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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 2021

HIGHLIGHTS

- **Robust revenue growth despite complex and volatile market environment**
 - Total revenue increased by 13.1%, 7.0% rise at constant exchange rates
 - Strong organic growth¹ of 8.7% compared to 2020 in mainland China
 - Continuous tissue portfolio mix enhancement
 - Continuous strong momentum in personal care business in both mainland China and overseas markets
 - E-commerce channel continues to grow in all business regions
- **Continuous product mix improvement, effective sourcing strategy and efficient cost management partially mitigated negative impacts from increased input costs and higher promotional pressures. Gross profit increased by 6.0% to HK\$6,596 million, with the gross margin down by 2.4 percentage points (“ppts”) to 35.3%**
- **Net profit was HK\$1,638 million and net margin was 8.8%**
- **Net gearing ratio² dropped by 5.4 ppts to 30.5% (2020: 35.9%)**
- **Basic earnings per share declined by 12.8% to 136.5 HK cents (2020: 156.5 HK cents)**
- **Total dividend per share for the Year increased to 50 HK cents (2020: 47 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 2021 (the “**Year**”).

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

The COVID-19 pandemic continued to impact the world and the way in which businesses are operated in 2021, as the emergence and spread of coronavirus mutations and variants added even more uncertainty and pressure on the global economic recovery efforts. During the Year, the Group continued to be challenged by the significant headwinds including commodity cost increases as well as higher logistic and energy costs, combined with evolving retail landscape and increased competition. Despite the near term challenges, the Group continued to achieve profitable growth through implementation of disciplined pricing strategies, continuous optimization of product mix and enhanced cost management. During the Year, the Group continued to strengthen our market positions in all key regions, demonstrating the strength of our innovations and excellent commercial execution.

Financial Summary

Total revenue increased by 13.1% (growth at constant exchange rates: 7.0%) to HK\$18,676 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 respectively accounted for 25%, 23%, 11% and 41% of revenue by sales channels. The conversion of consumers from offline to online spending accelerated further and e-commerce is becoming the dominant sales distribution channel with an organic growth of 19.0% year-on-year.

Gross profit rose by 6.0% to HK\$6,596 million. The Group’s effective sourcing strategy helped to cushion the impact of rising raw material costs and logistic disruptions, enabling gross margin to be maintained at a good level of 35.3%.

EBITDA dipped by 8.6% to HK\$3,292 million and the EBITDA margin declined by 4.2 ppts to 17.6%.

Total foreign exchange gain amounted to HK\$27.5 million (2020: HK\$52.8 million gain), of which HK\$27.7 million gain was derived from operating activities (2020: HK\$51.1 million gain) and HK\$0.2 million loss from financing activities (2020: HK\$1.7 million gain).

The Group continued to make strategic investments in brand building and development of the personal care business to further strengthen the overall competitiveness of its brands and increase market shares. During the Year, the Group's selling and marketing cost as a percentage of revenue increased by 1.8 ppts to 19.7%, while total administrative costs and net impairment losses on financial assets as a percentage of revenue edged down by 0.5 ppt to 5.3%. Operating profit declined by 16.7% to HK\$2,043 million while the operating profit margin dropped by 4.0 ppts to 10.9%.

The decrease in interest expenses from borrowings of 23.5% to HK\$105 million was mainly due to lower interest rate during the Year. The effective interest rate was down by 0.8 ppt to 2.4% from the previous year.

The net gearing ratio declined by 5.4 ppts to 30.5%.

The effective tax rate fell by 3.4 ppts to 16.0%.

Net profit declined by 12.6% to HK\$1,638 million while the net profit margin dipped by 2.6 ppts from the previous year to 8.8%.

Basic earnings per share was 136.5 HK cents (2020: 156.5 HK cents).

The Board proposes the payment of a final dividend of 40 HK cents per share. Together with the interim dividend, the total dividend per share for the Year will be 50 HK cents (2020: 47 HK cents).

Business Review

Tissue Segment

In 2021, the tissue segment accounted for HK\$15,501 million of revenue, an increase of 13.9% year-on-year or 7.2% at constant exchange rates, representing 83% of the Group's total revenue (2020: 82%). The Group continues to sustain the leading market position³ in mainland China with increasing contribution from premium product portfolio. However, due to the significant increase of raw material costs and increase promotional pressures in the market, the gross margin and segment result margin⁴ of the tissue segment decreased by 2.9 ppts and 4.1 ppts to 35.4% and 12.4%, respectively.

Staying close to consumer's needs, the Group continued to launch new innovative tissue products and strengthen its premium tissue offerings during the Year. To meet market demands for sanitizing products, *Vinda* developed and launched the fourth generation of its *Vinda 4D Deluxe* range of skin-gentle, anti-bacterial toilet paper and ultra-mini toilet wet wipes to target the premium consumer segment and reinforce the high quality image of the *Vinda* brand. The Group also collaborated with Chinese celebrity, Song Qian, as *Tempo* brand ambassador, to develop a unique *Tempo* floral scented range of tissues designed to offer premium product experience and superior quality for consumers.

Through the strategic execution of integrated marketing campaigns and a variety of online and offline brand activations, the Group continued a strong growth momentum in the mainland China tissue market. Several brand collaboration campaigns were run during the Year to cater to a growing "China Chic" IP trend, including new themed products in conjunction with the Summer Palace imperial garden, The Little Prince tale, Wuhuang, Chinese Space Program and Beast lifestyle brand to broaden consumer reach. The *Vinda* brand launched aerospace-themed product assortments and promotions to tap on public sentiment around China's space exploration missions, and continued to adopt a dual "film and celebrity" endorsement strategy by engaging the popular Chinese actress Sun Li and singer Cai Xukun as *Vinda* brand ambassadors to raise brand awareness and drive sales. The ninth edition of the annual *Vinda* China Tour brand roadshow brought increased awareness and affinity for the whole range of products to consumers in over 200 cities in mainland China.

The *Tork* professional hygiene brand continued to seize growth opportunities throughout the Year. Airports with high passenger traffic remain a key target for *Tork* and the brand is now present in 17 international airports across mainland China with innovative “Zero Contact” hygiene solutions to reduce the risk of cross-contamination in the public washroom environment. *Tork* also actively targets cultural, tourism and sporting venues and attractions, and has successfully cooperated with Universal Studios theme park in Beijing and the Chinese National Games at Xi’an Olympic Sports Center to supply hygiene solutions. As a recipient of the Interclean Amsterdam Innovation Award during the Year, *Tork* continues to gain trust and credibility in the eyes of customers, while the upgrade of the innovative *Tork SmartOne* toilet roll further strengthened the premium image and differentiation of the *Tork* brand.

The Group’s tissue businesses outside of mainland China continued its strong momentum, through a series of effective online and offline marketing campaigns and we continued to drive consumer awareness and gain market share in Southeast Asia and North Asia.

Personal Care Segment

Revenue from the personal care segment increased by 9.3% to HK\$3,175 million, which was a 6.2% increase at constant exchange rates and represented 17% of the Group’s total revenue (2020: 18%). Gross margin and segment result margin for the personal care segment were 35.1% and 5.8% respectively.

The Group’s incontinence care category continues to grow in parallel with the increasingly aging population in Asia. As the global leading incontinence care brand, *TENA* teamed up with elderly care organizations on jointly published health reports to raise public awareness and knowledge about incontinence care products, collaborated with online influencers to host incontinence care education sessions and drive online sales, and set up 38 health check centres to expand *TENA*’s brand presence through on-ground activations. As a recognized pioneer in the Chinese incontinence care market, the *Dr. P* brand continuously improved the shopping experience and value-added services of its customers to achieve sales growth with both online and offline channels development.

In the feminine care category, the *Libresse* brand is trusted by contemporary women for its superior quality and “Dynamic Fit” cutting. To further elevate the brand’s premium image, a new *Libresse* China V-Nature range of liners was launched, offering a skin gentle experience with SecureFit™ technology to meet the discerning needs of contemporary women in mainland China. The brand continued its partnership with actress and *Libresse* China brand ambassador, Zhou Dongyu, and collaborated with the popular POP MART brand for content and channel marketing to strengthen the *Libresse* China image and affinity among Chinese consumers. *Libresse* also enjoys high popularity in the Southeast Asia market: the all-new *Libresse* SensitiV range and intimawear™ by *Libresse* reusable period underwear were launched enriching the product diversification during the Year in Malaysia where the Group continues to hold the No.1 market position⁵.

Southeast Asia is a stronghold market for the Group’s baby care business. To consolidate its leading position in Malaysia⁶, the *Drypers* baby care brand has been relentless in leveraging consumer insights to drive brand activations and instil brand value through social media, television commercials and collaborations with online influencers. Campaigns such as the *Drypers* “Made to Fit” challenge sought to engage consumers with – and continuously strengthen the image and competitiveness of – the *Drypers* brand with premium and comfortable quality, while driving sales growth.

Production Capacity

The annual designed production capacity of the Group’s papermaking facilities was 1,390,000 tons at the end of the Year, including the completed, planned expansion of tissue production capacity across manufacturing sites in South, East and Central China to meet growing market demand. The establishment of new wet wipe production facilities in South and North China was also completed during the Year and started operations, thus increasing the Group’s production capacity of wet wipes. These production optimization initiatives and capacity upgrades provide the Group with the necessary infrastructure to support continued growth and expansion. Construction of the Group’s new Southeast Asia regional headquarters, state-of-the-art production facilities and modern innovation centre in Malaysia is progressing as planned and expected to be completed in 2022. The new regional hub will enable greater commercial and operational efficiency to effectively support the Group’s long term growth ambitions in the Southeast Asia market.

Human Resources Management

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. The Group offers fair and reasonable remuneration, performance incentive mechanism along with on-going career advancement training programs for employees. Vinda was recognised with the prestigious "Excellence in Human Resources Management Award 2021" (二零二一年人力資源管理傑出獎) by JOBS (前程無憂) and "2020 China A+ Employer" (二零二零中國年度優+僱主) by Zhaopin (智聯招聘) for its extensive employer efforts in mainland China.

Vinda provided a total of 223,035 hours of trainings to 11,347 employees during the Year.

We had a total of 11,679 employees as of 31 December 2021.

Health and Safety Performance

Health and safety is the highest priority for Vinda. The Group strives to prevent risks and accidents across all parts of its business and operations, with the aim of "zero accident".

Lost-time accidents in 2021 amounted to 20 cases, and lost days due to related accidents reached 2,044 days, none of which involved death.

Green Production

During the Year, the Group was highly responsive to the international development situation 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 0.21 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 1,220,493 tons with carbon emission intensity (carbon dioxide emitted per HK\$10,000 of sales) of 0.65 ton. The Group proactively implements the concept of green production and has formulated a sustainable development roadmap for the next five years, covering eight areas including energy management, carbon emissions, green supply chain and sustainable sourcing. The wood pulp we sourced were all certified by various forest certification system.

Vinda had outstanding performance on Environmental, Social and Governance (ESG) aspect in the Year. With good corporate governance performance and constructive ESG practice, MSCI, the world's largest index company, has upgraded the Group's ESG rating from "BBB" to "A", the highest ESG rating in China's tissue industry. The Group received a HK\$300 million long term loan from China Construction Bank (Asia), became the first fast-moving consumer goods company in Hong Kong Special Administrative Region, China (the "HKSAR") being granted a sustainability linked loan. In recognition of its outstanding 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 Quality Assurance Agency's "Outstanding Award for Green and Sustainable Loan Issuer" and "Leadership Award for Green and Sustainable Finance Development", the Hong Kong Management Association's 2021 "Excellence in ESG Reporting Award", the Bloomberg Businessweek's "ESG Leading Enterprise Awards" and "Leading ESG Initiative Awards", as well as the Platinum Award from The Asset's "ESG Corporate Awards 2021".

Outlook

The erratic global COVID-19 pandemic development due to the spread of mutated viruses continues to impact market development and economic recovery in general, while the business environment is further complicated by rising raw material prices, possible global logistic disruptions and intense competition. Nonetheless, the Group is positive that by leveraging our strength of leading brands while staying focused on premiumization and innovation strategies, we will achieve profitable growth and continue to further strengthen our market positions in 2022.

Increased standards of living and demographic changes across China and other parts of Asia have led to rising demands for high quality hygiene products, and benchmarks against the per capita consumption of tissue and personal care segments in developed countries indicate there are still plenty of rooms for growths in China and Asia. The ongoing COVID-19 pandemic strengthen public awareness around the importance of health and hygiene, continues to be an opportunity for Vinda to shape demand in the premium segment for best quality, differentiated hygiene products. By staying close to changing market needs and consumer insights, the Group will continue with category expansion and product portfolio optimization and premiumization strategies, as well as the implementation of impactful branding and marketing executions and sales channel diversification to enable continued market penetration and sales growth.

The aging society drives silver economy and led to increased awareness and demands for quality elderly care and incontinence care needs, effectively unlocking a huge opportunity tier of new or soon-to-be consumers to drive the continued growth of the Group's incontinence care category with the advance distribution. With increased societal attention to the topic of women's empowerment, the *Libresse* brand has successfully gained a great interest among contemporary women with its differentiated brand image and superior product experience, and the feminine care category will continue to be an important growth driver for the Group's personal care business.

We will stay focused on the following development strategies:

1. We will continue to focus on brand building, product innovation and further product mix improvement to enhance our brand competitiveness and secure long term business success;
2. We will continue to invest to grow personal care business in mainland China and Southeast Asia;
3. We will continue to drive E-commerce and new channels sales growth, and continue to drive market share gain in all markets we operate in;
4. We will continue to enhance cost management to improve our operation efficiency and return on investment; and
5. We will strengthen our financial position with strong operating cash flow and cautious management of working capital.

Remarks

¹ *Organic growth: Year-on-year growth at constant exchange rates*

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 31 December 2021*

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

⁵ *Source: Kantar Worldpanel, sales value year-to-date at 5 December 2021*

⁶ *Source: Kantar Worldpanel, sales value year-to-date at 5 December 2021*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		For the year ended 31 December	
		2021	2020
	<i>Note</i>	<i>HK\$</i>	<i>HK\$</i>
Revenue	4	18,675,739,458	16,511,676,772
Cost of sales	5	(12,079,392,782)	(10,288,905,938)
Gross profit		6,596,346,676	6,222,770,834
Selling and marketing costs	5	(3,672,134,223)	(2,960,719,996)
Administrative expenses	5	(957,701,901)	(952,159,970)
Net impairment losses on financial assets	5, 12	(24,720,800)	1,032,625
Other income and losses – net		101,696,044	141,770,328
Operating profit		2,043,485,796	2,452,693,821
Finance income and costs – net	6	(93,686,208)	(126,180,098)
Share of post-tax loss of an associate		(225,086)	(177,842)
Profit before income tax		1,949,574,502	2,326,335,881
Income tax expense	7	(311,209,930)	(452,006,637)
Profit attributable to equity holders of the Company		1,638,364,572	1,874,329,244
Other comprehensive income:			
<i>Item that may be reclassified to profit or loss</i>			
– Currency translation differences		253,638,907	647,626,892
<i>Item that will not be reclassified subsequently to profit or loss</i>			
– Remeasurements of post-employment benefit obligations		965,695	679,492
Total comprehensive income attributable to equity holders of the Company		1,892,969,174	2,522,635,628
Earnings per share for profit attributable to equity holders of the Company			
– basic	8(a)	1.365	1.565
– diluted	8(b)	1.363	1.562

CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2021	2020
	Note	HK\$	HK\$
ASSETS			
Non-current assets			
Property, plant and equipment	10	11,225,685,513	10,117,404,823
Right-of-use assets	11	1,375,505,525	1,366,419,837
Intangible assets	10	2,646,685,234	2,746,074,511
Deferred income tax assets		568,181,251	515,206,860
Investment properties		2,421,930	3,167,484
Investment in an associate		2,122,690	2,347,777
		<u>15,820,602,143</u>	<u>14,750,621,292</u>
Current assets			
Inventories		4,426,626,084	4,773,880,408
Trade and notes receivables	12	2,364,447,931	2,435,038,930
Other receivables	12	408,932,536	302,577,542
Prepayments	12	91,065,446	71,020,270
Due from related parties		43,969,461	39,063,829
Cash and cash equivalents		1,025,327,689	749,399,329
		<u>8,360,369,147</u>	<u>8,370,980,308</u>
Total assets		<u>24,180,971,290</u>	<u>23,121,601,600</u>
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	14	120,126,537	119,947,437
Share premium	14	4,458,961,619	4,428,374,681
Other reserves		8,439,573,727	7,119,034,916
Total equity		<u>13,018,661,883</u>	<u>11,667,357,034</u>

CONSOLIDATED BALANCE SHEET (CONTINUED)

		As at 31 December	
		2021	2020
	Note	HK\$	HK\$
LIABILITIES			
Non-current liabilities			
Borrowings	15	2,936,090,168	2,890,391,162
Loans from a related party	15	993,358,611	96,080,272
Lease liabilities	11	135,989,954	129,563,570
Deferred government grants		275,423,717	284,876,449
Deferred income tax liabilities		198,190,965	200,344,900
Post-employment benefits		9,372,989	15,983,243
Other non-current liabilities	16	15,848,793	2,253,625
		<u>4,564,275,197</u>	<u>3,619,493,221</u>
Current liabilities			
Trade payables, other payables and accrued expenses	13, 16	5,431,671,084	5,639,927,445
Contract liabilities		91,625,046	147,155,300
Borrowings	15	866,657,776	1,445,419,389
Loans from a related party	15	–	300,000,000
Lease liabilities	11	69,203,205	72,363,875
Due to related parties		19,748,675	14,669,217
Current income tax liabilities		119,128,424	215,216,119
		<u>6,598,034,210</u>	<u>7,834,751,345</u>
Total liabilities		<u>11,162,309,407</u>	<u>11,454,244,566</u>
Total equity and liabilities		<u>24,180,971,290</u>	<u>23,121,601,600</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 2020		119,510,337	4,356,240,018	4,987,460,947	9,463,211,302
Profit for the year		–	–	1,874,329,244	1,874,329,244
Other comprehensive income					
– Currency translation differences		–	–	647,626,892	647,626,892
– Remeasurements of post-employment benefit obligations		–	–	679,492	679,492
Total comprehensive income for 2020		<u>–</u>	<u>–</u>	<u>2,522,635,628</u>	<u>2,522,635,628</u>
Transaction with owners					
Employees share option scheme					
– Exercise of share options	14	437,100	72,134,663	(19,458,983)	53,112,780
Dividends	9	–	–	(371,602,676)	(371,602,676)
Transaction with owners		<u>437,100</u>	<u>72,134,663</u>	<u>(391,061,659)</u>	<u>(318,489,896)</u>
Balance at 31 December 2020		<u>119,947,437</u>	<u>4,428,374,681</u>	<u>7,119,034,916</u>	<u>11,667,357,034</u>
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		<u>–</u>	<u>–</u>	<u>1,892,969,174</u>	<u>1,892,969,174</u>
Transaction with owners					
Employees share option scheme					
– Exercise of share options	14	179,100	30,586,938	(8,212,758)	22,553,280
Dividends	9	–	–	(564,217,605)	(564,217,605)
Transaction with owners		<u>179,100</u>	<u>30,586,938</u>	<u>(572,430,363)</u>	<u>(541,664,325)</u>
Balance at 31 December 2021		<u>120,126,537</u>	<u>4,458,961,619</u>	<u>8,439,573,727</u>	<u>13,018,661,883</u>

CONSOLIDATED STATEMENT OF CASH FLOWS

	For the year ended 31 December	
	2021	2020
<i>Note</i>	<i>HK\$</i>	<i>HK\$</i>
Cash flows generated from operating activities:		
– cash generated from operations	3,248,162,616	2,660,011,591
– interest paid	(142,354,855)	(157,994,209)
– income tax paid	(460,101,528)	(497,950,753)
Net cash generated from operating activities	2,645,706,233	2,004,066,629
Cash flows used in investing activities:		
– purchase of property, plant and equipment	(1,754,822,545)	(1,696,960,144)
– proceeds from disposal of property, plant and equipment and investment properties	13,287,221	20,115,253
– proceeds from government grants	8,349,603	23,898,265
– payment for land use rights	11 (129,570)	(55,812,366)
– purchase of intangible assets	(45,342,506)	(33,743,898)
– interest received	6 19,179,882	17,254,406
Net cash used in investing activities	(1,759,477,915)	(1,725,248,484)
Cash flows used in financing activities:		
– proceeds from shares issued	22,553,280	53,112,780
– proceeds from borrowings	5,323,737,713	3,825,330,674
– proceeds from loans from a related party	600,000,000	–
– repayments of borrowings	(5,935,590,167)	(2,581,214,577)
– repayments of loans from a related party	–	(880,116,846)
– dividends paid	9 (564,217,605)	(371,602,676)
– lease payments for right-of-use assets excluding land use rights	11 (84,857,326)	(76,598,409)
Net cash used in financing activities	(638,374,105)	(31,089,054)
Net increase in cash and cash equivalents	247,854,213	247,729,091
Effect of foreign exchange rate changes	28,074,147	41,282,792
Cash and cash equivalents, beginning of the year	749,399,329	460,387,446
Cash and cash equivalents, end of the year	1,025,327,689	749,399,329

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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.

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 25 January 2022.

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
HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 (Amendments)	Interest Rate Benchmark Reform – Phase 2	1 January 2021
HKFRS 16 (Amendments)	Covid-19-related Rent Concessions	1 April 2021

- (b) Certain new accounting standards and interpretations have been published that are not mandatory for the year ended 31 December 2021 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 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
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
HKFRS 8 (Amendments)	Definition of Accounting Estimates	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
Annual Improvements to HKFRS Standards 2018–2020		1 January 2022

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	
	2021	2020
	HK\$	HK\$
Mainland China	14,448,818,216	12,416,201,513
Malaysia	1,577,175,716	1,475,010,423
HKSAR	1,170,906,668	1,155,914,331
Japan	400,262,446	383,899,986
Chinese Taiwan	335,786,459	326,492,953
Others	742,789,953	754,157,566
Total revenue	<u>18,675,739,458</u>	<u>16,511,676,772</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	
	2021	2020
	HK\$	HK\$
Total non-current assets other than deferred income tax assets and investment in an associate		
– Mainland China	11,396,068,217	10,262,988,103
– HKSAR and overseas	3,854,229,985	3,970,078,552
Deferred income tax assets	568,181,251	515,206,860
Investment in an associate	<u>2,122,690</u>	<u>2,347,777</u>
Total non-current assets	<u><u>15,820,602,143</u></u>	<u><u>14,750,621,292</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 2021		
	Household paper products HK\$	Personal care products HK\$	Total HK\$
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>1,907,870,578</u>	<u>125,108,128</u>	<u>2,032,978,706</u>
Other income and losses – net			101,696,044
Unallocated costs			<u>(91,188,954)</u>
Operating profit			<u>2,043,485,796</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>1,638,364,572</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>1,741,646,297</u>	<u>286,497,975</u>	<u>2,028,144,272</u>

4 SEGMENT INFORMATION (Continued)

(b) Segment profit or loss (Continued)

	For the year ended 31 December 2020		
	Household paper products <i>HK\$</i>	Personal care products <i>HK\$</i>	Total <i>HK\$</i>
Segment revenue	<u>13,608,165,710</u>	<u>2,903,511,062</u>	<u>16,511,676,772</u>
Segment results	2,245,662,719	308,875,706	2,554,538,425
Amortisation of trademarks, licences and contractual customer relationships	<u>(10,862,821)</u>	<u>(56,328,537)</u>	<u>(67,191,358)</u>
Segment profit	<u><u>2,234,799,898</u></u>	<u><u>252,547,169</u></u>	<u><u>2,487,347,067</u></u>
Other income and losses – net			141,770,328
Unallocated costs			<u>(176,423,574)</u>
Operating profit			<u><u>2,452,693,821</u></u>
Finance income and costs – net			(126,180,098)
Share of post-tax loss of an associate			<u>(177,842)</u>
Profit before income tax			2,326,335,881
Income tax expense			<u>(452,006,637)</u>
Profit for the year			<u><u>1,874,329,244</u></u>
Depreciation of property, plant and equipment	(808,646,143)	(125,843,725)	(934,489,868)
Depreciation of right-of-use assets	(68,221,345)	(30,343,873)	(98,565,218)
Depreciation and amortisation of investment properties and intangible assets	<u>(52,806,944)</u>	<u>(62,575,582)</u>	<u>(115,382,526)</u>
Additions to non-current assets	<u><u>1,463,932,264</u></u>	<u><u>418,600,831</u></u>	<u><u>1,882,533,095</u></u>

4 SEGMENT INFORMATION (Continued)

(c) Segment assets and liabilities

	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>

	As at 31 December 2020		
	Household paper products <i>HK\$</i>	Personal care products <i>HK\$</i>	Total <i>HK\$</i>
Segment assets	<u>18,057,332,014</u>	<u>4,542,129,604</u>	22,599,461,618
Deferred income tax assets			515,206,860
Investment in an associate			2,347,777
Prepaid income tax recoverable			<u>4,585,345</u>
Total assets			<u>23,121,601,600</u>
Segment liabilities	<u>9,903,485,454</u>	<u>1,135,198,093</u>	11,038,683,547
Deferred income tax liabilities			200,344,900
Current income tax liabilities			<u>215,216,119</u>
Total liabilities			<u>11,454,244,566</u>

5 EXPENSES BY NATURE

	For the year ended 31 December	
	2021	2020
	HK\$	HK\$
Raw materials and trading merchandise consumed	8,585,895,968	7,443,506,707
Staff costs	2,079,070,493	1,827,946,573
Promotion expenses	1,383,937,327	1,058,175,666
Transportation expenses	1,199,518,982	841,663,431
Utilities	1,183,999,286	885,322,610
Depreciation of property, plant and equipment (<i>Note 10</i>)	1,027,135,674	934,489,868
Spare parts, repair and maintenance	325,493,752	282,137,014
Advertising costs	147,595,679	147,406,222
Amortisation of intangible assets (<i>Note 10</i>)	114,926,843	115,201,935
Depreciation of right-of-use assets (<i>Note 11</i>)	105,992,748	98,565,218
Contracted processing expenses	80,024,804	65,293,522
Short-term and low-value lease expenses (<i>Note 11</i>)	72,072,371	69,250,038
Travel and office expenses	68,254,082	59,897,517
Real estate tax, stamp duty and other taxes	49,168,426	47,945,970
Provision/(reversal of provision) for impairment of receivables (<i>Note 12</i>)	24,720,800	(1,032,625)
Auditor's remuneration	9,024,079	8,330,727
Bank charges	3,454,296	4,833,798
Provision/(reversal of provision) for write-down of inventories	2,783,728	(25,513,626)
Impairment charge on property, plant and equipment (<i>Note 10</i>)	50,186	70,193,435
Other expenses	270,830,182	267,139,279
	<hr/>	<hr/>
Total cost of sales, selling and marketing costs, administrative expenses and net impairment losses on financial assets	16,733,949,706	14,200,753,279

6 FINANCE INCOME AND COSTS – NET

	For the year ended 31 December	
	2021	2020
	HK\$	HK\$
Interest expense		
– borrowings	(105,374,539)	(137,684,599)
– lease liabilities (<i>Note 11</i>)	(7,302,446)	(7,429,390)
Foreign exchange (loss)/gain – net	(189,105)	1,679,485
Interest income		
– bank deposits	19,179,882	17,254,406
Net finance costs	<u>(93,686,208)</u>	<u>(126,180,098)</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	
	2021	2020
	HK\$	HK\$
Current income tax		
– HKSAR and overseas profits tax	160,745,247	170,100,577
– Mainland China income tax	188,408,318	302,656,655
– Tax filing difference for prior year	(4,825,022)	1,784,324
Deferred income tax	(41,285,431)	(27,607,890)
Withholding tax	8,166,818	5,072,971
	<u>311,209,930</u>	<u>452,006,637</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	
	2021	2020
Profit attributable to equity holders of the Company (HK\$)	<u>1,638,364,572</u>	<u>1,874,329,244</u>
Weighted average number of ordinary shares issued	<u>1,200,503,307</u>	<u>1,197,868,874</u>
Basic earnings per share (HK\$ per share)	<u><u>1.365</u></u>	<u><u>1.565</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	
	2021	2020
Profit attributable to equity holders of the Company (HK\$)	<u>1,638,364,572</u>	<u>1,874,329,244</u>
Weighted average number of ordinary shares issued	<u>1,200,503,307</u>	<u>1,197,868,874</u>
Adjustments for share options	<u>1,196,259</u>	<u>2,370,139</u>
Weighted average number of ordinary shares for diluted earnings per share	<u>1,201,699,566</u>	<u>1,200,239,013</u>
Diluted earnings per share (HK\$ per share)	<u><u>1.363</u></u>	<u><u>1.562</u></u>

9 DIVIDENDS

	2021	2020
	HK\$	HK\$
Interim dividend paid of HK\$0.10 (2020: HK\$0.10) per ordinary share	120,088,337	119,918,437
Proposed final dividend of HK\$0.40 (2020: HK\$0.37) per ordinary share	<u>480,506,149</u>	<u>443,805,518</u>
	<u>600,594,486</u>	<u>563,723,955</u>

On 25 January 2022, the Board of Directors proposed a final dividend in respect of the year ended 31 December 2021 of HK\$480,506,149, representing HK\$0.40 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 2020 was HK\$444,129,268 based on the 1,200,349,373 issued shares outstanding at that time.

The interim dividends actually paid in 2021 were HK\$120,088,337 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 2020		
Opening net book amount	8,858,171,961	2,780,086,369
Additions	1,708,087,672	33,743,898
Disposals	(4,410,585)	–
Depreciation and amortisation (<i>Note 5</i>)	(934,489,868)	(115,201,935)
Impairment charges (<i>Note 5</i>)	(70,193,435)	–
Exchange differences	560,239,078	47,446,179
	<u>10,117,404,823</u>	<u>2,746,074,511</u>
Closing net book amount	<u>10,117,404,823</u>	<u>2,746,074,511</u>
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>

During the year ended 31 December 2021, the Group has capitalised borrowing costs amounting to HK\$35,003,102 (2020: HK\$15,801,296) on qualifying assets. Borrowing costs were capitalised at the weighted average rate of its general borrowings of 2.65% (2020: 3.46%).

11 LEASES

	As at 31 December	
	2021	2020
	<i>HK\$</i>	<i>HK\$</i>
Right-of-use assets		
– Land use rights	1,174,865,671	1,170,098,019
– Buildings	199,192,476	194,343,371
– Equipment and others	1,447,378	1,978,447
	<u>1,375,505,525</u>	<u>1,366,419,837</u>
Lease liabilities		
– Current	69,203,205	72,363,875
– Non-current	135,989,954	129,563,570
	<u>205,193,159</u>	<u>201,927,445</u>

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

	For the year ended 31 December	
	2021	2020
	<i>HK\$</i>	<i>HK\$</i>
Depreciation of right-of-use assets (Note 5)		
– Land use rights	29,347,216	26,383,198
– Buildings	75,163,235	70,620,374
– Equipment and others	1,482,297	1,561,646
	<u>105,992,748</u>	<u>98,565,218</u>
Interest expense (Note 6)	7,302,446	7,429,390
Expense relating to short-term leases	71,513,287	68,273,794
Expense relating to leases of low-value assets	559,084	976,244

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\$129,570, HK\$71,513,287, HK\$559,084 and HK\$84,857,326 respectively, totaling HK\$157,059,267 for the year ended 31 December 2021 (2020: HK\$201,660,813).

12 TRADE, NOTES AND OTHER RECEIVABLES AND PREPAYMENTS

	As at 31 December	
	2021	2020
	<i>HK\$</i>	<i>HK\$</i>
Trade receivables	2,402,597,765	2,451,066,933
Less: Provision for impairment of trade receivables	<u>(49,365,723)</u>	<u>(25,495,088)</u>
	2,353,232,042	2,425,571,845
Notes receivable	<u>11,215,889</u>	<u>9,467,085</u>
Trade and notes receivables	<u>2,364,447,931</u>	<u>2,435,038,930</u>
Other receivables		
– creditable input VAT	280,624,225	215,439,637
– prepaid income tax recoverable	12,454,816	4,585,345
– purchase rebates	6,032,365	2,286,851
– deposits and others	<u>109,821,130</u>	<u>80,265,709</u>
	<u>408,932,536</u>	<u>302,577,542</u>
Prepayments		
– purchase of raw materials	3,713,478	1,063,545
– prepaid expenses	35,688,889	28,969,526
– prepayments of utility fee	9,379,221	5,301,126
– others	<u>42,283,858</u>	<u>35,686,073</u>
	<u>91,065,446</u>	<u>71,020,270</u>
	<u>2,864,445,913</u>	<u>2,808,636,742</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 2021 and 2020 is as below:

	As at 31 December	
	2021	2020
	HK\$	HK\$
Within 3 months	2,250,304,720	2,342,880,739
4 months to 6 months	90,608,818	72,105,420
7 months to 12 months	43,055,961	18,447,948
Over 1 year	18,628,266	17,632,826
	<u>2,402,597,765</u>	<u>2,451,066,933</u>

All notes receivable of the Group as at 31 December 2021 and 2020 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:

	2021	2020
	HK\$	HK\$
Opening loss allowance as at 1 January	25,495,088	25,773,859
Recognition/(reversal) of loss allowance in profit or loss during the year	24,720,800	(1,032,625)
Receivables written off during the year as uncollectible	(1,419,705)	(772,749)
Exchange differences	569,540	1,526,603
Closing loss allowance as at 31 December	<u>49,365,723</u>	<u>25,495,088</u>

13 TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES

	As at 31 December	
	2021	2020
	<i>HK\$</i>	<i>HK\$</i>
Trade payables	2,322,244,652	2,644,138,756
Notes payable	351,765,967	327,554,663
Other payables		
– salaries payable	379,644,930	376,170,393
– taxes payable other than income tax	83,639,716	100,376,721
– payables for property, plant and equipment	416,565,656	298,051,881
– incentive payable	31,025,252	19,148,310
– others	202,028,778	201,192,190
Accrued expenses		
– promotion fees	1,131,244,515	1,146,590,974
– utility charges	68,384,844	54,789,857
– transportation fees	230,358,070	235,600,904
– advertising fee	37,077,379	63,470,086
– accrued interest	5,171,972	7,639,064
– professional services	7,592,555	7,358,637
– others	164,926,798	157,845,009
	<u>5,431,671,084</u>	<u>5,639,927,445</u>

As at 31 December 2021 and 2020, 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 2021 and 2020 based on invoice date is as follows:

	As at 31 December	
	2021	2020
	<i>HK\$</i>	<i>HK\$</i>
Within 3 months	1,931,209,078	2,000,184,795
4 months to 6 months	742,272,082	967,550,442
7 months to 12 months	105,059	3,796,354
Over 1 year	424,400	161,828
	<u>2,674,010,619</u>	<u>2,971,693,419</u>

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 2020	80,000,000,000	1,195,103,373	119,510,337	4,356,240,018	4,475,750,355
Employee share option scheme					
– Exercise of share options	–	4,371,000	437,100	72,134,663	72,571,763
At 31 December 2020	<u>80,000,000,000</u>	<u>1,199,474,373</u>	<u>119,947,437</u>	<u>4,428,374,681</u>	<u>4,548,322,118</u>
Employee share option scheme					
– Exercise of share options	–	1,791,000	179,100	30,586,938	30,766,038
At 31 December 2021	<u>80,000,000,000</u>	<u>1,201,265,373</u>	<u>120,126,537</u>	<u>4,458,961,619</u>	<u>4,579,088,156</u>

15 BORROWINGS

	As at 31 December	
	2021 <i>HK\$</i>	2020 <i>HK\$</i>
Non-current		
Unsecured bank borrowings	2,936,090,168	2,890,391,162
Loans from a related party	993,358,611	96,080,272
Total non-current borrowings	<u>3,929,448,779</u>	<u>2,986,471,434</u>
Current		
Portion of loans from banks due for repayment within one year		
– Unsecured	866,657,776	1,445,419,389
Portion of loans from a related party due for repayment within one year		
– Unsecured	–	300,000,000
Total current borrowings	<u>866,657,776</u>	<u>1,745,419,389</u>
Total borrowings	<u>4,796,106,555</u>	<u>4,731,890,823</u>

The Company issued 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	
	2021	2020	2021	2020
	HK\$	HK\$	HK\$	HK\$
Portion of loans due for repayment				
within 1 year	866,657,776	1,445,419,389	–	300,000,000
Loans due for repayment after 1 year:				
Between 1 and 2 years	1,015,890,786	1,755,149,835	900,000,000	–
Between 2 and 5 years	1,920,199,382	1,135,241,327	93,358,611	96,080,272
	3,802,747,944	4,335,810,551	993,358,611	396,080,272

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

	Bank borrowings		Loans from a related party	
	2021	2020	2021	2020
HK\$	0.78%~1.41%	0.81%~6.83%	0.74%~1.26%	1.26%~3.51%
US\$	0.57%~1.37%	0.96%~2.53%	–	–
RMB	1.85%~3.75%	1.85%~4.95%	–	–
KRW	1.20%~2.14%	1.20%~2.65%	–	–
MYR	2.10%~3.27%	3.10%~4.65%	3.04%~3.14%	3.04%~4.44%

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	
	2021	2020
HK\$	0.97%	2.54%
US\$	0.94%	1.35%
RMB	3.25%	3.56%
KRW	1.50%	1.79%
MYR	3.07%	3.67%

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

	As at 31 December	
	2021 HK\$	2020 HK\$
RMB	2,183,162,877	3,481,635,663
HK\$	2,000,000,000	600,000,000
MYR	289,598,410	230,592,652
US\$	284,010,630	383,604,450
KRW	39,334,638	36,058,058
	<u>4,796,106,555</u>	<u>4,731,890,823</u>

16 LONG TERM INCENTIVE PLANS

	As at 31 December	
	2021 HK\$	2020 HK\$
Other non-current liabilities		
Long term incentive plans	15,848,793	2,253,625
Current liabilities		
Long term incentive plans – current portion	–	19,148,310
Total incentive plans (i)(ii)	<u>15,848,793</u>	<u>21,401,935</u>

16 LONG TERM INCENTIVE PLANS (Continued)

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

Long-term incentive plan for Executive Directors and CFO

Option Equivalent Unit (“OEU”) can be granted under the plan to Executive Directors and CFO to reward for their future services during the vesting period. A total of 6,840,000 OEUs were granted to Executive Directors and CFO at a nominal price of HK\$15.31 under the plan. The exercise price of an OEU is capped at HK\$30. The vesting period was from 1 January 2017 to 1 July 2020. An OEU can be realised at the exercise price after the vesting period until 31 December 2025, subject to the provisions of the plan. All OEUs were exercised before 31 December 2020 with an aggregate payment of HK\$100,479,600.

Long-term incentive program for selected senior management and specific employees

Program participants will receive a bonus up to 100% of their annual salary based on a payout ratio depending on the total shareholder return (“TSR”) of the Company versus peer group companies and 2 indexes. The TSR is calculated based on the future share price and the potential dividend yield. Two measurement periods for this program are from 2017 to 2019 and from 2019 to 2021.

As at 31 December 2020, the TSR was determined by using the Monte Carlo Simulation Model. The significant inputs into the model were annualised drift rate of 6.62% of the Company and 8.00% of the peer group, dividend yield of 1.04% of the Company and 2.54% of the peer group and annualised asset price volatility of 45% of the Company and 20% of the peer group matching the life of the incentive program.

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

A total of 12,786,000 OEUs were granted to selected management, senior management and Directors at a nominal price of HK\$21.83. 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 2021, the fair value of OEU granted was determined by using the Binomial Model. The fair value of OEU in management’s plan was HK\$3.1600 and the fair value of OEU in Directors and senior management’s plan was HK\$3.1900.

The significant inputs into the model were share price at the valuation date, the grant price, volatility of 35.00%, dividend yield of 1.18%, and annual risk-free interest rate of 1.09%. 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.

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 2021, the Group's bank and cash balances amounted to HK\$1,025,327,689 (31 December 2020: HK\$749,399,329), and short-term and long-term loans amounted to HK\$4,796,106,555 (31 December 2020: HK\$4,731,890,823), including the loans from a related party amounting to HK\$993,358,611 (31 December 2020: HK\$396,080,272). 81.9% of the borrowings are medium- to long-term (31 December 2020: 63.1%). The annual interest rates of bank loans ranged from 0.57% to 3.75%.

As at 31 December 2021, 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 30.5% (31 December 2020: 35.9%).

As at 31 December 2021, unutilized credit facilities amounted to approximately HK\$7.33 billion (31 December 2020: HK\$7.45 billion).

Charges on Group Assets

As at 31 December 2021, the Group did not have any charges on assets (31 December 2020: nil).

Contingent Liabilities

As at 31 December 2021, the Group had no material contingent liabilities (31 December 2020: nil).

Final Dividend

The Board has resolved to propose to shareholders of the Company the distribution of a final dividend for the Year at 40 HK cents (2020: 37 HK cents) per share totaling HK\$480,506,149 subject to approval by shareholders at the annual general meeting of the Company (the “AGM”) to be held on 25 May 2022. If so approved by shareholders of the Company, it is expected that the final dividend will be paid on or about 10 June 2022 to shareholders of the Company whose names appear on the register of members of the Company on 2 June 2022.

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 20 May 2022 to 25 May 2022, 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 19 May 2022.

(b) Entitlement to the Proposed Final Dividend

The register of members of the Company will be closed from 31 May 2022 to 2 June 2022, 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 30 May 2022.

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 complied with all the code provisions set out in the Corporate Governance Code as set out in Appendix 14 of the Rules of Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) for the Year.

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 (“**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 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, Ms. LEE Hsiao-yun Ann and Mr. LAW Hong Ping, Lawrence, 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 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, Ms. LEE Hsiao-yun Ann, Mr. WONG Kwai Huen, Albert and Mr. LAW Hong Ping, Lawrence, an Executive Director, Mr. LI Chao Wang and a Non-Executive Director, Mr. Jan Christer JOHANSSON. The chairman of the Nomination Committee is Mr. LI Chao Wang. The principal duties of the Nomination Committee are to consider and recommend to the Board suitably qualified persons to become Directors and to be responsible for reviewing the structure, size, diversity and composition of the Board on a regular basis.

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, 25 January 2022

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

Ms. LEE Hsiao-yun Ann

Mr. TSUI King Fai

Mr. WONG Kwai Huen, Albert

Mr. LAW Hong Ping, Lawrence

Alternate Directors

Mr. Gert Mikael SCHMIDT (*alternate to Mr. JOHANSSON and Mr. GROTH*)

Mr. Dominique Michel Jean DESCHAMPS (*alternate to Mr. RYSTEDT*)