~1.37%	–	–
RMB	2.45%~3.75%	1.85%~3.75%	–	–
KRW	1.40%~5.30%	1.20%~2.14%	–	–
MYR	2.12%~4.83%	2.10%~3.27%	3.07%~4.75%	3.04%~3.14%

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	
	2022	2021
HK\$	2.03%	0.97%
US\$	1.30%	0.94%
RMB	2.86%	3.25%
KRW	2.59%	1.50%
MYR	3.36%	3.07%

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

	As at 31 December	
	2022	2021
	HK\$	HK\$
RMB	2,350,409,171	2,183,162,877
HK\$	1,000,000,000	2,000,000,000
MYR	500,737,649	289,598,410
US\$	–	284,010,630
KRW	37,097,406	39,334,638
	<u>3,888,244,226</u>	<u>4,796,106,555</u>

16 LONG TERM INCENTIVE PLANS

	As at 31 December	
	2022	2021
	HK\$	HK\$
Other non-current liabilities		
Long term incentive plans	3,200,341	15,848,793
Current liabilities		
Long term incentive plans – current portion	<u>46,047,386</u>	<u>–</u>
Total incentive plans (i)(ii)	<u>49,247,727</u>	<u>15,848,793</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 12,528,000 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 2022, the fair value of OEU granted was determined by using the Binomial Model. The fair value of OEU in management’s plan was HK\$5.08 and the fair value of OEU in Directors and senior managements’ plan was HK\$5.09.

The significant inputs into the model were share price at the valuation date, the grant price, volatility of 40%, dividend yield of 1.52%, and annual risk-free interest rate of 3.79%. 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 9,915,000 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 2022, the fair value of OEU granted was determined by using the Binomial Model. The fair value of OEU in management’s plan was HK\$5.81 and the fair value of OEU in Directors and senior managements’ plan was HK\$5.81.

The significant inputs into the model were share price at the valuation date, the grant price, volatility of 35%, dividend yield of 1.32%, and annual risk-free interest rate of 3.64%. 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 2022 and 2021 amounted to HK\$34 million and HK\$25 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 2022, the Group's bank and cash balances amounted to HK\$606,947,407 (31 December 2021: HK\$1,025,327,689), and short-term and long-term loans amounted to HK\$3,888,244,226 (31 December 2021: HK\$4,796,106,555), including the loans from a related party amounting to HK\$788,282,378 (31 December 2021: HK\$993,358,611). 74.3% of the borrowings are medium to long-term (31 December 2021: 81.9%). The annual interest rates of bank loans ranged from 0.57% to 6.36%.

As at 31 December 2022, 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 28.6% (31 December 2021: 30.5%).

As at 31 December 2022, unutilized credit facilities amounted to approximately HK\$7.20 billion (31 December 2021: HK\$7.33 billion).

Charges on Group Assets

As at 31 December 2022, the Group did not have any charges on assets (31 December 2021: nil).

Contingent Liabilities

As at 31 December 2022, the Group had no material contingent liabilities (31 December 2021: nil).

Final Dividend

The Board has resolved to propose to shareholders of the Company the distribution of a final dividend for the Year at 30 HK cents (2021: 40 HK cents) per share totaling HK\$360,982,612 based on the number of issued shares as at the date of this announcement subject to approval by shareholders at the annual general meeting of the Company (the “AGM”) to be held on 12 May 2023. If so approved by shareholders of the Company, it is expected that the final dividend will be paid on or about 8 June 2023 to shareholders of the Company whose names appear on the register of members of the Company on 25 May 2023.

Closure of Register of Members

(a) Entitlement to Attend and Vote at the AGM

The register of members of the Company will be closed from 9 May 2023 to 12 May 2023, both dates inclusive, during which period no transfer of shares will be registered. In order to ascertain shareholders’ eligibility to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar, Computershare Hong Kong Investor Services Limited (the “**Share Registrar**”), at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 8 May 2023.

(b) Entitlement to the Proposed Final Dividend

The register of members of the Company will be closed from 23 May 2023 to 25 May 2023, both dates inclusive, during which period no transfer of shares will be registered. In order to ascertain shareholders’ entitlement to the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 22 May 2023.

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 14 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. 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 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 (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 10 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 (appointed with effect from 31 August 2022), 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 (appointed with effect from 31 August 2022), 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 (appointed with effect from 31 August 2022). 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.

Publication of Results Announcement and Annual Report

This announcement is published on the websites of the Company (www.vinda.com) and the Stock Exchange (www.hkexnews.hk). The 2022 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, 20 January 2023

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*)