



Vinda International Holdings Limited

(incorporated in the Cayman Islands with limited liability) Stock Code: 3331

Annual Report **2022**



*Healthy Lifestyle
Starts with Vinda*



To Become A Leading Hygiene Company in Asia

Contents

2	Corporate Information
4	Financial Highlights
6	Chairman's Statement
8	Chief Executive Officer's Report
12	Management Discussion and Analysis
22	Biographies of Directors and Senior Management
31	Corporate Governance Report
50	Report of the Directors
61	Other Information
	Financial Information
68	Independent Auditor's Report
75	Consolidated Balance Sheet
77	Consolidated Statement of Comprehensive Income
78	Consolidated Statement of Changes in Equity
79	Consolidated Statement of Cash Flows
80	Notes to the Consolidated Financial Statements
159	Five-Year Financial Summary

Corporate Information

Directors

Executive Directors

Mr. LI Chao Wang (Chairman)
Ms. YU Yi Fang (Vice Chairman)
Ms. LI Jielin (Chief Executive Officer)
Mr. DONG Yi Ping (Chief Technology Officer)

Non-Executive Directors

Mr. Jan Christer JOHANSSON (Vice Chairman)
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
(appointed with effect from 31 August 2022)

Alternate Directors

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

Audit Committee

Mr. TSUI King Fai (Committee Chairman)
Mr. Carl Fredrik Stenson RYSTEDT
Mr. WONG Kwai Huen, Albert
Mr. LAW Hong Ping, Lawrence

Remuneration Committee

Mr. TSUI King Fai (Committee Chairman)
Mr. Jan Christer JOHANSSON
Mr. Johann Christoph MICHALSKI
Mr. LAW Hong Ping, Lawrence
Dr. CAO Zhenlei
(appointed with effect from 31 August 2022)

Nomination Committee

Mr. LI Chao Wang (Committee Chairman)
Mr. Jan Christer JOHANSSON
Mr. WONG Kwai Huen, Albert
Mr. LAW Hong Ping, Lawrence
Dr. CAO Zhenlei
(appointed with effect from 31 August 2022)

Risk Management Committee

Mr. Jan Christer JOHANSSON (Committee Chairman)
Ms. LI Jielin
Ms. YU Yi Fang
Mr. Carl Fredrik Stenson RYSTEDT
Mr. TSUI King Fai

Executive Committee

Mr. LI Chao Wang (Committee Chairman)
Ms. YU Yi Fang
Ms. LI Jielin
Mr. DONG Yi Ping

Strategic Development Committee

Mr. Jan Christer JOHANSSON (Committee Chairman)
Ms. LI Jielin
Mr. DONG Yi Ping
Mr. Johann Christoph MICHALSKI
Dr. CAO Zhenlei
(appointed with effect from 31 August 2022)

Authorised Representatives

Ms. LI Jielin
Ms. TAN Yi Yi

Company Secretary

Ms. TAN Yi Yi, FCCA

Auditors

PricewaterhouseCoopers

Legal Advisers to the Company

Ashurst Hong Kong (as to Hong Kong law)
Conyers Dill & Pearman (as to Cayman Islands law)

Registered Office

Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Principal Place of Business in Hong Kong, Special Administrative Region of the People's Republic of China (the "HKSAR")

Penthouse, East Ocean Centre
98 Granville Road, Tsim Sha Tsui East
Kowloon, Hong Kong
Tel: (852) 2366 9853
Fax: (852) 2366 5805

Place of Listing and Stock Code

The Stock Exchange of Hong Kong Limited
Stock Code: 3331

Principal Share Registrar and Transfer Office

Suntera (Cayman) Limited
Suite 3204, Unit 2A
Block 3, Building D
P.O. Box 1586
Gardenia Court
Camana Bay
Grand Cayman, KY1-1100
Cayman Islands

HKSAR Branch Share Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre, 183 Queen's Road East
Wanchai, Hong Kong

Principal Bankers

Bank of China Limited
BNP Paribas
China Construction Bank Corporation
Citibank
DBS Bank Limited
Hang Seng Bank Limited
Industrial and Commercial Bank of China Limited
Standard Chartered Bank (Hong Kong) Limited
Skandinaviska Enskilda Banken AB

Company Website

<http://www.vinda.com>

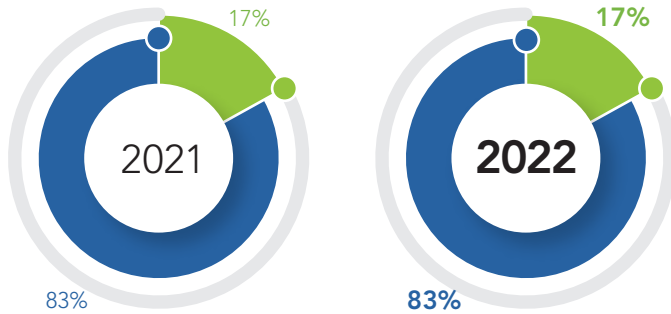
Financial Highlights

	2022	2021
Revenue (HK\$ million)	19,418	18,676
Gross profit (HK\$ million)	5,483	6,596
EBITDA (HK\$ million)	2,104	3,292
Operating profit (HK\$ million)	807	2,043
Gross margin (%)	28.2%	35.3%
Operating margin (%)	4.2%	10.9%
EBITDA margin (%)	10.8%	17.6%
Earnings per share (HK\$) – basic	58.7 cents	136.5 cents
Dividend per share (HK\$)	40.0 cents	50.0 cents
– interim dividend (paid) (HK\$)	10.0 cents	10.0 cents
– final dividend (proposed) (HK\$)	30.0 cents	40.0 cents
Finished goods turnover ¹	50 days	55 days
Debtors turnover ²	40 days	44 days
Creditors turnover ³	71 days	82 days
Current ratio (times)	1.1	1.3
Net debt to EBITDA ratio (times)	1.6	1.2
Net gearing ratio (%) ⁴	28.6%	30.5%

Notes:

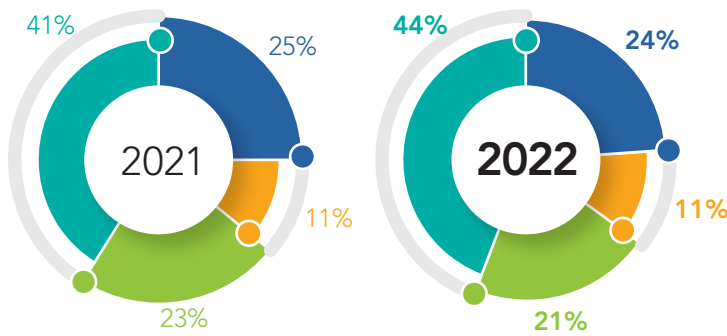
1. Calculation: multiplying 12-month average finished goods by 360 days, and dividing the result by the cost of sales for the 12 months ended 31 December for the relevant year.
2. Calculation: multiplying 12-month average account receivables by 360 days, and dividing the result by the revenue for the 12 months ended 31 December for the relevant year.
3. Calculation: multiplying 12-month average account payables by 360 days, and dividing the result by the cost of sales for the 12 months ended 31 December for the relevant year.
4. Calculation: net debt divided by total shareholders' equity.

Net debt: total debt including lease liabilities less cash and cash equivalents and restricted bank deposits.



Revenue by Business Segment

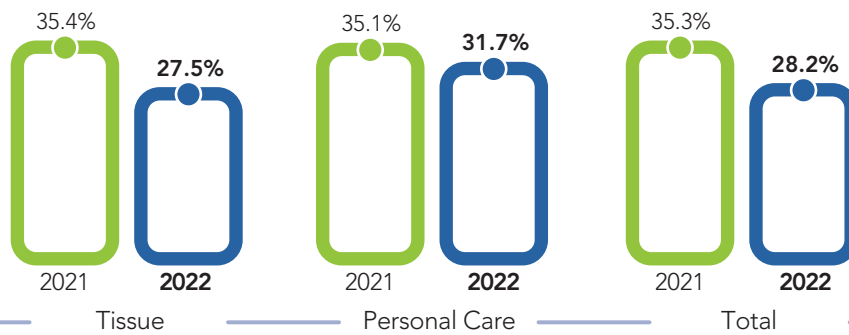
- Tissue
- Personal care



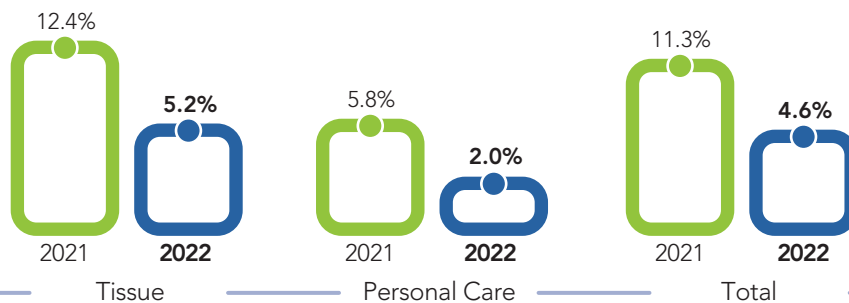
Revenue by Sales Channels

- Traditional distributors
- B2B corporate clients
- Key account (hypermarkets and supermarkets)
- E-commerce

Gross Margin



Segment Result Margin



Chairman's Statement



The year of 2022 marked the 15th anniversary of Vinda International's public listing. Over the past 15 years, Vinda has been committed to providing high-quality hygiene products and services, leading the industry with innovation and building the brands with high standard. Despite the complexity and volatility in the market, Vinda actively adjusted the strategies to overcome the challenges. As a result of the Group's extensive industry experience, leading brand position and diversified business development, the Group maintained steady growth and market leading position in 2022, demonstrating the Group's resilience.

Vinda is building multiple drivers over time to secure long-term profitable growth. During the Year, the Group actively optimized the product portfolio with premium strategies and sought innovation to promote category growth; continued to deepen the layout of E-commerce channels, realizing the sales of online and offline integration and improving product sales; and achieved cost reduction and efficiency enhancement through price adjustment, disciplined cost management, and industrial chain upgrading. The various efficient strategies are set to further the Group's momentum towards consolidating market share as well as industry leading position.

Given the increasing awareness of personal hygiene, the consumer demand for tissue product has been consistently growing, driving the Group's sales growth of tissue category. Additionally with the improvement of people's living standards, the Group's premiumization and product portfolio optimization strategies have been successfully implemented. Premium tissue products have received positive market feedback and achieved remarkable sales performance. In terms of Vinda's personal care business, the increasing consumption power of women and attention to women's health have become important catalyst for the rapid growth of the Group's premium feminine care business. In the context of increasing aging population, Vinda's forward-looking consumer education and marketing strategies have brought tremendous growth potential to the Group's incontinence care business. Vinda believes that, by steadfast execution of premiumization strategy, continuous optimisation of product portfolio and reinforcing the research and development to capture the demand of premium segments, the Group will continue to explore the market development potential of the tissue and personal care business, and generate greater profit returns for the Group.

During the year, the Group's production and sales in Southeast Asia gradually returned to normal as overseas pandemic prevention and control measures were lifted. The completion of the new South East Asia ("SEA") headquarters in Malaysia will assist Vinda in its digital transformation, and strengthen capacity expansion and product R&D in Southeast Asia. The new hub will help the Group to accurately meet the demand of local consumption, build sales networks to cover the entirety of Southeast Asia, assist in realizing the development potential of overseas markets, and further the Group's internationalization.

The pandemic promoted the emergence of new model of consumption and the rapid development of e-commerce. The Group grasped the industry trend in advance, actively deployed e-commerce channels, and strengthened cooperation with major e-commerce platforms. During the Year, in order to further capture the E-commerce market, the Group strengthened the layout of new sales and retail channels, resulting in significant growth from the E-commerce segment's contribution to the Group's revenue. Additionally, the Group closely follows

online traffic trends and has continuously expanded its online sales platform and marketing methods. As a result, Vinda ranked No.1 in tissue sales during Double 11 for 10 consecutive years and achieved outstanding results in personal care products. In the future, the Group will further explore the potential of the E-commerce channel, and strengthen the brands' competitiveness to provide momentum for the Group's sustainable growth.

Vinda has highly emphasised on the environmental and social sustainability and actively fulfilled its public responsibility. During the Year, the Group received numerous ESG awards in recognition of its contribution to sustainable development. Vinda adheres closely to green development concepts. The Group's pulp procurement and sewage discharge strictly meet the environmental protection standards, and are in line with the national goal of "carbon neutrality", fully demonstrating Vinda's responsibility and commitment.

Looking forward to 2023, with ongoing uncertainties and challenges in the business environment, Vinda remains confident about the industry outlook, and will proactively confront and manage the challenges ahead. The full lifting of the lockdown in mainland China, the rapid recovery of economic activities, and the gradual recovery of the consumer market, will support the Group's overall sales performance to obtain further breakthrough. Vinda will actively identify market changes and keep abreast of consumer demand, and actively focus on premiumization strategies and innovative concepts. Meanwhile, the Group will continue to strengthen its product portfolio optimization, brand building, and cost management capabilities, so as to achieve the mission of providing consumers with high-quality products and services, and to forge ahead towards the Group's vision to become Asia's first choice for hygiene products and services.

LI Chao Wang
Chairman

20 January 2023

Chief Executive Officer's Report



2022 was a year of extraordinary business challenges with volatile and complex operating environment. Despite the unprecedented input cost inflation, operational disruptions from COVID-19 related measures and currency swings, Vinda actively overcome the multiple challenges and delivered solid top-line growth in sales income through flexible pricing strategy, premiumization and diversified product portfolio.

With the arrival of post-pandemic era, the personal hygiene awareness of the public has greatly improved. And the constantly upgrading consumption view and diversification of household paper use scenarios drove the increasing demand for premium tissue products. In full recognition of great potentials in tissue market, Vinda continued to make committed investments in product innovation, brand development and commercial capabilities, for further improving our product strategic implementation toward premiumization and diversification. This enables the Group to continuously maintain steady business growth and leading position in the industry. During the Year under review, the total revenue of the Group increased by 4.0% to HK\$19,418 million.

Tissue Business

During the Year, Vinda launched various innovative tissue products and brand marketing campaigns, all of which were well received in the market and boosted the brand awareness and sales volume. The tissue segment continues to maintain the market leading position in mainland China and HKSAR. During the Year, Vinda developed a series of premium tissue products with innovation and conducted digital marketing with emerging e-commerce platforms. This has enabled the Group's premium tissue portfolio to reach double-digit growth in mainland China and further strengthened our market position. In addition, Vinda is always committed to exploring potential opportunities. Our anticipation of the demand for elevated hand hygiene solutions in the mainland China market led to our launch of *Tork QuickDry™* fast-drying hand towels, which delivered robust omni-channel sales within a short time. Vinda's *Tork* products have been well received by customers, and are now present in high-end offices and properties, and "4F" classified international airports across mainland China. This demonstrates the product strength of the Group in professional hygiene market.

Personal Care Business

Vinda's revolutionary innovative technology and marketing strategies have brought high-quality products and experiences to female consumers, which have boosted the rapid growth of the Group's feminine care business. During the Year, Vinda further improved the *Libresse* sales through female-oriented marketing activities, further expanding the market share of the Group's feminine care business, and successfully reached fourth place in the premium sanitary napkin market in mainland China. With the relaxation of the pandemic overseas, the interactive marketing and roadshows of *Libresse* in Malaysia gradually returned to normal, which delivered growth in both brand recognition and sales volume, and further consolidated its leading position.

The ageing demographic shows an important trend in China's social development, and the huge elderly consumer base brings extensive development opportunities for the Group's incontinence care business. In mainland China, Vinda has built over 300 *TENA* Experience Health Centres to engage target customers and boost offline and online sales. And in Malaysia and Singapore, the Group continued to lead the incontinence care market. The Group will continue to capture opportunities arising from demographic changes, strengthen the layout of incontinence care business in our main business areas, and drive sustainable profits growth.

Chief Executive Officer's Report

Southeast Asia contributed major revenue to the Group's baby care business, while the famous baby care brand *Drypers* continued to consolidate its No.1 position in Malaysia. During the Year, innovation was a key sales driver and brand awareness booster in several markets, including the launch of exclusive *Drypers x CoComelon* limited edition diapers in Southeast Asia, and the *Libero Friendship* limited edition in South Korea and Chinese Taiwan. Additionally, Vinda hosted several seminars for parents offering parenting guidance and achieved good exposure. The combination of high-quality products with excellent marketing promotion activities generated continuous sales and market share development for our baby care business.

E-commerce business

While channel revolution continues to accelerate, Vinda regards e-commerce business as a strong driver of the Group's growth. Through collaboration with various e-commerce platforms, *Vinda* and *Tempo* received the best annual e-commerce sales to date and achieved outstanding performance during Double 11, as top sales tissue brand for 10 consecutive years. The Group's e-commerce sales also recorded an organic growth¹ of 16.7% during the Year, accounting for 44% of the total sales. As an industry leader in e-commerce sales, Vinda is committed to expanding our online marketing cooperation platform, actively enhancing the Group's competitive advantages in e-commerce, and continuously increasing market penetration.

Allocation, optimisation and upgrade of production capacity

In order to meet the increased market demand of premium tissue product, the designed capacity for tissue reached 1,390,000 tons by the end of the Year, including the capacity expansion of tissue production in South and East China.

At the end of the Year, first phase of the Group's new SEA headquarters in Malaysia was officially put into operation, which is the Group's first innovation centre outside of China. Located on 30 acres of land, the new regional hub incorporates digital transformation and sustainability with state-of-the-art production, as well as warehousing and distribution facilities to expand the Group's production efficiency. The completion of new SEA regional hub, which marks a higher level of production and sales synergies, will help the Group to accurately meet consumer demand in the Southeast Asian market and provide strong support for stable growth in our overseas market expansion.

Recognition of our sustainable development

Vinda has maintained its strong commitment to sustainable development all across the Group. The Group accelerated the sustainable operations through green finance, which was fully recognized by the Hong Kong Quality Assurance Agency's 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. Additionally, the Group fulfilled its sustainable development objectives during the Year, and received numerous awards and recognitions in different areas, 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. The Group will continue to actively participate in and improve our corporate governance, social responsibility, and environmental protection, so as to achieve long-term value returns with sustainable development.

In addition, during the Year, the Group actively participated in various social welfare activities, reaching out to the local community to provide material support and assistance to the disabled, underprivileged families, nursing homes, children's homes and other groups, as well as spreading the proper health and scientific care knowledge. In response to the pandemic, the Group also actively participated in donations to support the pandemic and fully fulfilled its corporate social responsibility.

Outlook

Going into 2023, business environment will still be challenging as uncertainty, complexity and inflationary effect are likely to remain. With the full lifting of COVID-19 restrictions in China, consumer confidence is expected to rebound. Vinda will fully leverage its advantages in product innovation and market execution for the tissue segment to further strengthen our market leading position. And we will continue to make committed investment for our personal care business to support the sales growth and share momentum. With flexible and disciplined pricing actions, continuous mix improvement and operation efficiency enhancement, the Group is confident that we are on the right track towards sustainable and profitable growth.

Looking ahead, Vinda will adhere to its vision of "To become Asia's first choice for hygiene products and services", be closely aware of the changes in consumer demand, drive the growth by high quality products and services and deliver even greater value to our shareholders and stakeholders in 2023 and beyond.

Remark

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

LI Jielin
Chief Executive Officer

20 January 2023

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, Vinda International Holdings Limited (“**Vinda**” or the “**Company**”) and its subsidiaries (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 ended 31 December 2022 (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.



Sun Li

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 pts 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 ratio² 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 of Directors of the Company (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 growth 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-19 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 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, 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 (the highest class assigned to large-scale airports capable of handling wide-body aircraft) in China.



Management Discussion and Analysis

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 customers 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 98% 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.

Management Discussion and Analysis

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 31 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 31 December 2022*

⁶ *Source: Kantar Worldpanel, sales value year-to-date at 31 December 2022*

⁷ *Source: Kantar Worldpanel, sales value year-to-date at 31 December 2022*

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).

For further details of the Group's borrowings as at 31 December 2022, please refer to Note 19 to the consolidated financial statements.

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 ("**Shareholders**") 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 31 December 2022 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, it is expected that the final dividend will be paid on or about 8 June 2023 to Shareholders whose names appear on the register of members of the Company on 25 May 2023.

Biographies of Directors and Senior Management



Biographies of Directors

Executive Directors

1. Mr. LI Chao Wang (李朝旺), aged 64, is a founder of the Group. Mr. LI was appointed as an Executive Director on 17 August 1999 and has become the Chairman of the Board since 28 April 2000. In his current capacity, he spearheads overall corporate development and strategic planning of the Company. Formerly, until January 2010, he also acted as the Chief Executive Officer of the Group. Mr. LI has over 30 years of experience in the household paper industry and executive business management. He was honoured with the “Ernst and Young Entrepreneur of the Year 2011 China”. Mr. LI is currently the Vice Chairperson of China National Household Paper Industry Association, Consultant to China Paper Industry Chamber of Commerce, a member of Jiangmen Political Consultative Committee and Honorary President of Jiangmen Federation of Industry and Commerce. Mr. LI graduated from the Business Administration program of Guangdong Radio and Television University. Mr. LI is the father of Ms. LI Jielin.

2. Ms. YU Yi Fang (余毅昉), aged 68, is a co-founder of the Group. Ms. YU was appointed as an Executive Director on 1 February 2000 and further appointed as the Vice Chairman of the Board in January 2010 responsible for strategic development. Ms. YU was formerly the Chief Operating Officer of the Group. She has over 30 years of corporate administration and financial management experience in China’s household paper industry. Ms. YU graduated from the Accounting Program of Guangdong Radio and Television University.

3. Ms. LI Jielin (李潔琳), aged 36, was appointed as Executive Director on 1 October 2015 and as Chief Executive Officer with effect from 1 October 2020. She was the Deputy Chief Executive Officer between 1 October 2015 and 30 September 2020. Ms. LI had been the Chief Human Resources Officer from 10 July 2015 to 30 September 2020 and President, North Asia from 1 April 2016 to 30 September 2020. Ms. LI joined the Group in 2012 as the Managing Director of Vinda Household Paper (Australia) Limited and the Business Development Manager of the Company, and she has been responsible for overseas business development. She was the Group’s Chief Strategy Officer from November 2014 to September 2015 and the Managing Director of Vinda Household Paper (Australia) Limited from March 2012 to September 2015. Prior to joining the Group, she worked in Orient Capital in Australia as a Client Relations Manager of Southeast Asia Division and subsequently as a Client Relations Manager of Asia Division. Ms. LI graduated from Macquarie University in 2008 with combined bachelor degrees in Accounting and Business Administration. Ms. LI is the daughter of Mr. LI Chao Wang.

4. Mr. DONG Yi Ping (董義平), aged 59, was appointed as an Executive Director on 1 February 2000. Currently, Mr. DONG is also Chief Technology Officer – mainland China. Mr. DONG joined Vinda Paper (Guangdong) Company Limited in 1992. Mr. DONG has over 30 years of experience in equipment operations and safety, quality control, and research and development. Prior to joining the Group, he held several positions in two other paper manufacturing companies. Mr. DONG graduated from the Paper Manufacturing program of Tianjin University of Science and Technology (previously Tianjin Institute of Light Industry) in 1991 with a master’s degree in Engineering.

Biographies of Directors and Senior Management

Non-Executive Directors

5. Mr. Jan Christer JOHANSSON, aged 68, was appointed as a Non-Executive Director on 1 January 2014 and as the Vice Chairman of the Board on 1 January 2015. Mr. JOHANSSON was the President and Chief Executive Officer of Svenska Cellulosa Aktiebolaget ("**SCA**"), from 2007 to February 2015. Prior to joining SCA, from 2001 to 2007, Mr. JOHANSSON was the President and Chief Executive Officer of Boliden AB, a metals company with core competence in the fields of exploration, mining, smelting and metals recycling. In 2001, Mr. JOHANSSON served as the President of Network Operations in Telia AB. From 1994 to 2000, Mr. JOHANSSON was the Executive Vice President of Vattenfall and, before that from 1990, the Business Area President of Svenska Shell. Mr. JOHANSSON has taken up professional roles like General Counsel in Shell International Petroleum, Svenska Shell and Lycksele and Sunne district courts from 1983 to 1990. Currently, Mr. JOHANSSON is the Chairman of Serneke Group AB (publ), Midsummer AB (publ), Novedo Holding AB (publ) and Organoclick AB (publ) and director of Kährs BondCo AB (publ). Mr. JOHANSSON has a master's degree in Laws from Stockholm University, Sweden.

6. Mr. Carl Magnus GROTH, aged 59, was appointed as a Non-Executive Director on 1 July 2015. Mr. GROTH is the President and Chief Executive Officer of Essity Aktiebolag (publ) ("**Essity**"), a leading global hygiene and health company, dedicated to improving well-being through leading hygiene and health solutions. Essity is the Company's controlling shareholder and is a company listed on NASDAQ OMX Stockholm. Before that, Mr. GROTH was the President and Chief Executive Officer of SCA. Mr. GROTH joined SCA in 2011 as President, SCA Consumer Goods Europe (a business unit of SCA). Mr. GROTH also has extensive experience among other things as Chief Executive Officer of Studsvik AB, a company listed on the Stockholm Stock Exchange, Senior Vice President of Vattenfall AB. Mr. GROTH received a master of Science in Economics and Business from the Stockholm School of Economics and a master of Science in Avionics and Naval Technology from Royal Institute of Technology in Stockholm.

7. Mr. Carl Fredrik Stenson RYSTEDT, aged 59, was appointed as a Non-Executive Director on 1 March 2017. He had been the alternate director to Mr. Ulf Olof Lennart SODERSTROM from 18 April 2016 to 28 February 2017. Mr. RYSTEDT is the Executive Vice President and Chief Financial Officer of Essity, a leading global hygiene and health company, dedicated to improving well-being through leading hygiene and health solutions. Before that, Mr. RYSTEDT was the Executive Vice President and Chief Financial Officer of SCA from 2014 to 2017. Prior to joining SCA, from 2008 to 2012, Mr. RYSTEDT was the Executive Vice President and Chief Financial Officer of Nordea Bank AB (publ) and the Country Senior Executive of Nordea Sweden. From 2001 to 2008, Mr. RYSTEDT was the Senior Vice President and Chief Financial Officer of Electrolux Group. Mr. RYSTEDT was the Chief Financial Officer of Sapa Group from 2000 to 2001 and was the head of business development of Sapa Group from 1998 to 1999. He is a Director in Vattenfall AB since 2017. Mr. RYSTEDT has a master of Science in Business and Economics from the Stockholm School of Economics.

Biographies of Directors and Senior Management

8. Mr. Johann Christoph MICHALSKI, aged 56, was appointed as a Non-Executive Director with effect from 1 October 2020. Mr. MICHALSKI was appointed as a Non-Executive Director of the Group in 2008 and was subsequently appointed as Executive Director and Chief Executive Officer of the Group between 1 October 2015 and 30 September 2020. Since 1 November 2020, Mr. MICHALSKI has been the President and CEO of BillerudKorsnäs, a company listed on Nasdaq Stockholm. He has over 20 years of experience in leadership roles in business development and strategy, consumer marketing and product innovation in the consumer goods industry. Mr. MICHALSKI had been the President of SCA Global Hygiene Category overseeing the global marketing and research and development and the President of SCA's Asia Pacific business unit based in Shanghai, China. Prior to joining SCA, he had held a number of senior management positions in a New Zealand dairy group, Fonterra, as well as a global FMCG company, Unilever. Mr. MICHALSKI has a master's degree in Economics from Kiel University, Germany. From January 2020 to November 2020, Mr. MICHALSKI was nominated as Honorary Representative of the Free and Hanseatic City of Hamburg for Pearl River Delta/South China under the HamburgAmbassador programme.

Alternate Directors

9. Mr. Gert Mikael SCHMIDT, aged 62, was appointed as the Alternate Director to Mr. JOHANSSON and Mr. GROTH on 1 January 2014. Mr. SCHMIDT is the Senior Vice President and General Counsel of Essity. Before that, Mr. SCHMIDT was the Senior Vice President and General Counsel of SCA. He has extensive experience from being Director of the Board in companies around the world. Mr. SCHMIDT joined SCA in 1992 as Assistant General Counsel and has experience among other things as Vice President and General Counsel of SCA Packaging in Belgium and SCA Forest Products in Sweden respectively from 1994 to 2012. From 1986 to 1992, Mr. SCHMIDT held different positions in the legal profession. He has a master's degree in Laws from Uppsala University, Sweden.

10. Mr. Dominique Michel Jean DESCHAMPS, aged 59, was appointed as the Alternate Director to Mr. RYSTEDT on 25 October 2019. Mr. DESCHAMPS is the Vice President of Global Category-Professional Hygiene in Essity. Before that, he was the Vice President of Consumer Tissue Global Hygiene Category in Essity. Mr. DESCHAMPS has over 20 years of experience in management. Prior to his role in Essity, Mr. DESCHAMPS was the Vice President of Market and Business Development (Away from Home) at SCA. Before this, he was President of the Europe Middle-East Africa Away From Home Division of Georgia-Pacific (acquired by SCA in 2012). He also held various positions in general management, supply chain, manufacturing planning as well as strategic planning at Georgia-Pacific LLC. Mr. DESCHAMPS also gained experience by working as Product Manager, Financial Controller and Management Accountant at Lafarge S.A.. Mr. DESCHAMPS holds a bachelor degree in Business Administration from ESC Saint-Etienne in France.

Biographies of Directors and Senior Management

Independent Non-Executive Directors

11. Mr. TSUI King Fai (徐景輝), aged 73, was appointed as an Independent Non-Executive Director on 19 June 2007. Mr. TSUI has over 40 years of experience in accounting, finance and investment management, particularly in investments in the PRC. He worked for two of the Big Four audit firms in the United States and the HKSAR and served in various public listed companies in the HKSAR in a senior capacity. Mr. TSUI is currently acting as an Independent Non-Executive Director of Lippo Limited (Stock code: 226), Hongkong Chinese Limited (Stock code: 655) and Newton Resources Ltd (Stock code: 1231), all listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). He was a Director and Senior Consultant of WAG Worldsec Corporate Finance Limited, a registered financial services company in the HKSAR. He graduated from the University of Houston, Texas, the United States and holds a master of Science in Accountancy degree and a bachelor of Business Administration degree with first class honors. Mr. TSUI is a fellow of the Hong Kong Institute of Certified Public Accountants, a member of the Chartered Accountants Australia and New Zealand and a member of the American Institute of Certified Public Accountants.

12. Mr. WONG Kwai Huen, Albert (王桂壠), aged 71, SBS, BBS, JP., was appointed as an Independent Non-executive Director on 1 September 2014. Mr. WONG holds a bachelor of arts degree from The Chinese University of Hong Kong and a bachelor of laws degree from the University of London. He is admitted as a solicitor in the HKSAR, the United Kingdom, Australia and Singapore. He is a China-Appointed Attesting Officer. Mr. WONG is currently the independent non-executive director of Hua Hong Semiconductor Limited (Stock code: 1347) and NWS Holdings Limited (Stock code: 659) and was the independent non-executive director of China Oilfield Services Limited (Hong Kong Stock code: 2883; Shanghai Stock code: 601808) until June 2022, all listed on the Main Board of the Stock Exchange. He has been the managing partner of the China region for 15 years in two international law firms. Prior to that he worked for the Lands Department, Department of Justice and Legislative Council of the Hong Kong SAR Government for 10 years in total. Since 2011, Mr. WONG has been appointed as board member of the Airport Authority Hong Kong, Hospital Authority, Hong Kong Mortgage Corporation Limited and the Competition Commission. He is the Honorary Chairman of Hong Kong International Arbitration Centre. He is currently the Chairman of Hong Kong Inland Revenue Board of Review and a director and the Chairman of HKBU Chinese Medicine Hospital Company Limited. He was also the past Chairman of Hong Kong Copyright Tribunal, former President of the Law Society of Hong Kong and Inter Pacific Bar Association and council member of Hong Kong Institute of Directors. Mr. WONG was admitted to the Roll of Honour of the Law Society of Hong Kong in August 2022. In addition, Mr. WONG is the Honorary Adviser of Hong Kong Business Accountants Association. Mr. WONG holds the posts of honorary lecturer, external examiner, Adjunct Professor and Professor of Practice in the University of Hong Kong, The Chinese University of Hong Kong, City University of Hong Kong, The Hang Seng University of Hong Kong and Hong Kong Shue Yan University.

Biographies of Directors and Senior Management

13. Mr. LAW Hong Ping, Lawrence (羅康平), aged 68, was appointed as an Independent Non-Executive Director with effect from 1 November 2020. Mr. LAW has over 30 years of management experience in banking and property leasing. Mr. LAW has been a non-executive director of HKMC Insurance Limited, a company principally engaged in mortgage insurance and loan guarantee business, since June 2019. Mr. LAW started his career as a planner in China Light and Power Co. Ltd. (now CLP Power Hong Kong Limited) and was involved in tariff and long-term planning on electricity power in the HKSAR. He then worked for 23 years with HSBC and held various management positions covering a spectrum of activities of the bank. Mr. LAW's last position with HSBC was head of banking services, being the business and products head for key banking products, from June 2003 to March 2006. Mr. LAW subsequently joined Bank of China (Hong Kong) Limited as general manager for retail banking from April 2006 to December 2009 and later joined Sino Land Company Limited as an associate director for leasing matters from October 2010 to June 2012. Mr. LAW was an external supervisor of Ping An Bank between 2010 and early 2014. He was an independent non-executive director of China Oilfield Services Limited (Hong Kong stock code: 2883; Shanghai stock code: 601808) from May 2014 to May 2020. Mr. LAW graduated from the Middlesex Polytechnic University, UK with a Bachelor's degree in Social Science, major in Economics, and obtained a Master's degree in Econometrics from Queen Mary College of the University of London, UK in 1980.

14. Dr. CAO Zhenlei (曹振雷), aged 63, was appointed as an Independent Non-Executive Director with effect from 31 August 2022. Dr. CAO is a senior research scientist with more than 30 years of experience in research and management in the pulp and paper industry in China. Dr. CAO has been serving as the president of China Technical Association of Paper Industry since May 2019 and a director of China National Household Paper Industry Association since September 1999. Dr. CAO was an independent non-executive director of the Company from June 2007 to June 2014. He also served as a director of China National Pulp and Paper Research Institute from October 1998 to September 2009, vice president of Sinolight Corporation from December 2003 to June 2019, vice chairman of China Paper Association from March 2000 to April 2009 and vice president of China Paper Industry Chamber of Commerce from July 2006 to November 2012. Dr. CAO holds a bachelor's degree from South China University of Technology with a specialization in the pulp and paper industry in 1981, a master's degree in paper making from the Light Industry Institute of Science and Technology in 1984, a Ph.D. in chemical engineering from the University of Saskatchewan in 1993 and an Executive M.B.A. from Peking University's Guanghua School of Management in 2005.

Biographies of Directors and Senior Management



Biographies of Senior Management

15. Mr. ZHANG Jian (張健), aged 51, is the Deputy CEO of the Group. He joined the Group in 1992. He has served as a Manager in the production, marketing, and procurement departments, and Deputy General Manager, General Manager, Chief Operating Officer and President, mainland China. Mr. ZHANG is the Vice President of China Paper Industry Chamber of Commerce, Vice President of China National Household Paper Industry Association and Vice President of Guangdong Paper Association. He graduated from Wuyi University in Electronic Technology.

16. Ms. TAN Yi Yi (譚奕怡), aged 41, is the Chief Financial Officer of the Group. Ms. TAN was appointed as the Deputy Financial Officer on 15 September 2014 and was appointed as the Company Secretary on 11 September 2013. Ms. TAN began her career in audit in one of the Big Four international accountancy firms. After that, Ms. TAN pursued her career in various public enterprises and gained extensive experience in finance and listing work. She joined the Company in 2012 and has served as the Director of Corporate Finance, Acting Chief Financial Officer and Company Secretary. Ms. TAN holds a bachelor's degree from the University of Auckland, New Zealand and an MBA from the University of Hong Kong. Ms. TAN is also a fellow member of the Association of Chartered Certified Accountants in the United Kingdom.

Biographies of Directors and Senior Management

17. Ms. WANG Bo (王波), aged 49, is the Chief Operating Officer of the Group. Ms. WANG joined the Group in 1997 and has served as the General Manager of the quality control and development division, Plant Manager and Regional Chief Operating Officer. She has extensive experience in production management. Ms. WANG is the Executive Vice President of Guangdong Technical Association of Paper Industry, a committee member of the China Standardization Technical Committee of Papermaking Industry (TC141) and Vice Chairperson of Tissue and Cardboard Technical Subcommittee of the China Standardization Technical Committee of Papermaking Industry (T141/SC5). Ms. WANG holds a bachelor's degree in Chemical Processing of Forest Products from the Beijing Forestry University and a doctoral degree in Engineering from the South China University of Technology.

18. Mr. HU Yong Jin (胡永進), aged 49, is the President, Business Development and Strategy of the Group. Mr. HU previously held the position of Chief Sales Officer of the Group and President, Sales-mainland China and President – mainland China. He joined the Group in October 1998 and served sequentially as a branch Manager as well as the Deputy General Manager and General Manager of the Group and the Executive Vice President (sales of southern region) and Senior Vice President of Sales & Marketing of the Group. Mr. HU graduated from Anhui Institute of Technology in 1996 with a bachelor majoring in Automobile Design and Manufacturing.

19. Mr. TANG Hai Tang (湯海棠), aged 51, is the President – mainland China of the Group. Mr. TANG previously held the position of Chief Marketing Officer and President, Market of the Group, responsible for the marketing management of the four major product categories, namely tissue, incontinence care, feminine care and baby care, as well as e-commerce divisions in mainland China. He joined the Group in August 1995 and served as branch Deputy General Manager, Sales Director, Marketing Director and Executive Vice President (marketing & media) and Senior Vice President of Sales & Marketing of the Group etc. Mr. TANG graduated from South China University of Technology in Biochemistry in 1994.

20. Mr. HE Huixian Alfred (何惠獻), aged 48, is President – North Asia of the Group. Mr. HE joined the Group in January 1997 and has taken various managerial roles including the Executive Vice President (Domestic Sales) and Vice President Sales, Hong Kong & Export, North Asia. He graduated from Anhui Finance and Trade College (currently named Anhui University of Finance and Economics) with a major in Trade and Economics in 1996.

Biographies of Directors and Senior Management

21. Ms. SU Ting Nee (徐珍妮), aged 52, is President – Southeast Asia of the Group who joined the Group in April 2016. Ms. SU joined SCA in 1999 and has assumed numerous senior management roles in extensive areas across the company. Ms. SU was initially responsible for quality and R&D management, and later took on the regional role of Business Strategy Director in 2006. From 2010, she served as Commercial Director for markets including Malaysia, Singapore, Philippines and Indonesia. Ms. SU was appointed to Vice President of Southeast Asia in 2014, and has been instrumental in shaping the continued growth and development of the company's business in Southeast Asia over the last 16 years. Prior to SCA, Ms. SU worked for several years in production management. Ms. SU holds a master's degree in Industrial Engineering & Management, and bachelor's degree in Management Information Systems, both from the Oklahoma State University, United States.

22. Mr. OU YANG He Ping Michael (歐陽和平), aged 57, is President – Human Resources of the Group. Mr. OU YANG re-joined the Group in October 2020. He has rich experience in human resources management in his previous careers. He holds a MBA degree from Murdoch University of Australia and a Bachelor of Arts degree from Xiangtan University. He served as Chief Human Resources Officer of the Group from 2011 to 2015.

23. Ms. ZHANG Cui Ling (張翠玲), aged 54, is the Director of Internal Control of the Group. Ms. ZHANG graduated from Guangdong Mechanical College in industrial management engineering with a bachelor's degree in Engineering, and holds an MBA degree of Wuhan University of Technology. She is also a Certified Internal Auditor (CIA) and holds a Certification in Risk Management Assurance (CRMA) of the Institute of Internal Auditors (IIA). She joined the Group in July 1991 and has served as the branch Manager of finance, purchasing logistics, quality control, and administration departments.

The Board is pleased to present herewith the corporate governance report of the Company for the Year.

Corporate Governance

The Company is committed to maintaining a high standard of corporate governance practices by emphasizing a quality board of directors, sound internal control, transparency and accountability to all of the Shareholders. 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 on the Stock Exchange (the “**Listing Rules**”) as its own code of corporate governance. The Company has applied the principles of the CG Code on the Company’s corporate governance structure and operation in the manner as stated in this annual report. For the Year, the Company has complied with all the code provisions set out in the CG Code.

Directors’ Securities Transactions

The Company has adopted a code for securities transactions by directors of the Company (the “**Code of Conduct**”) on terms no less exacting than the required standard of the Model Code for Securities Transactions 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 of the Company (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.

Board of Directors

Composition

The Board comprises twelve Directors, four of which are Executive Directors, four are Non-Executive Directors and four are Independent Non-Executive Directors. The members of the Board as at the date of this annual report (i.e. 20 January 2023) are as follows:

Executive Directors

Mr. LI Chao Wang (Chairman)
Ms. YU Yi Fang (Vice Chairman)
Ms. LI Jielin (Chief Executive Officer)
Mr. DONG Yi Ping (Chief Technology Officer)

Non-Executive Directors

Mr. Jan Christer JOHANSSON (Vice Chairman)
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 (appointed with effect from 31 August 2022)

Alternate Directors

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

Corporate Governance Report

The Board formulates overall strategies and policies of the Group. It also ensures the availability of adequate capital and managerial resources to implement the strategies adopted, the adequacy of systems of financial and internal control and the conduct of business in conformity with applicable laws and regulations. The Board members are fully committed to their roles and have always acted in the best interests of the Group and its Shareholders at all times. There is no financial, business, family or other material/relevant relationship amongst Directors, except for the fact that Ms. LI Jielin is the daughter of Mr. LI Chao Wang. The Directors' biographical information is set out on pages 22 to 27 under the section headed "Biographies of Directors and Senior Management" of this annual report.

Board meetings are held regularly at approximately quarterly intervals and also held on ad hoc basis as required by business needs. Regular and ad hoc Board meetings are attended by a majority of the Directors in person or through other electronic means of communication. During the Year, the Board held a total of 5 regular and ad hoc Board meetings.

During the Year, the Company convened an annual general meeting.

The attendance of each member at the Board meetings and general meeting is set out below. Figures in brackets indicate maximum number of meetings held in the period in which the individual was a Board member.

Directors	Number of regular and ad hoc Board meetings attended	Number of general meeting attended
Executive Directors		
Mr. LI Chao Wang (Chairman)	5 (5)	1 (1)
Ms. YU Yi Fang (Vice Chairman)	4 (5)	1 (1)
Ms. LI Jielin (Chief Executive Officer)	5 (5)	1 (1)
Mr. DONG Yi Ping (Chief Technology Officer)	5 (5)	1 (1)
Non-Executive Directors		
Mr. Jan Christer JOHANSSON (Vice Chairman)	5 (5)	1 (1)
Mr. Carl Magnus GROTH	5 (5)	1 (1)
Mr. Carl Fredrik Stenson RYSTEDT	5 (5)	1 (1)
Mr. Johann Christoph MICHALSKI	4 (5)	1 (1)
Mr. Gert Mikael SCHMIDT (alternate to Mr. JOHANSSON and Mr. GROTH)	5 (5)	1 (1)
Mr. Dominique Michel Jean DESCHAMPS (alternate to Mr. RYSTEDT)	5 (5)	1 (1)
Independent Non-Executive Directors		
Mr. TSUI King Fai	5 (5)	1 (1)
Mr. WONG Kwai Huen, Albert	5 (5)	1 (1)
Ms. LEE Hsiao-yun Ann (resigned on 31 August 2022)	3 (3)	1 (1)
Mr. LAW Hong Ping, Lawrence	5 (5)	1 (1)
Dr. CAO Zhenlei (appointed with effect from 31 August 2022)	2 (2)	0 (0)

Chairman of the Board and Chief Executive Officer (“CEO”)

The Chairman of the Board is Mr. LI Chao Wang and the CEO of the Company is Ms. LI Jielin. The roles of the Chairman of the Board and the CEO of the Company are segregated to ensure their respective independence, accountability and responsibility. The major duties of the Chairman are to provide leadership to the Board and spearhead overall corporate development and strategic planning whilst the CEO is responsible for implementing the decisions and strategy approved by the Board and managing day-to-day operations of the Group with the support of the Executive Directors.

Executive Directors

The Executive Directors are responsible for running the Group and executing the strategies adopted by the Board. They lead the Group’s management team in accordance with the directions set by the Board and are responsible for ensuring that proper internal control system is in place and the Group’s business conforms to applicable laws and regulations.

Non-Executive Directors

The Non-Executive Directors provide a wide range of expertise and experience and bring independent judgement on issues relating to the Group’s strategies, development, performance and risk management through their contribution at the Board and committee meetings.

Independent Non-Executive Directors

The Independent Non-Executive Directors serve the important function of ensuring and monitoring the basis for an effective corporate governance framework. Their participation provides adequate checks and balances to safeguard the interests of the Group and its Shareholders including the review of continuing connected transactions described below. The Board consists of four Independent Non-Executive Directors and two of them have appropriate professional qualifications or accounting or related financial management expertise. The Board confirms that the Company has received from each of the Independent Non-Executive Directors a confirmation of independence for the Year pursuant to Rule 3.13 of the Listing Rules and considers such Directors to be independent.

Appointments, Re-election and Removal of Directors

Each of the Executive Directors, Non-Executive Directors and Independent Non-Executive Directors has entered into a service contract or letter of appointment with the Company for a specific term. The Non-Executive Directors and Independent Non-Executive Directors have been appointed for a term of 3 years and may be extended for such period as the Company and the respective Director agree in writing. The term of appointment of each Director is subject to retirement by rotation and re-election at each annual general meeting in accordance with the articles of association of the Company (the “Articles”) and the Listing Rules.

Under the Articles, one-third of all Directors (whether Executive or Non-Executive) is subject to retirement by rotation and re-election at each annual general meeting provided that every Director shall be subject to retirement at least once every three years. A retiring Director is eligible for re-election and continues to act as a Director throughout the meeting at which he/she retires.

Corporate Governance Report

The Articles provide that any Director appointed by the Board, either to fill a casual vacancy in the Board or as an addition to the existing Board, shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

Shareholders may, at any general meeting convened and held in accordance with the Articles, remove a Director at any time before the expiration of his/her period of office notwithstanding anything to the contrary in the Articles or in any agreement between the Company and such Director.

Board's Independence

The Company has established the following mechanisms to ensure independent views and input are available to the Board:

(i) Composition of the Board and Board Committees

- The Board endeavours to ensure the appointment of at least three and at least one-third of its members being Independent Non-Executive Directors (or such higher threshold as may be required by the Listing Rules from time to time).
- Apart from complying with the requirements prescribed by the Listing Rules as to the composition of certain Board committees, Independent Non-Executive Directors will be appointed to other Board committees as far as practicable to ensure independent views are available.

(ii) Independence Assessment

- The Nomination Committee must strictly adhere to the Nomination Policy and the independence assessment criteria as set out in the Listing Rules with regard to the nomination and appointment of Independent Non-Executive Directors.
- Each Independent Non-Executive Director is also required to inform the Company as soon as practicable if there is any change in his/her own personal particulars that may materially affect his/her independence.
- The Nomination Committee is mandated to assess annually the independence of all Independent Non-Executive Directors by reference to the independence criteria as set out in the Listing Rules to ensure that they can continually exercise independent judgement.

(iii) Compensation

- No equity-based remuneration (e.g. share options or grants) with performance related elements will be granted to Independent Non-Executive Directors as this may lead to bias in their decision making and compromise their objectivity and independence.

(iv) Board Decision Making

- Independent Non-Executive Directors (as other Directors) are entitled to seek further information and documentation from the management on the matters to be discussed at Board meetings. They can also seek assistance from the Company Secretary of the Company and, where necessary, independent advice from external professional advisers at the Company's expense.

- Independent Non-Executive Directors (as other Directors) shall not vote or be counted in the quorum on any board resolution approving any contract or arrangement in which such Director or any of his/her close associates has a material interest.
- The chairman of the Board shall at least annually hold meetings with the Independent Non-Executive Directors without the presence of other Directors to discuss major issues and any concerns.

The Board will monitor the implementation and effectiveness of the above mechanisms annually to ensure the Board has a balance of skills, independent views and input are available to the Board.

Delegation by the Board

The Board reserves for its decision on all major matters of the Company, including: approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters. Directors could have recourse to seek independent professional advice in performing their duties at the Company's expense and are encouraged to access and to consult with the Company's senior management independently.

The daily management, administration and operation of the Group are delegated to the Executive Committee and the senior management. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by the management.

Company Secretary

Ms. TAN Yi Yi was appointed as the Company Secretary of the Company on 11 September 2013. The biographical details of Ms. TAN are set out under the section headed "Biographies of Directors and Senior Management".

In accordance with Rule 3.29 of the Listing Rules, Ms. TAN has taken no less than 15 hours of relevant professional training during the Year.

Corporate Governance Functions

No corporate governance committee has been established by the Company and the Board is responsible for performing the corporate governance functions such as developing and reviewing the Company's policies and practices on corporate governance and code of conduct applicable to employees and Directors, reviewing and monitoring training and continuous professional development of Directors and senior management and the Company's policies and practices on compliance with legal and regulatory requirements, as well as reviewing the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

Continuous Professional Development

Each newly appointed Director is provided with necessary induction and information to ensure that he/she has a proper understanding of his/her responsibilities and duties under the relevant statutes, laws, rules and regulations.

Corporate Governance Report

During the Year, the Company Secretary provided all the Directors with the latest information on the Listing Rules and other applicable requirements, so as to update and strengthen the Directors' awareness of the development of corporate governance, and maintained records of training participated by the Directors. The means of such training are as follows:

Name of Directors	Reading Materials	Seminars/talks/ training courses	Induction Training
Executive Directors			
Mr. LI Chao Wang	✓	✓	
Ms. YU Yi Fang	✓	✓	
Mr. DONG Yi Ping	✓	✓	
Ms. LI Jielin	✓	✓	
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	✓	✓	
Ms. LEE Hsiao-yun Ann (resigned on 31 August 2022)	✓		
Mr. LAW Hong Ping, Lawrence	✓	✓	
Dr. CAO Zhenlei (appointed with effect from 31 August 2022)	✓	✓	✓
Alternate Directors			
Mr. Gert Mikael SCHMIDT (alternate to Mr. JOHANSSON and Mr. GROTH)	✓	✓	
Mr. Dominique Michel Jean DESCHAMPS (alternate to Mr. RYSTEDT)	✓	✓	

All the Directors read materials relevant to the Company's business or to their duties and responsibilities.

All the Directors understand the importance of continuous professional development and are committed to participating in any suitable training to develop and refresh their knowledge and skills.

Directors' Liability Insurance

Appropriate insurance cover has been arranged by the Company in respect of legal action against its Directors.

The Board Committees

Remuneration Committee

The Company established its Remuneration Committee on 19 June 2007. The Board has adopted the terms of reference for the Remuneration Committee which are in line with the code provisions set out in the CG Code. As at the date of this annual report, 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. The Remuneration Committee 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. Details of remuneration of the Directors and senior management for the Year are set out in Note 32(b)(9) and Note 34 to the consolidated financial statements.

During the Year, the Remuneration Committee held 2 meetings. The Remuneration Committee reviewed the remuneration policy of the Company and the remuneration of Directors and senior management and made recommendations to the Board on the remunerations of Directors and senior management, taking into account factors, among other things, their performance and responsibilities.

The attendance of each member at the Remuneration Committee meeting during the Year is set out below. Figures in brackets indicate maximum number of meetings held in the period in which the individual was a member of the Remuneration Committee.

Members	Number of meetings attended
Mr. TSUI King Fai	2 (2)
Mr. Jan Christer JOHANSSON	2 (2)
Ms. LEE Hsiao-yun Ann (resigned on 31 August 2022)	2 (2)
Mr. Johann Christoph MICHALSKI	2 (2)
Mr. LAW Hong Ping, Lawrence	2 (2)
Dr. CAO Zhenlei (appointed with effect from 31 August 2022)	0 (0)

Nomination Committee

The Company established its Nomination Committee on 19 June 2007. The Board has adopted the terms of reference for the Nomination Committee which are in line with the code provisions set out in the CG Code. As at the date of this annual report, 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.

During the Year, the Nomination Committee held 3 meetings. The Nomination Committee (i) reviewed the current structure, size, diversity and composition of the Board; (ii) assessed the independence of Independent Non-Executive Directors; and (iii) made recommendations to the Board on the appointment and re-appointment of Directors.

The attendance of each member at the Nomination Committee meeting during the Year is set out below. Figures in brackets indicate maximum number of meetings held in the period in which the individual was a member of the Nomination Committee.

Members	Number of meetings attended
Mr. LI Chao Wang	3 (3)
Mr. Jan Christer JOHANSSON	3 (3)
Mr. WONG Kwai Huen, Albert	3 (3)
Ms. LEE Hsiao-yun Ann (resigned on 31 August 2022)	2 (2)
Mr. LAW Hong Ping, Lawrence	3 (3)
Dr. CAO Zhenlei (appointed with effect from 31 August 2022)	1 (1)

Diversity Policy

The Board has adopted a policy on board diversity ("**Board Diversity Policy**"). Pursuant to the Board Diversity Policy, the Board shall consider the benefits of diversity when it reviews the Board composition. In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience and qualifications, skills, knowledge, length of service and industry and regional experience. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Measurable objectives include (i) at least one Director is female; (ii) at least one third of the Board shall be Independent Non-Executive Directors; and (iii) the Board possesses a balance skills appropriate for the requirements of the business of the Company. Such objectives will be reviewed from time to time to ensure their appropriateness. The Board is mindful of the objectives for the factors as set out above for assessing the candidacy of the Board members, and will ensure that any successors to the Board shall follow the gender diversity policy. For the Year, all items (i) to (iii) have been fulfilled.

The Board comprises twelve Directors, among which, two of them are female. Our senior management comprises nine members, of which four of them are female. The Board and our senior management are also characterized by significant diversity, whether considered in terms of gender, nationality, length of service, professional background and skills.

At the work place level, as at 31 December 2022, the Group had 12,112 employees in total composing of 6,852 male and 5,260 female (i.e. a female-to-male ratio of approximately 43:57), reflecting a gender equality principle generally adhere by the Group. The Group is determined to continue maintain gender diversity and equality in terms of the whole workforce. The Company expects this is achievable with suitable effort in promoting the gender diversity culture, which the Group has been advocating for so.

In terms of the Board's composition, currently, four of the Directors are Independent Non-Executive Directors, thereby promoting critical review and control of the management process. Our Independent Non-Executive Directors are of sufficient caliber and stature for their views to carry weight. The Board has a mix of background and experience in various fields including accounting and finance, legal, management, engineering, as well as pulp and paper industry. These diverse backgrounds, when taken together, could provide the Group with considerable experience in a range of activities.

The Nomination Committee will monitor the implementation of the Board Diversity Policy and review the Board composition under diversified perspectives annually to ensure the Board has a balance of skills, experience and diversity of perspectives appropriate to the needs of the businesses of the Company.

Nomination Policy

The Board has adopted a nomination policy (the "**Nomination Policy**") which sets out the selection criteria and nomination procedures to identify, select and recommend candidates for Directors.

Selection Criteria

When evaluating and selecting candidates for directorships, the members of the Nomination Committee or the Board shall consider the following criteria:

- (a) Character and integrity;
- (b) Qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategies;
- (c) The Board Diversity Policy and any measurable objectives adopted by the Nomination Committee for achieving diversity on the Board;
- (d) Willingness to devote adequate time to discharge duties as a Board member and other directorships and significant commitments;
- (e) In case of Independent Non-Executive Directors, whether the candidates would be considered independent in accordance with the Listing Rules;

Corporate Governance Report

- (f) In case of re-election, the overall contribution and service to the Company of the Director to be re-elected and the level of participation and performance on the Board and the other criteria set out in this section; and
- (g) Such other perspectives appropriate to the Company's business.

These factors are for reference only, and not meant to be exhaustive and decisive. The Nomination Committee has the discretion to nominate any person, as it considers appropriate.

Nomination Procedures

- (a) The Nomination Committee and/or the Board identifies potential candidates including but not limited to internal promotion, re-designation, referral by other member of the management and external recruitment agencies and/or advisors. The Nomination Committee then develops a short list of candidates and agrees on proposed candidate(s);
- (b) Proposed candidate(s) will be asked to submit the necessary personal information, biographical details, together with their written consent to be appointed as a director. The Nomination Committee may request candidates to provide additional information and documents, if considered necessary;
- (c) The Nomination Committee shall, upon receipt of the proposal on appointment of new director and the personal information (or relevant details) of the proposed candidate(s), evaluate such candidate(s) based on the criteria as set out above to determine whether such candidate(s) is qualified for directorship;
- (d) For any person that is nominated by a Shareholder for election as a Director at the general meeting of the Company, the Nomination Committee shall evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship;
- (e) If the process yields one or more desirable candidates, the Nomination Committee shall rank them by order of preference based on the needs of the Company and reference check of each candidate (where applicable);
- (f) The secretary of the Nomination Committee shall convene a meeting of the Nomination Committee. For filling a casual vacancy, the Nomination Committee shall make recommendations for the Board's consideration and approval. For proposing candidates to stand for re-election or election at a general meeting, the Nomination Committee shall make nominations or recommendations for the Board's consideration and the Board shall make recommendations to the Shareholders in respect of the proposed re-election or election of Director(s) at the general meeting;
- (g) In order to provide information of the candidates nominated by the Board to stand for election or re-election at a general meeting, a circular will be sent to the Shareholders. The circular will set out the names, brief biographies (including qualifications and relevant experience), independence, proposed remuneration and any other information, as required pursuant to the applicable laws, rules and regulations including the Listing Rules, of the proposed candidates; and
- (h) The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election or re-election at any general meeting.

Monitor and Review

The Nomination Committee will monitor the implementation of the Nomination Policy and report to the Board when necessary. Also, the Nomination Committee will review the Nomination Policy, as appropriate, to ensure the effectiveness of the Nomination Policy and will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

Audit Committee

The Company established an audit committee (the “**Audit Committee**”) on 19 June 2007. The Board has adopted the terms of reference for the Audit Committee which are in line with the code provisions set out in the CG Code. As at the date of this annual report, 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.

During the Year, the Audit Committee held 3 meetings. The Audit Committee reviewed with the senior management and auditors of the Company the accounting policies and practices adopted by the Group and discussed auditing, the risk management system, internal control system and financial reporting matters. It also reviewed the financial statements of the Company and the Company’s annual and interim reports, the engagement letter from the auditors of the Company and the audit scope and fees for the Year.

The attendance of each member at the Audit Committee meetings during the Year is set out below. Figures in brackets indicate maximum number of meetings held in the period in which the individual was a member of the Audit Committee.

Members	Number of meetings attended
Mr. TSUI King Fai	3 (3)
Mr. WONG Kwai Huen, Albert	3 (3)
Mr. Carl Fredrik Stenson RYSTEDT	3 (3)
Mr. LAW Hong Ping, Lawrence	3 (3)
Mr. Dominique Michel Jean DESCHAMPS (alternate to Mr. RYSTEDT)	3 (3)

Risk Management Committee

The Company established a risk management committee (“**RMC**”) on 8 November 2013. The Board has adopted the terms of reference for the RMC. As at the date of this annual report, the RMC 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 RMC is Mr. Jan Christer JOHANSSON. The principal duties of the RMC 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 the identified key risks, risk register and related risk mitigating actions including crisis management.

Corporate Governance Report

During the Year, the RMC held 2 meetings. The attendance of each member at the RMC meetings during the Year is set out below. Figures in brackets indicate maximum number of meetings held in the period in which the individual was a member of the RMC.

Members	Number of meetings attended
Mr. Jan Christer JOHANSSON	2 (2)
Ms. YU Yi Fang	2 (2)
Mr. TSUI King Fai	2 (2)
Mr. Carl Fredrik Stenson RYSTEDT	2 (2)
Ms. LI Jielin	2 (2)
Mr. Dominique Michel Jean DESCHAMPS (alternate to Mr. RYSTEDT)	2 (2)

Executive Committee

The Company established an executive committee (the “**Executive Committee**”) on 16 October 2015. The Board has adopted the terms of reference for the Executive Committee. As at the date of this annual report, the Executive Committee comprises four members and is chaired by Mr. LI Chao Wang, an Executive Director. The other three members are 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 annual salary increases for senior executives of the Group within the annual budget approved by the Remuneration Committee.

During the Year, the Executive Committee held 12 meetings. The attendance of each member at the Executive Committee meetings is set out below. Figures in brackets indicate maximum number of meetings held in the period in which the individual was a member of the Executive Committee.

Members	Number of meetings attended
Mr. LI Chao Wang	12 (12)
Ms. YU Yi Fang	12 (12)
Mr. DONG Yi Ping	12 (12)
Ms. LI Jielin	12 (12)

Strategic Development Committee

The Company established a strategic development committee (the “SDC”) on 16 October 2015. The Board has adopted the terms of reference for the SDC. As at the date of this annual report, the SDC 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 SDC 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.

During the Year, the SDC held 1 meeting.

The attendance of each member at the SDC meeting during the Year is set out below. Figures in brackets indicate maximum number of meetings held in the period in which the individual was a member of the SDC meeting.

Members	Number of meeting attended
Mr. Jan Christer JOHANSSON	1 (1)
Ms. LI Jielin	1 (1)
Mr. DONG Yi Ping	1 (1)
Mr. Johann Christoph MICHALSKI	1 (1)
Dr. CAO Zhenlei (appointed with effect from 31 August 2022)	1 (1)

Accountability and Audit

Financial Reporting

The Directors acknowledge their responsibility for preparing all information and representations contained in the financial statements for the Year as disclosed in this annual report. The Directors consider that the financial statements have been prepared in conformity with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and reflect amounts that are based on the best estimates and reasonable, informed and prudent judgment of the Board and management with an appropriate consideration to materiality. As at 31 December 2022, the Directors, having made appropriate enquiries, are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group’s and the Company’s ability to continue as a going concern. Accordingly, the Directors have prepared the financial statements on a going concern basis. The statement of the auditors of the Company regarding their responsibilities on the financial statements is set out in the Independent Auditor’s Report on pages 68 to 74 of this annual report.

Corporate Governance Report

Internal Controls

The Board is responsible for overseeing the Company's system of internal control. To facilitate the effectiveness and efficient operations and to ensure compliance with relevant laws and regulations, the Group emphasizes the importance of a sound internal control system which is also indispensable for mitigating the Group's risk exposures. The Group's system of internal control is designed to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage and eliminate risks of failure in operational systems and fulfillment of the business objectives. The internal control system is reviewed on an on-going basis by the Board in order to make it practical and effective in providing reasonable assurance in relation to protection of material assets and identification of business risks. The Board is satisfied that, based on information furnished to it and on its own observations, the present internal controls of the Group are satisfactory. The Group is committed to the identification, monitoring and management of risks associated with its business activities and has implemented a practical and effective control system which includes a defined management structure with limits of authority, a sound cash management system and periodic review of the Group's performance by the Audit Committee and the Board. The Board has conducted review of the effectiveness of the system of internal control and is of the view that the system of internal control adopted for the Year is sound and is effective to safeguard the interests of the Shareholders' investment and the Company's assets.

The Internal Audit Function ("IAF") reports to the Audit Committee and has unrestricted access to the Group's records and personnel. To ensure systematic coverage of all auditable areas and effective deployment of resources, annual internal audit plan has been formulated addressing high risk business processes. This annual internal audit plan, which reflects organizational changes and new business development, is submitted for the Audit Committee's approval after consulting management. The IAF reviews internal controls by (i) evaluating the control environment; (ii) assessing the adequacy of internal controls; and (iii) testing the functioning of key controls through audit sampling. An audit report incorporating control deficiencies and management's rectification plans is issued for each internal audit.

The IAF reports quarterly to the Audit Committee on the results of its internal control systems and status of implementation of follow-up actions on control deficiencies. In addition, the Head of IAF attends Audit Committee meetings held during the Year to report its progress in achieving the audit plan and to give a summary of the results of audit activities during the Year.

Board Responsibilities

The Board is responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and ensuring that the Group establishes and maintains appropriate and effective risk management and internal control systems.

Risk Management

The Group established the RMC on 8 November 2013. The Board has adopted the terms of reference for the RMC. For further information of the RMC, please refer to the section headed "Risk Management Committee" in the Corporate Governance Report on pages 41 to 42 of this annual report. The Corporate Leadership Team ("CLT") which consisting of senior management members has facilitated the RMC in reporting significant risks, material changes and the associated mitigating actions to enhance the accountability and quality of the risk management process.

With the assistance of the CLT, a risk register with risk mitigation actions and risk owners was compiled by taking emerging risks into account for continuous risk assessment purpose. Risk owners are required to take mitigating actions to address the identified risks. Such actions are integrated in the day-to-day activities and their effectiveness is closely monitored. The risk register has been tabled for discussion by the RMC, a summary of the identified key risks and related risk mitigating actions have also been reported to the Board through the RMC members. The summary facilitates the Board in considering the changes in the nature and extent of significant risks, the Group's ability to respond to changes in its business and the external environment, as well as the scope and quality of management's ongoing risk monitoring and related mitigating internal control measures.

Review of Risk Management and Internal Control Effectiveness

Through the RMC and Audit Committee, the Board has conducted annual review of the effectiveness of the Group's risk management and internal control systems for the Year, covering the material financial, operational and compliance controls, and considered the Group's risk management and internal control systems effective and adequate. The Audit Committee has also annually reviewed the adequacy of resources, qualifications, experience and training programs and budget of the Group's internal audit, accounting and financial reporting functions and considered that the staffing is adequate and the staff are competent to carry out their roles and responsibilities.

For the Year, the Board considers that the risk management and internal control systems of the Group are adequate and effective and the Group has complied with the relevant code provisions in the CG Code on internal control.

Handling and Dissemination of Inside Information

The Company has in place a policy on handling and dissemination of inside information ("**Disclosure Policy**") which sets out the procedures and internal controls for handling and dissemination of inside information in a timely manner in such a way so as not to place any person in a privileged dealing position and to allow time for the market to price the listed securities of the Company with the latest available information. This Disclosure Policy also provides guidelines to staff of the Company to ensure proper safeguards exist to prevent the Company from breaching the statutory disclosure requirements. It also includes appropriate internal control and reporting systems to identify and assess potential inside information. Dissemination of inside information of the Company shall be conducted by publishing the relevant information on the websites of the Stock Exchange and the Company, according to the requirements of the Listing Rules.

Auditors' Remuneration

An analysis of the remuneration of the Company's auditors, Messrs. PricewaterhouseCoopers, for the Year is set out as follows:

Services rendered	Fee paid/payable HK\$'000
Audit services	8,786
Non-audit services	1,585

Shareholders' rights

The general meetings of the Company provide an opportunity for communication between the Shareholders and the Board. An annual general meeting of the Company shall be held in each year and at the place as may be determined by the Board. Each general meeting, other than an annual general meeting, shall be called an extraordinary general meeting ("EGM").

Right to convene EGM

Any one or more members holding at the date of the deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company, shall at all times have the right, by written requisition sent to the Board or the Company Secretary, to require an EGM to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition.

The written requisition must state the purposes of the meeting, signed by the requisitionist(s) and deposit it to the Board or the Company Secretary of the Company at the Company's principal place of business at Penthouse, East Ocean Centre, 98 Granville Road, Tsim Sha Tsui East, Kowloon, Hong Kong and such may consist of several documents in like form, each signed by one or more requisitionists.

The request will be verified with the Share Registrar and upon their confirmation that the request is proper and in order, the Company Secretary of the Company will ask the Board to convene an EGM by serving sufficient notice in accordance with the statutory requirements to all the registered members. On the contrary, if the request has been verified is not in order, the Shareholders will be advised of this outcome and accordingly, an EGM will not be convened as requested. If within twenty-one (21) days from the date of the deposit of the proper and orderly requisition the Board fails to proceed to convene such meeting, the requisitionist(s) may convene a meeting in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed by the Company to the requisitionist(s).

The notice period to be given to all the registered members for consideration of the proposal raised by the requisitionist(s) concerned at the EGM varies according to the nature of the proposal, as follows:

- At least 14 clear days' notice in writing (and not less than 10 business days) if the proposal constitutes an ordinary resolution of the Company in EGM;
- At least 21 clear days' notice in writing (and not less than 10 business days) if the proposal constitutes a special resolution of the Company in EGM.

Right to put enquiries to the Board

Shareholders have the right to put enquiries to the Board. All enquiries shall be in writing and sent by post to the principal place of business of the Company in the HKSAR for the attention of the Company Secretary.

Right to put forward proposals at general meetings

There are no provisions allowing shareholders to propose new resolutions at the general meetings under the Cayman Islands Companies Law (2021 Revision). However, shareholders are requested to follow Article 58 of the Articles for including a resolution at an EGM. The requirements and procedures are set out above. Pursuant to Article 88 of the Articles, no person, other than a director retiring at a meeting, shall, unless recommended by the directors for election, be eligible for appointment as a director at any general meeting unless there shall have been lodged at the head office or at the registration office notice in writing signed by a shareholder (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose that person for election as a director and also notice in writing signed by that person of his willingness to be elected as a director. Unless otherwise determined by the directors and notified by the Company to the shareholders, the period for lodgment of the said notices shall be a seven day period commencing on the day after the dispatch of the notice of the general meeting for such election of director(s) and ending on the date falling seven days after the dispatch of the said notice of the general meeting. The written notice must state that person's biographical details as required by Rule 13.51(2) of the Listing Rules. The procedures for Shareholders to propose a person for election as director is posted on the Company's website.

Communication with Shareholders

The Company endeavors to develop and maintain continuing relationships and effective communications with its Shareholders and investors. In an effort to facilitate and enhance the relationships and communication, the Company has established a shareholders' communication policy (the "**SCP**"), summary of which is set out below.

Purpose

The SCP aims to set out the provisions to ensure that the Shareholders, and in appropriate circumstances, the investment community at large, are provided with equal, and timely access to balanced and understandable information (including its financial performance, strategic goals and plans, material development, governance and risk profile) about the Group. Hence, the Shareholders are able to exercise their rights in an informed manner, and to allow Shareholders and the investment community to engage actively with the Company.

For the purpose of the SCP, references to the investment community is intended to include the Company's potential investors as well as analysts reporting and analysing the Group's performance.

General Policy

The Board shall maintain an on-going dialogue with the Shareholders and the investment community, and will regularly review the SCP to ensure its effectiveness.

Information of the Company shall be communicated to the Shareholders and the investment community mainly through the following means:

- (a) financial reports (interim and annual reports), announcements, circulars, monthly returns (collectively, "**Corporate Communication**") and other disclosures are available at corporate website (www.vinda.com) of the Company (the "**Corporate Website**") and the website of the Stock Exchange (www.hkexnews.hk);
- (b) company news, press release, results briefing webcast and results presentation slides are available at Corporate Website; and
- (c) direct communication via annual general meeting, any other general meetings, roadshows, face-to-face meetings, conference calls and brokers' investor conferences.

Corporate Governance Report

Effective, equal and timely dissemination of information to the Shareholders and the investment community shall be ensured at all times.

Communication Strategies

Shareholders' enquiries

The contact details of the Company are set out in the Corporate Website, in order to enable the Shareholders and the investment community to make any query in respect of the Company.

Shareholders and investment community may at any time make a request for the Company's information to the extent such information is publicly available.

Shareholders should direct their enquiries about their shareholdings to the Company's Hong Kong share registrar.

Corporate Communication

Corporate Communication will be provided in plain language and in both English and Chinese versions. Shareholders have the right to choose the language (either English or Chinese) or means of receipt (either in hard copy or through electronic means).

The Company issues announcements in a timely manner in accordance with the Listing Rules to ensure that all Shareholders are fully informed of the latest strategic and operational developments.

Shareholders and investment community are encouraged to provide, amongst other things, in particular, their email addresses to the Company in order to facilitate timely and effective communication.

Corporate Website

A dedicated Investor Relations section is available on the Corporate Website at www.vinda.com/en/ir.

Information on the Corporate Website is updated on a regular basis. The archived information is also available.

Information released by the Company to www.hkexnews.hk is also posted on the Corporate Website immediately thereafter.

Webcast

Webcasts of the Company's interim and annual results briefings are available at the Corporate Website.

Shareholders' Meetings

The Company's annual general meeting and other general meetings are the principal communication channels with the Shareholders and for their participation.

Appropriate arrangements for the general meetings shall be in place to encourage Shareholders' participation.

Shareholders are encouraged to appoint proxies to attend and vote at meetings for and on their behalf if they are unable to attend the meetings.

Shareholders are encouraged to make statements, ask questions and exercise their influence by voting on the issues on the agenda during the general meetings.

Board members, in particular, chairmen of Board committees, appropriate management executives and external auditors will attend annual general meetings to answer Shareholders' questions.

Investment Community Communication

Investor/analyst briefings and one-on-one meetings, conference calls, roadshows (both local and international), marketing activities for investors such as factory visits, media interviews etc. will be available where necessary in order to facilitate communication between the Company, the Shareholders and the investment community.

During the Year, the Company has reviewed the implementation and effectiveness of the SCP. The Company is of the view that the SCP of the Company has facilitated sufficient Shareholders' communication given the above various channels for communication with Shareholders and considered the SCP is effective and adequate.

During the Year, there had been no significant change in the Company's constitutional documents. The Company proposed to amend the existing articles of association of the Company (the "**Existing Articles of Association**") by way of adoption of the new articles of association to (i) bring the Existing Articles of Association in line with the relevant requirements of the applicable laws of the Cayman Islands and the Listing Rules and (ii) enable the Company to convene and hold electronic or hybrid general meetings of members and provide flexibility to the Company in relation to the conduct of general meetings. Other minor amendments to the Existing Articles of Association are also proposed to be made to introduce corresponding and house-keeping changes. For details of the proposal, please refer to the announcement of the Company dated 20 January 2023.

Report of the Directors

The Directors are pleased to present herewith the Directors' report together with the audited accounts for the Year.

Principal Activities and Geographical Analysis of Operations

The Company is principally engaged in investment holding. The principal activities of the subsidiaries of the Company and other related information are set out in Note 10 to the consolidated financial statements.

Results and Appropriations

The results of the Group for the Year are set out in the consolidated statement of comprehensive income on page 77.

The Directors recommend the payment of a final dividend of 30.0 HK cents (2021: 40.0 HK cents) per ordinary share, totaling HK\$360,982,612 on the 1,203,275,373 (31 December 2021: 1,201,265,373) issued shares as at 31 December 2022.

Business Review

The business review of the Group for the Year is set out in the section headed "Management Discussion and Analysis" on pages 12 to 21 of this annual report. An analysis of the Group's performance during the Year using financial key performance indicators is provided in the section "Management Discussion and Analysis" of this annual report.

Environmental Policies, Performance and Compliance with Laws and Regulations

The Group emphasises an effective and feasible energy management, and imposes stringent controls on procurement, production and distribution.

Natural gas and coal are our main sources of energy to supply heat in mainland China. We encourage our workers and frontline management to suggest any possible solution to enhance the energy efficiency of production equipment based on their experience. In 2022, our energy utilization efficiency (standard coal consumption per HK\$10,000 of sales) was 0.20 ton.

All production bases in mainland China are equipped with three-tier effluent treatment facilities. 1st Stage: we monitor and upload real-time discharge data through a round-the-clock system installed at discharge points to which local eco-authorities have access. 2nd Stage: we establish environmental division in each production base to collect data such as suspended solids (SS), biochemical oxygen demand (BOD) and pH and examine the water and gas effluent emissions on a daily basis. 3rd Stage: local eco-authorities conduct regular inspections on the condition of production bases on a quarterly basis.

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.

For details, please refer to the Environmental, Social and Governance Report 2022 published by the Company.

During the Year, in addition to compliance with laws and regulations relating to environmental areas, the Group also complied with other relevant laws and regulations that have a significant impact on the Company.

Principal Risks and Uncertainties

The Directors are aware that the Group is exposed to various risks, including some which are specific to the Group or the industries in which the Group operates as well as others that are common to most businesses. The Directors have established a procedure to ensure that significant risks may adversely affect the Group's performance and ability to deliver on its strategies, as well as those which may present positive opportunities, are identified, reported, monitored, and managed on a continuous basis.

1) Significant competition and possible slowdown of macro economy in key Asian markets

The Group faces significant competition from both international and local players in each of the market it operates. As the number of competitors in each of the main markets is large, the Group faces intense competition. The Group's market position depends on its ability to anticipate and respond to products and services, pricing strategies adopted by competitors and changes in customer and consumer preferences. Increased competition may result in price adjustments and decreased profit margins. The possible slowdown of macro economy in key Asian markets may affect the growth of consumables sectors as a whole.

2) Pulp price fluctuation

Pulp is the major raw material the Group used in its production. Substantial part of the product costs comes from pulp cost. Fluctuation of pulp price may affect the Company's pricing strategy and profitability level.

3) Outbreak of transmissible disease

The Group's business may be materially and adversely affected by outbreak of transmissible disease. The global outbreak of COVID-19 pandemic has caused changes in the macro-economic environment and had led to the suspension of production facilities in mainland China and other parts of the world. Although the COVID-19 pandemic in mainland China in which the Group has operations has been largely controlled, depending on the development of the COVID-19 pandemic, there may be possible further lock-downs, geopolitical volatilities and disruption of international trade and logistics, which may cause uncertainties for Vinda's operating environment.

4) Uncertainties in financial market

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk.

(a) Market Risk

(i) Foreign Exchange Risk

The Company's functional currency is RMB. Since the Group operates its business in different countries/regions, i.e. the HKSAR, Malaysia, Chinese Taiwan, etc., the functional currency of its subsidiaries varies. Foreign exchange risk arises from the commercial transactions of sales to and purchases from overseas.

Report of the Directors

The Company's presentation currency is HK\$. The depreciation/appreciation of RMB against HK\$ may result in material impact to currency translation differences in other comprehensive income.

(ii) *Cash Flow and Fair Value Interest Rate Risk*

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest-rate risk arises from borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk.

(b) **Credit Risk**

The Group has no significant concentrations of credit risk. The carrying amounts of cash and cash equivalents, restricted bank deposits, due from related parties, and trade and other receivables represent the Group's maximum exposure to credit risk in relation to financial assets. It has policies in place to ensure that sales of products are made to customers with an appropriate credit history.

As at 31 December 2021 and 2022, all cash and cash equivalents were deposited in state owned banks and reputable financial institutions and were hence without significant credit risk. Management does not expect any losses from non-performance by these counterparties.

Credit sales are made to selected customers with good credit history. The Group has policies in place to ensure that outstanding trade receivables are collected on a timely basis.

(c) **Liquidity Risk**

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group's objective is to maintain adequate committed credit lines to ensure sufficient and flexible funding is available to the Group.

Details of the said risks under this sub-paragraph 4 are set out in Note 3 to the consolidated financial statements.

The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. Risk management is carried out by a central treasury department (group treasury) under policies approved by the Board. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The RMC, the CLT and the Audit Committee also assist in the Group's risk management, details of which are outlined on pages 44 to 45 of the Corporate Governance Report in this annual report.

Key Relationships with Employees, Customers and Suppliers

Being people-oriented, the Group ensures all staff are reasonably remunerated and also continues to improve and regularly review and update its policies on remuneration and benefits, training, occupational health and safety.

The Group's major customers are divided into four categories: traditional distributors, B2B corporate clients, key account hypermarkets and supermarkets and e-commerce. As disclosed in Note 13 to the consolidated financial statements on pages 126 to 127 of this annual report, the credit terms granted to major customers are 60-90 days, which are in line with those granted to other customers.

The Group maintains a good relationship with its customers. A customer complaint handling mechanism is in place to receive, analyse and study complaints and make recommendations on remedies with the aim of improving service quality.

The Group is in good relationship with its suppliers and conducts a fair and strict appraisal of its suppliers on an annual basis.

Reserves

Details of the movements in the reserves of the Group and of the Company during the Year are set out in Note 17 and Note 33 to the consolidated financial statements.

Property, Plant and Equipment

Details of the movements in property, plant and equipment of the Group are set out in Note 6 to the consolidated financial statements.

Share Capital

Details of the movements in share capital of the Company are set out in Note 15 to the consolidated financial statements.

Distributable Reserves

The Company's reserves available for distribution comprise the share premium account and retained profits. As at 31 December 2022, the reserves of the Company available for distribution to Shareholders amounted to HK\$4,874,299,835 (2021: HK\$4,984,834,319), as stated in Note 33 to the consolidated financial statements.

Subsequent Events

There is no material event undertaken by the Company or the Group subsequent to 31 December 2022 and up to the date of this annual report.

Report of the Directors

Dividend Policy

The objective of the Company's dividend policy (the "**Dividend Policy**") is to allow Shareholders to participate in the Company's profits whilst retaining adequate reserves for the Group's future growth.

General Principle

As a general policy, not less than 25% of its profits available for distribution in each financial year will be distributed to the Shareholders.

The Board has the discretion to declare and distribute dividends to the Shareholders, subject to the Articles and all applicable laws and regulations and the factors set out below.

Factors to be considered

- (i) The Board shall consider the following factors of the Group before declaring or recommending dividends:
- the Group's results of operations and cash flows;
 - the Group's future prospects;
 - general business conditions;
 - the Group's capital requirements and surplus;
 - contractual restrictions on the payment of dividends by the Company to its Shareholders or by subsidiaries to the Company;
 - taxation considerations;
 - possible effects on the Company's creditworthiness;
 - statutory and regulatory restrictions; and
 - any other factors the Board may deem relevant.
- (ii) Depending on the financial conditions of the Group and the conditions and factors as set out above, dividends may be proposed and/or declared by the Board for a financial year or period:
- interim dividend;
 - final dividend;
 - special dividend; and
 - any distribution of net profits that the Board may deem appropriate.

- (iii) There can be no assurance that dividends will be paid in any particular amount for any given period.
- (iv) Any final dividend for a financial year will be subject to the Shareholders' approval.
- (v) The Company may declare and pay dividends by way of cash or scrip or by other means that the Board considers appropriate.
- (vi) Any dividend unclaimed shall be forfeited and shall revert to the Company in accordance with the Articles.

Review of the Dividend Policy

The Board will review the Dividend Policy as appropriate from time to time.

Dividends

The Directors recommend the payment of 30.0 HK cents (2021: 40.0 HK cents) per ordinary share, totaling HK\$360,982,612 on the 1,203,275,373 (31 December 2021: 1,201,265,373) issued shares as at 31 December 2022.

Five-Year Financial Summary

A summary of the consolidated results of the Group for the last five financial years and of its consolidated assets and liabilities as at the end of the last five financial years is set out on pages 159 and 160 respectively.

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.

Directors

The Directors during the Year were:

Executive Directors

Mr. LI Chao Wang (*Chairman*)
Ms. YU Yi Fang (*Vice Chairman*)
Ms. LI Jielin (*Chief Executive Officer*)
Mr. DONG Yi Ping (*Chief Technology Officer*)

Non-Executive Directors

Mr. Jan Christer JOHANSSON (*Vice Chairman*)
Mr. Carl Magnus GROTH
Mr. Carl Fredrik Stenson RYSTEDT
Mr. Johann Christoph MICHALSKI

Report of the Directors

Independent Non-Executive Directors

Ms. LEE Hsiao-yun Ann (resigned on 31 August 2022)
Mr. TSUI King Fai
Mr. WONG Kwai Huen, Albert
Mr. LAW Hong Ping, Lawrence
Dr. CAO Zhenlei (appointed with effect from 31 August 2022)

Alternate Directors

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

Biographical Details of Directors and Senior Management

Brief biographical details of Directors and senior management are set out on pages 22 to 30.

Confirmation of Independence of Independent Non-Executive Directors

The Company has received from each of the Independent Non-Executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and the Company considers that all of the Independent Non-Executive Directors to be independent.

Directors' Service Contracts

None of the Directors have an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation (other than statutory compensation).

Directors' and Controlling Shareholders' Interests in Transactions, Arrangements or Contracts

Save as the transactions between the Group and the group of companies of which Essity is the ultimate holding company but excluding the Group ("**Essity Group**") as set out in paragraphs (A) and (B) of the "Continuing Connected Transactions" section on pages 57 to 59 and the transactions under the Licence Agreement as set out in the paragraph headed "Exempted Continuing Connected Transactions" on page 60, and other transactions between the Group and Essity Group mentioned in Note 32(b) to the consolidated financial statements but are not contemplated under the Vinda Master Procurement Agreement, the Essity Master Procurement and the Licence Agreement, no transactions, arrangements or contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director or any entity connected with a Director or a controlling shareholder of the Company or any of its subsidiaries had a material interest, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year.

Continuing Connected Transactions

(A) Vinda Master Procurement Agreement

On 17 December 2021, Essity Group Holding BV ("**Essity Group Holding**"), a controlling shareholder of the Company, as vendor and the Company as purchaser entered into a master procurement agreement ("**Vinda Master Procurement Agreement**"). Pursuant to and on the terms set out in the Vinda Master Procurement Agreement, Essity Group Holding shall sell (or procure the relevant member(s) of Essity Group to sell) such quantities of the personal care products and raw materials as required by the Company for the personal care business of the Group in certain agreed countries (the "**Essity Products**") which the Company (or other relevant member(s) of the Group) may, from time to time, request pursuant to the applicable rolling forecasts in accordance with the Vinda Master Procurement Agreement.

The term of the Vinda Master Procurement Agreement commenced on 1 January 2022 and, unless the Vinda Master Procurement Agreement is otherwise terminated or discharged in accordance with its own terms, shall continue in force for a period of three (3) years thereafter.

The price at which the Essity Products will be sold shall be an amount equivalent to the sum of (i) the actual cost of the Essity Products, plus (ii) a margin of 10% and shall be determined at the time that the relevant purchase order for such Essity Products is placed by the Company (or any relevant member(s) of the Group), and shall be exclusive of any value added tax and business tax. The actual cost of the Essity Products shall be determined on a quarterly basis with reference to, without limitation, the nature of the relevant Essity Products and the cost of producing such Essity Products.

The price of the Essity Products shall be based on normal commercial terms or on terms no less favourable to the Group when compared to those offered by the Group to independent third parties.

(B) Essity Master Procurement Agreement

On 17 December 2021, the Company as vendor and Essity Group Holding as purchaser entered into a master procurement agreement ("**Essity Master Procurement Agreement**"). Pursuant to and on the terms set out in the Essity Master Procurement Agreement, the Company shall sell (or procure the relevant member(s) of the Group to sell) such quantities of the household consumable paper and personal care products and raw materials as required by Essity Group Holding for the tissue business and personal care business of the Essity Group, respectively (the "**Vinda Products**") which Essity Group Holding (or other relevant member(s) of the Essity Group) may, from time to time, request pursuant to the applicable rolling forecasts in accordance with the Essity Master Procurement Agreement.

The term of the Essity Master Procurement Agreement commenced on 1 January 2022 and, unless the Essity Master Procurement Agreement is otherwise terminated or discharged in accordance with its own terms, shall continue in force for a period of three (3) year thereafter.

Report of the Directors

The price at which the Vinda Products will be sold shall be an amount equivalent to the sum of (i) the actual cost of the Vinda Products, plus (ii) a margin of 10% and shall be determined at the time that the relevant purchase order for such Vinda Products is placed by Essity Group Holding (or any relevant member(s) of the Essity Group), and shall be exclusive of any value added tax and business tax. The actual cost of the Vinda Products shall be determined on a quarterly basis with reference to, without limitation, the nature of the relevant Vinda Products and the cost of producing such Vinda Products.

The price of Vinda Products shall be based on normal commercial terms or on terms no less favourable to the Group when compared to those received by the Group from independent third parties.

The Company considers that it would be beneficial for the Company to enter into the Essity Master Procurement Agreement and the Vinda Master Procurement Agreement as the transactions contemplated thereunder are expected to facilitate the overall operations and growth of the Group's business. As the Company had a history of business collaborations with the Essity Group, it is also expected that the transactions contemplated under the Essity Master Procurement Agreement and the Vinda Master Procurement Agreement will further deepen the strategic partnership, establish better collaboration and ensure efficient cooperation between the Group and the Essity Group.

Aggregation of transactions and Annual caps

Essity Group Holding is a controlling shareholder of the Company and therefore a connected person of the Company. Therefore, the transactions contemplated under the Vinda Master Procurement Agreement and the Essity Master Procurement Agreement, which are of a continuing nature, will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules and will be aggregated as a series of transactions pursuant to Rule 14A.81 of the Listing Rules.

The aggregate annual caps of the Company under the Essity Master Procurement Agreement and the Vinda Master Procurement Agreement (which are aggregated under Rule 14A.81 of the Listing Rules) for each of the years ended 31 December 2022, 2023 and 2024 are as follows:

Year	2022	2023	2024
	HK\$	HK\$	HK\$
(i) Annual caps under Vinda Master Procurement Agreement	250,000,000	250,000,000	250,000,000
(ii) Annual caps under Essity Master Procurement Agreement	400,000,000	400,000,000	400,000,000
Total:	650,000,000	650,000,000	650,000,000

As the applicable percentage ratios (as defined under the Listing Rules) calculated based on the above aggregated annual caps are, on an aggregated basis, more than 0.1% but less than 5%, the transactions contemplated under the Vinda Master Procurement Agreement and the Essity Master Procurement Agreement were subject to the reporting, announcement and annual review requirements, but were exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Details of the transactions under the Essity Master Procurement Agreement and the Vinda Master Procurement Agreement for the Year are as follows:

Continuing connected transactions	Annual cap for the Year HK\$	Actual transaction amount for the Year HK\$
Transactions under Vinda Master Procurement Agreement	250,000,000	210,638,266
Transactions under Essity Master Procurement Agreement	400,000,000	211,116,188
Total:	650,000,000	421,754,454

The aforesaid continuing connected transactions have been reviewed by Independent Non-Executive Directors of the Company.

The Independent Non-Executive Directors confirmed that the aforesaid continuing connected transactions were entered into:

- (a) in the ordinary and usual course of business of the Group;
- (b) either on normal commercial terms or better to the Group than terms available to or from independent third parties; and
- (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants.

The auditor has issued its unqualified letter containing its findings and conclusions in respect of the aforesaid continuing connected transactions disclosed by the Group in the annual report confirming the matters set out in Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Exempted Continuing Connected Transactions

Licence Agreement

On 28 October 2015, Essity Hygiene and Health AB (formerly known as SCA Hygiene Products AB, “**Essity HH**”), a wholly-owned subsidiary of Essity Group Holding, and the Company entered into an intellectual property and technology licence agreement (the “**Licence Agreement**”), pursuant to which Essity HH granted to the Company a licence to use in certain territories (i) certain brands used by Essity HH in relation to its personal care and tissue product business such as *Tempo* and *Tena*; and (ii) certain patents and technology and related intellectual property relating to the manufacture of personal care and tissue products.

The Licence Agreement became effective on 1 April 2016 (the “**Licence Agreement Effective Date**”) and shall continue until it is terminated in accordance with the terms thereof. Pursuant to the terms of the Licence Agreement, no royalties or licence fee will be payable by the Company to Essity HH for the first nine years after the Licence Agreement Effective Date. As such, the continuing connected transactions contemplated under the Licence Agreement during such period are fully exempt from the reporting, announcement and independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules. The Company will comply with the relevant requirements of Chapter 14A of the Listing Rules, including, if applicable, the requirement to issue an announcement and/or seek the approval from its independent Shareholders, as and when appropriate in respect of any renewal or continuation of the Licence Agreement upon the expiry of the royalty-free and licence fee-free period.

For further details of the Licence Agreement and the transactions contemplated thereunder, please refer to the announcements of the Company dated 29 October 2015, 27 December 2015 and 1 April 2016 and the circular of the Company dated 28 December 2015.

Related Party Transactions

A summary of the significant related party transactions which were conducted in the ordinary course of business are set out in Note 32 to the consolidated financial statements.

The related party transactions mentioned in Note 32(b)(1) and (2) to the consolidated financial statements were continuing connected transactions contemplated under the Vinda Master Procurement Agreement or the Essity Master Procurement Agreement (as the case may be) mentioned in paragraphs (A) and (B) of the “Continuing Connected Transactions” section, respectively.

The related party transactions mentioned in Note 32(b) from (3) to (8) to the consolidated financial statements were continuing connected transactions which were exempt from reporting, annual review, announcement and independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

Directors' and Chief Executives' Interests in the Shares, Underlying Shares and Debentures of the Company or any Associated Corporation

As at 31 December 2022, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Long Positions in Shares, Underlying Shares and Debentures in the Company

Name		Number of shares held			Approximate percentage (%) of interests ⁽²⁾
		Personal interests (held as beneficial owner)	Corporate interests (interests of controlled corporations)	Total interests	
LI Chao Wang	Shares	300,000	252,841,581 ^{(1)(08)(a)}	253,141,581	21.04
YU Yi Fang	Shares	650,000	–	650,000	0.05
LI Jielin	Shares	414,000	–	414,000	0.03
Johann Christoph MICHALSKI	Shares	59,000	–	59,000	0.005

Notes:

1. (i) For the purpose of Part XV of the SFO, LI Chao Wang is deemed to be interested in the 251,841,581 shares in the Company that Sentential Holdings Limited has interests, of which 251,341,581 shares is held by its controlled corporation, namely Fu An International Company Limited and 500,000 is held by itself. Fu An International Company Limited is held as to 74.21% by Sentential Holdings Limited, 15.79% by Join Pride International Limited and 10.00% by Daminos Management Limited. The entire issued share capital of each of Sentential Holdings Limited, Join Pride International Limited and Daminos Management Limited is held by LI Chao Wang, YU Yi Fang and DONG Yi Ping, respectively.
- (ii) Li Song Foundation Company Limited directly holds 1,000,000 shares of the Company and it is held as to 50.00% by LI Chao Wang. As such, LI Chao Wang is also deemed to be interested in 1,000,000 shares of the Company held by Li Song Foundation Company Limited for the purpose of Part XV of the SFO.
2. Actual percentages may not equal to the stated figures due to rounding.

Other Information

Long Positions in Shares, Underlying Shares and Debentures of Associated Corporations of the Company

Name	Associated corporation	Class of shares in associated corporation	Number of shares held		Total interests	Approximate percentage (%) of interests ^(1&2)
			Personal interests (held as beneficial owner)	Corporate interests (interests of controlled corporations)		
Johann Christoph MICHALSKI	Essity Aktiebolag (publ)	Class B shares	5,276	–	5,276	0.0008
Jan Christer JOHANSSON	Essity Aktiebolag (publ)	Class B shares	1,000	–	1,000	0.0001
Carl Magnus GROTH	Essity Aktiebolag (publ)	Class B shares	76,000	–	76,000	0.0108
Carl Fredrik Stenson RYSTEDT	Essity Aktiebolag (publ)	Class B shares	27,200	–	27,200	0.0039
Gert Mikael SCHMIDT	Essity Aktiebolag (publ)	Class B shares	31,000	–	31,000	0.0044
Dominique Michel Jean DESCHAMPS	Essity Aktiebolag (publ)	Class B shares	3,587	–	3,587	0.0005

Notes:

1. As at 31 December 2022, the total number of registered shares in the share capital of Essity Aktiebolag (publ) was 702,342,489, of which 61,208,914 are Class A shares and 641,133,575 are Class B shares.
2. Actual percentages may not equal to the stated figures due to rounding.

Save as disclosed above, as at 31 December 2022, none of the Directors and chief executives of the Company are, under Divisions 7 and 8 of Part XV of the SFO, taken to be interested or deemed to have any other interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations, that are required to be entered in the register kept by the Company pursuant to Section 352 of the SFO or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Share Option Scheme

A long-term incentive scheme (the “**Scheme**”) was conditionally adopted and approved by a written resolution of the Shareholders passed on 19 June 2007. The terms of the Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules, where appropriate.

The purpose of the Scheme is to attract and retain the best available personnel, to provide additional incentive to employees, directors, shareholders of any member of the Group or any holder of any securities issued by any member of the Group, and to promote the success of the Group.

The Scheme enables the Company to grant options (the “**Options**”) to subscribe for shares of the Company (the “**Shares**”) to employees of the Company or any member of the Group (including any executive, non-executive and independent non-executive directors), advisors and consultants of the Group as incentives or rewards for their contributions to the Group.

The Scheme shall be valid and effective for a period of 10 years commencing from the date of adoption and expired on 18 June 2017, after which period no further Options may be offered or granted. The Board shall, subject to the rules of the Scheme and the Listing Rules, have the right to determine, among others, the exercise price of an Option, the minimum period for which the Option must be held before its vesting, performance, operating and financial targets and other criteria to be satisfied before the vesting of an Option and other terms and conditions of an Option, provided that the exercise price of an Option shall be a price determined by the Board at its absolute discretion but shall be the highest of (i) the closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of offer; (ii) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five trading days immediately preceding the date of the offer; or (iii) the nominal value of a Share.

An Option shall be deemed to have been granted and accepted when the duplicate letter comprising acceptance of the Option duly signed by the participant with the number of Shares in respect of which the offer is accepted clearly stated therein, together with a remittance in favour of the Company of HK\$1.00 by way of consideration for the grant thereof, is received by the Company within 28 days from the date of the offer.

Subject to the Listing Rules, the overall limit on the number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the Scheme and any other share option schemes adopted by the Company ("**Other Schemes**") must not, in aggregate, exceed 30% of the Shares in issue from time to time. The total number of Shares issued and to be issued upon exercise of Options granted and to be granted to each participant or grantee (including exercised, cancelled and outstanding Options) in any 12-month period shall not exceed 1% of the Shares in issue at the offer date. Any further grant of Options in excess of the above limit must be subject to Shareholders' approval by ordinary resolution in general meeting. Where any offer proposed to be made to a substantial Shareholder or an Independent Non-Executive Director of the Company or any of their associates would result in the total number of the Shares issued and to be issued upon exercise of the Options granted and to be granted (including Options exercised, cancelled and outstanding) to such person under the Scheme or Other Schemes in any 12-month period up to and including the date of offer: (i) representing in aggregate over 0.1% of the Shares in issue at the date of offer; and (ii) having an aggregate value, based on the closing price of the Shares at the date of offer, in excess of HK\$5 million, then such proposed grant of Options must be subject to approval of the Shareholders in general meeting taken on a poll.

An Option may be exercised in accordance with the terms of the Scheme and such other terms and conditions upon which an Option was granted, at any time during the option period after the Option has been granted by the Board but in any event, not longer than ten (10) years from the date upon which the Option is accepted or deemed to be accepted in accordance with the terms of the Scheme. The subscription price for Shares in respect of any options granted under the Scheme shall be a price determined by the Board, and shall be the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a trading day; and (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of grant; and (iii) the nominal value of a Share. An Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the expiry of the option period. An Option granted under the Scheme may be subject to a vesting period determined by the Board.

Other Information

As at the date of this annual report, the total number of Shares available for issue under the Scheme considering the Options already granted under the Scheme was 10,000, representing approximately 0.0008% of the issued Shares as at the date of this annual report and representing approximately 0.0008% of the weighted average number of issued Shares for the Year. As at the date of this annual report, no further options may be granted under the Scheme.

Details of movements of the Options granted under the Share Option Scheme for the Year are as follows:

	Date of Grant	Exercise price per Share HK\$	as at 01/01/2022	Number of Shares issuable under the Options				as at 31/12/2022	Exercise period
				granted during the Year	exercised during the Year ¹	lapsed during the Year	cancelled during the Year		
Directors									
LI Chao Wang	02/05/2012	14.06	646,000	-	(646,000)	-	-	-	-
Employees of the Group									
In aggregate	02/05/2012	14.06	1,514,000	-	(1,364,000)	(150,000)	-	-	-
	02/05/2013	10.34	10,000	-	-	-	-	10,000	02/05/2013 to 01/05/2023
Total			2,170,000	-	(2,010,000)	(150,000)	-	10,000	

Notes:

- The related weighted average closing price of the Shares immediately before the date on which the Options were exercised was HK\$19.82.

Arrangement to Purchase Shares or Debentures

Save as disclosed above, at no time during the Year were there any rights to acquire benefits by means of the acquisition of securities of the Company granted to any Director or their respective spouse or children under 18 years of age, or were there any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

Substantial Shareholders' Interests and Short Positions in the Shares and Underlying Shares of the Company

As at 31 December 2022, to the best of the Directors' knowledge, the following persons (other than the Directors and chief executives of the Company) had or deemed or taken to have interests and/or short positions in the shares or the underlying shares which fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept pursuant to Section 336 of the SFO, or which are notified to the Company:

Long Positions in Shares and Underlying Shares in the Company

Name of substantial Shareholder		Number of shares and underlying shares held under equity derivatives			Approximate percentage (%) of issued share capital ⁽¹⁾
		Personal interests (held as beneficial owner)	Corporate interests (interests of controlled corporations)	Total interests	
Essity Group Holding BV	Shares	620,737,112 ⁽²⁾	–	620,737,112	51.59
Essity Aktiebolag (publ)	Shares	–	620,737,112 ⁽²⁾	620,737,112	51.59
Fu An International Company Limited	Shares	251,341,581 ⁽³⁾	–	251,341,581	20.89
Sentential Holdings Limited	Shares	500,000	251,341,581 ⁽³⁾	251,841,581 ⁽⁴⁾	20.93

Notes:

- Actual percentages may not equal to the stated figures due to rounding.
- Essity Group Holding BV is wholly-owned by Essity Aktiebolag (publ), a company whose shares are quoted and traded on NASDAQ OMX Stockholm, and as American Depository Receipts (ADR level 1) in the United States through Deutsche Bank. Essity Aktiebolag (publ) is deemed to be interested in the 620,737,112 shares in the Company held by Essity Group Holding BV for the purpose of Part XV of the SFO.
- Fu An International Company Limited is held as to 74.21% by Sentential Holdings Limited, 15.79% by Join Pride International Limited and 10.00% by Daminos Management Limited. The entire issued share capital of Sentential Holdings Limited, Join Pride International Limited and Daminos Management Limited are held by each of LI Chao Wang, YU Yi Fang and DONG Yi Ping, respectively. Sentential Holdings Limited is deemed to be interested in the 251,341,581 shares in the Company held by Fu An International Company Limited for the purpose of Part XV of the SFO.
- Such 251,841,581 shares are the same shares in the Company referred to in Note 1(i) of LI Chao Wang as disclosed in the table under the sub-section headed "Long Positions In Shares, Underlying Shares and Debentures in the Company" under the section headed "Directors' and Chief Executives' Interests in the Shares, Underlying Shares and Debentures of the Company or any Associated Corporation" above.

Other Information

Save as disclosed above, as at 31 December 2022, there are no other persons (other than Directors or chief executives of the Company) who had or are taken to have interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which are recorded in the register required to be kept by the Company under Section 336 of the SFO, or which are notified to the Company.

Directors' Interests in Competing Business

In 2022, none of the Directors, the controlling shareholders of the Company and their respective associates (as defined in the Listing Rules) had an interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Year.

Major Customers and Suppliers

During the Year, the percentage of sales of goods attributable to the Group's five largest customers combined are approximately 25.4%.

During the Year, the percentages of purchases of goods attributable to the Group's major suppliers are approximately as follows:

– the largest supplier	22.4%
– five largest suppliers combined	38.3%

None of the Directors, their associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in the above major suppliers.

Likely Future Development of the Company's Business

Please refer to the "Outlook" section under the "Management Discussion and Analysis" on page 20 of this annual report.

Issue of Shares

During the Year, the Company issued shares as follows:

2,010,000 ordinary shares of the Company were issued for cash of HK\$28,260,600 on the exercise of options granted under the Share Option Scheme.

Equity-linked Agreements

Share Option Scheme

Details of the share option scheme of the Company are set out in the section headed "Share Option Scheme" above and Note 16 to the consolidated financial statements.

Save as disclosed above, no equity-linked agreement will or may result in the Company issuing Shares or that require the Company to enter into any agreements that will or may result in the Company issuing Shares, were entered into by the Company during the Year or subsisted at the end of the Year.

Sufficiency of Public Float

Based on the information that is publicly available and within the knowledge of the Directors, as at the date of this annual report, there is sufficient public float of more than 25% of the Company's issued shares as required under the Listing Rules.

Pre-emptive Rights

There is no provision for pre-emptive rights under the Articles and there is no restriction against such rights under the laws of the Cayman Islands.

Permitted Indemnity Provision

Under the Articles, every Director or other officers of the Company acting in relation to any of the affairs of the Company shall be entitled to be indemnified out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which he/she may incur or sustain in or about the execution of his/her duties in his/her office. The Company has arranged appropriate insurance cover in respect of legal action against its Directors and officers.

Professional Tax Advice Recommended

If the Shareholders are unsure about the taxation implications of purchasing, holding, disposing of, dealing in, or the exercise of any rights in relation to the shares of the Company, they are advised to consult an expert.

Auditors

The accounts have been audited by PricewaterhouseCoopers who will retire and, being eligible, will offer themselves for reappointment.

On behalf of the Board

LI Chao Wang

Chairman

The HKSAR, 20 January 2023

Independent Auditor's Report



羅兵咸永道

To the shareholders of Vinda International Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Opinion

What we have audited

The consolidated financial statements of Vinda International Holdings Limited (the "Company") and its subsidiaries ("the Group"), which are set out on pages 75 to 158, comprise:

- the consolidated balance sheet as at 31 December 2022;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis of Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Impairment assessments of goodwill and intangible assets with indefinite useful lives
- Revenue recognition

Key Audit Matter

How our audit addressed the Key Audit Matter

Impairment assessments of goodwill and intangible assets with indefinite useful lives

Refer to Note 2.7(a) and (b), Note 4 (a) and Note 8 to the consolidated financial statements.

As at 31 December 2022, goodwill and intangible assets with indefinite useful lives in relation to the acquisitions of personal care and household paper businesses in previous years amounted to HK\$1,534 million and HK\$562 million, respectively.

We focused on this area due to the directors' impairment assessment of goodwill and intangible assets with indefinite useful lives based on the 'value in use' of the Group's underlying Cash-Generating Units (CGU's) that involves judgements and estimates about the future results of the businesses, and key assumptions including sales growth rate and gross profit margin, long-term growth rate and the discount rates applied to future cash flow forecast.

We obtained an understanding of the management's internal control and assessment process of estimation of recoverable amount of goodwill and intangible assets with indefinite useful lives. We evaluated and tested the key controls over the impairment of goodwill and intangible assets with indefinite useful lives. We assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty, complexity, subjectivity and level of other inherent risk factors, including changes and susceptibility to management bias or fraud.

We evaluated and challenged the composition of the Group's future cash flow forecasts in each CGU, and the process by which they were drawn up, including testing the underlying value-in-use calculations and comparing them to the latest board approved budgets.

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
	<p>We challenged the key assumptions including sales growth rate and gross profit margin by comparing the current year actual results with the 2022 figures included in the prior year forecast, and by reference to future plans.</p>
	<p>We utilised our own valuation specialists’ work when considering the appropriateness of the long-term growth rate and discount rate.</p>
	<p>We also challenged management on the adequacy of their sensitivity calculations over all their CGUs. We determined that the calculations were most sensitive to assumptions for gross margin. For all CGUs, we calculated the degree to which these assumptions would need to increase or decrease before an impairment conclusion was triggered. We discussed the likelihood of such change with management.</p>
	<p>Based on the above procedures we have performed, we found the assumptions adopted in related to the impairment assessment to be supportable by available evidence.</p>

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Revenue recognition</p> <p><i>Refer to Note 2.22 and Note 5 to the consolidated financial statements.</i></p> <p>Revenue is recognised when the Group satisfies a performance obligation by transferring the control of promised good or service to a customer in an amount that reflects the consideration to which the Group expects to be entitled in exchange for that good or service.</p> <p>We focused on this area due to the huge volume of revenue transactions generated in many different locations and mainly through numerous distributors, corporate customers, supermarkets and e-commerce customers. There is potential misstatement on occurrence and cut-off of the revenue transactions.</p>	<p>We understood, evaluated and tested management's controls in respect of the Group's sales transactions from contract approval, sales recording based on contract terms, through reconciliations with cash receipts and customers' records. In addition, we tested the general control environment of the Group's information technology systems and the selected automated controls related to revenue recording to assess the completeness and accuracy of the revenue entries generated by the accounting system.</p> <p>Furthermore, we conducted testing of revenue recorded covering different locations and customers, using sampling techniques, by examining the relevant customer orders, goods delivery notes and customer's receipt notes, cash receipts, through to subsequent settlement of trade receivables. In addition, we sent confirmations to certain customers to confirm their year-end balance with the Group. We also focused on sales transactions that took place shortly before and after the balance sheet date, including inspection of customer's receipt notes and credit notes issued after that date, to assess whether revenue was recognised in the correct reporting periods.</p> <p>Based on the procedures we performed, no material misstatement was noted.</p>

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in Vinda International Holdings Limited 2022 Annual Report (the "annual report") other than the consolidated financial statements and our auditor's report thereon. We have obtained some of the other information including the management discussion and analysis prior to the date of this auditor's report. The remaining other information, including the chairman's statement, chief executive officer's report ("CEO report"), corporate governance report, report of the directors and the other sections to be included in the annual report, is expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

Independent Auditor's Report

Other Information (*continued*)

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the remaining other information to be included in the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to Audit Committee and take appropriate action considering our legal rights and obligations.

Responsibilities of Directors and Audit Committee for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Independent Auditor's Report

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements *(continued)*

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is CHAN Chiu Kong, Edmond.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 20 January 2023

Consolidated Balance Sheet

As at 31 December 2022

	Note	As at 31 December	
		2022 HK\$	2021 HK\$
ASSETS			
Non-current assets			
Property, plant and equipment	6	10,353,535,314	11,225,685,513
Right-of-use assets	7	1,221,438,469	1,375,505,525
Intangible assets	8	2,456,705,131	2,646,685,234
Deferred income tax assets	20	629,751,445	568,181,251
Investment properties	9	40,173,068	2,421,930
Investment in an associate		2,030,636	2,122,690
		14,703,634,063	15,820,602,143
Current assets			
Inventories	11	6,014,823,036	4,426,626,084
Trade and notes receivables	13	2,339,665,339	2,364,447,931
Other receivables	13	483,237,455	408,932,536
Prepayments	13	100,093,982	91,065,446
Due from related parties	32(c)	40,242,578	43,969,461
Cash and cash equivalents	14	606,947,407	1,025,327,689
		9,585,009,797	8,360,369,147
Total assets		24,288,643,860	24,180,971,290
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	15	120,327,537	120,126,537
Share premium	15	4,497,368,699	4,458,961,619
Other reserves	17	7,382,589,207	8,439,573,727
Total equity		12,000,285,443	13,018,661,883

Consolidated Balance Sheet

As at 31 December 2022

	Note	As at 31 December	
		2022 HK\$	2021 HK\$
LIABILITIES			
Non-current liabilities			
Borrowings	19	2,800,715,036	2,936,090,168
Loans from a related party	19,32(c)	88,282,378	993,358,611
Lease liabilities	7	99,385,024	135,989,954
Deferred government grants	21	247,961,760	275,423,717
Deferred income tax liabilities	20	215,293,079	198,190,965
Post-employment benefits		6,960,500	9,372,989
Other non-current liabilities	22	3,200,341	15,848,793
		3,461,798,118	4,564,275,197
Current liabilities			
Trade payables, other payables and accrued expenses	18	7,548,972,120	5,431,671,084
Contract liabilities	5	118,382,755	91,625,046
Borrowings	19	299,246,812	866,657,776
Loans from a related party	19,32(c)	700,000,000	–
Lease liabilities	7	55,585,120	69,203,205
Due to related parties	32(c)	22,509,163	19,748,675
Current income tax liabilities		81,864,329	119,128,424
		8,826,560,299	6,598,034,210
Total liabilities		12,288,358,417	11,162,309,407
Total equity and liabilities		24,288,643,860	24,180,971,290

The financial statements were approved by the Board of Directors on 20 January 2023 and were signed on its behalf.

LI Chao Wang
Director

LI Jielin
Director

The notes on pages 80 to 158 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2022

	Note	For the year ended 31 December	
		2022 HK\$	2021 HK\$
Revenue	5	19,417,559,563	18,675,739,458
Cost of sales	24	(13,934,355,595)	(12,079,392,782)
Gross profit		5,483,203,968	6,596,346,676
Selling and marketing costs	24	(3,837,322,482)	(3,672,134,223)
Administrative expenses	24	(911,661,474)	(957,701,901)
Net impairment losses on financial assets	3.1(b),24	(4,448,991)	(24,720,800)
Other income and losses – net	23	76,745,523	101,696,044
Operating profit		806,516,544	2,043,485,796
Finance income and costs – net	26	(59,600,287)	(93,686,208)
Share of post-tax loss of an associate		(49,301)	(225,086)
Profit before income tax		746,866,956	1,949,574,502
Income tax expense	27(a)	(40,827,454)	(311,209,930)
Profit attributable to equity holders of the Company		706,039,502	1,638,364,572
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		1,954,733	965,695
Total comprehensive (loss)/income attributable to equity holders of the Company		(444,999,354)	1,892,969,174
Earnings per share for profit attributable to equity holders of the Company			
– basic earnings per share	28	0.587	1.365
– diluted earnings per share	28	0.587	1.363

The notes on pages 80 to 158 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

	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	16,17	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	16,17	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

The notes on pages 80 to 158 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	Note	For the year ended 31 December	
		2022 HK\$	2021 HK\$
Cash flows generated from operating activities			
Cash generated from operations	30(a)	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)
Net cash generated from operating activities		2,081,190,349	2,645,706,233
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	30(b)	4,412,949	13,287,221
Proceeds from government grants	21	22,939,702	8,349,603
Payment for land use rights	7	(26,838,329)	(129,570)
Purchase of intangible assets		(27,566,022)	(45,342,506)
Interest received		24,691,224	19,179,882
Net cash used in investing activities		(1,102,103,380)	(1,759,477,915)
Cash flows used in financing activities			
Proceeds from shares issued		28,260,600	22,553,280
Proceeds from borrowings	30(c)	4,711,269,760	5,323,737,713
Proceeds from loans from a related party	30(c)	–	600,000,000
Repayments of borrowings	30(c)	(5,202,906,642)	(5,935,590,167)
Repayments of loans from a related party	30(c)	(200,000,000)	–
Dividends paid	29	(601,637,686)	(564,217,605)
Lease payments for right-of-use assets excluding land use rights	7,30(c)	(74,480,171)	(84,857,326)
Net cash used in financing activities		(1,339,494,139)	(638,374,105)
Net (decrease)/increase in cash and cash equivalents		(360,407,170)	247,854,213
Effect of foreign exchange rate changes		(57,973,112)	28,074,147
Cash and cash equivalents, beginning of the year	14	1,025,327,689	749,399,329
Cash and cash equivalents, end of the year	14	606,947,407	1,025,327,689

The notes on pages 80 to 158 are an integral part of these consolidated financial statements.

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 principal activities of the subsidiaries are set out in Note 10. The Company and its subsidiaries are collectively referred to as the "Group".

The Company's shares have been listed on The Stock Exchange of Hong Kong Limited ("HKSE") 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 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 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.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.1 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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

2 Summary of significant accounting policies (*continued*)

2.2 Principles of consolidation and equity accounting

2.2.1 Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.2.2 Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investment in an associate is accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the comprehensive income of the investee after the date of acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to the consolidated statement of comprehensive income where appropriate.

The Group's share of post-acquisition comprehensive income is recognised in the consolidated statement of comprehensive income, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

2 Summary of significant accounting policies *(continued)*

2.2 Principles of consolidation and equity accounting *(continued)*

2.2.2 Associates *(continued)*

The Group determines at each reporting date whether there is any objective evidence that the investment in an associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of post-tax profit/(loss) of an associate' in the consolidated statement of comprehensive income.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associate. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gains or losses on dilution of equity interest in associates are recognised in the consolidated statement of comprehensive income.

2.2.3 Business combination

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Acquisitions failed to meet the definition of business combination are treated as acquisitions of assets and liabilities instead of business combination.

Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill (Note 2.7). If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated statement of comprehensive income.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date; any gains or losses arising from such remeasurement are recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

2 Summary of significant accounting policies (*continued*)

2.3 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive committee that makes strategic decisions.

2.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the Company is Renminbi ("RMB"). The consolidated financial statements are presented in HK\$.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated statement of comprehensive income within 'Finance income and costs – net'. All other foreign exchange gains and losses are presented in the consolidated statement of comprehensive income within 'Other income and losses – net'.

2 Summary of significant accounting policies (*continued*)

2.5 Foreign currency translation (*continued*)

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (iii) all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

(d) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or joint ventures that do not result in the Group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

2 Summary of significant accounting policies (*continued*)

2.6 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated statement of comprehensive income during the financial period in which they are incurred.

Freehold land is not subject to amortisation. Depreciation on property, plant and equipment other than freehold lands is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Land and buildings	20 to 50 years
Leasehold improvements	3 to 5 years
Machinery	3 to 25 years
Furniture, fittings and equipment	3 to 5 years
Vehicles	3 to 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other income and losses – net' in the consolidated statement of comprehensive income.

Construction in progress ("CIP") represents buildings, plant, machinery and software under construction or pending installation and is stated at cost less accumulated impairment losses, if any. Cost includes the costs of construction of buildings, costs of plant and machinery, and interest charges and foreign exchange gain/loss arising from borrowings used to finance these assets during the period of construction or installation and testing. No provision for depreciation is made on CIP until such time as the relevant assets are completed and ready for the intended use. When the assets concerned are brought into use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated above.

2 Summary of significant accounting policies (*continued*)

2.7 Intangible assets

(a) Goodwill

Goodwill arising on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquirees and the acquisition-date fair value of any previous equity interest in the acquirees over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(b) Trademarks and licences

Separately acquired trademarks and licences are shown at historical cost. Trademarks and licences acquired in a business combination are recognised at fair value at the acquisition date. Certain trademarks and licences that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Other trademarks and licences have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licences over their estimated useful lives of 3 to 15 years.

(c) Contractual customer relationships

Contractual customer relationships acquired in a business combination are recognised at fair value at the acquisition date. The contractual customer relationships have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method from 8 to 15 years over the expected life of the customer relationship.

(d) Computer software

Acquired computer software is capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (5 years).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

2 Summary of significant accounting policies (*continued*)

2.8 Investment properties

Investment properties, principally comprising nursing house and leasehold warehouses, are held for long-term rental yields, and that is not occupied by the Group. Investment properties are initially measured at cost, including related transaction costs and where applicable borrowing costs. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method over 22 to 30 years.

An item of investment properties is derecognised upon disposal or when no future economic benefits is expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated statement of profit or loss in the period in which the item is derecognised.

2.9 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.10 Financial assets

2.10.1 Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("OCI") or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

2 Summary of significant accounting policies (*continued*)

2.10 Financial assets (*continued*)

2.10.2 Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

2.10.3 Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories, financial assets measured at amortised cost, financial assets measured subsequently at fair value through OCI, and financial assets measured subsequently at FVPL.

Financial assets measured at amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statement of comprehensive income.

The Group's financial assets are all measured at amortised cost.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

2 Summary of significant accounting policies (*continued*)

2.10 Financial assets (*continued*)

2.10.4 Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. See Note 3.1(b) for further details.

2.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity) but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs to completion and applicable variable selling expenses.

2.12 Trade, notes and other receivables

Trade and notes receivables are amounts due from customers for merchandise sold and service provided in the ordinary course of business. If collection of trade, notes and other receivables is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade, notes and other receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade, notes and other receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 2.10 for further information about the Group's accounting for trade, notes and other receivables and impairment policies.

2.13 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts, if any, are shown within borrowings in current liabilities in the balance sheet.

2 Summary of significant accounting policies (*continued*)

2.14 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.15 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.16 Borrowings and borrowing costs

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

General and specific borrowing costs and related exchange gains/(losses) directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in the consolidated statement of comprehensive income in the period in which they are incurred.

Borrowing costs include interest expense, finance charges and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

2 Summary of significant accounting policies (*continued*)

2.17 Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in the consolidated statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred income tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2 Summary of significant accounting policies (*continued*)

2.18 Employee benefits

(a) Post-employment benefits

The Group operates various post-employment schemes.

The liability or asset recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the consolidated statement of comprehensive income.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in other reserves in the consolidated statement of changes in equity and in the consolidated balance sheet.

(b) Defined contribution plan

The Group has arranged for its employees of the Hong Kong Special Administrative Region ("HKSAR") to join the Mandatory Provident Fund Scheme (the "MPF"), a defined contribution plan. Under the MPF, each of the Group and its HKSAR employees make monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation, subject to a cap of HK\$1,500 per person per month and any excess contributions are voluntary.

In accordance with the rules and regulations in the People's Republic of China (the "PRC"), the Group has arranged for its PRC employees to join a defined contribution retirement benefit plan organised by the PRC government. The PRC government undertakes to assume the retirement benefit obligations of all existing and future retired employees payable under this plan. The assets of this plan are held separately from those of the Group in an independent fund managed by the PRC government.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

2 Summary of significant accounting policies (*continued*)

2.18 Employee benefits (*continued*)

(b) Defined contribution plan (*continued*)

The Group also operates three defined contribution schemes which are available to the employees in Australia, the United States and Malaysia. Contributions are made based on certain percentage of the employees' compensation or a fixed sum.

The Group has no further payment obligations once the contributions have been paid. The Group's contributions to these plans are charged to the consolidated statement of comprehensive income as incurred.

(c) Other employee benefits

In addition to pension obligation, all PRC employees of the Group participate in various employee social security plans, including medical, housing and other welfare benefits, organised and administered by the governmental authorities. According to the relevant regulations, the premiums and welfare benefit contributions that should be borne by the Group are calculated based on percentages of the total salary of employees (or on other basis), subject to certain ceiling, and are paid to the labour and social welfare authorities.

The Group has no further payment obligations once the contributions have been paid. The Group's contributions to these plans are charged to the consolidated statement of comprehensive income as incurred.

(d) Bonus plans

The Group recognises a liability and an expense for bonuses after taking into consideration of the profit attributable to the Company's shareholders and certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

The Group operates cash settled long term incentive plans. The liabilities for these long term incentive plans are measured at fair value which was determined by corresponding valuation model with relevant inputs. The obligations will be presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period.

2 Summary of significant accounting policies (*continued*)

2.19 Share-based payments

The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The unit amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and an employee remaining on service of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market performance and service vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant-date fair value is estimated for the purpose of recognising the expense during the period between service commencement period and grant date.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service vesting conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated statement of comprehensive income, with a corresponding adjustment to equity.

The cash subscribed for the shares issued when the options are exercised is credited to share capital (nominal value) and share premium, net of any directly attributable transaction costs.

Liabilities for the Group's long-term incentive plans are recognised as employee benefit expense over the relevant service period. The liabilities are remeasured to fair value at each reporting date and are presented as other non-current liabilities in the balance sheet.

For equity-settled share-based payment transactions, the Group measures the assets or services received, and the corresponding increase in equity, directly, at the fair value of the assets or services received, unless that fair value cannot be estimated reliably. If the Group cannot estimate reliably the fair value of the assets or services received, the Group will measure their value, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

2 Summary of significant accounting policies (*continued*)

2.19 Share-based payments (*continued*)

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

2.20 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.21 Government grants

Grants from the government are recognised at their fair values where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated statement of comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the acquisition of land use rights and property, plant and equipment are included in non-current liabilities as deferred government grants and are recognised in the consolidated statement of comprehensive income on a straight-line basis over the expected lives of the related assets.

2.22 Revenue recognition

The Group manufactures and sells a range of tissue paper and personal care products in the market.

2 Summary of significant accounting policies (*continued*)

2.22 Revenue recognition (*continued*)

For the distributor customers and corporate customers, sales are recognised when control of the products has transferred, being when the products are delivered and the customers have inspected and accepted the products. Distributors have full discretion over the channel and price to sell the products, and there is no more unfulfilled obligation that could affect the acceptance of the products. Delivery occurs when the products have been shipped to the specific location. The risks of obsolescence and loss have been transferred to the customers when either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied. For distributor customers who are not granted with credit terms, a contract liability is recognised when the Group receives consideration in advance of satisfying a performance obligation by transferring the control of promised good.

For supermarkets and e-commerce customers, revenue from the sale of products is recognised when the products are delivered and the Group received sales and acceptance confirmations from supermarkets and e-commerce customers. The risks of obsolescence and loss are not transferred to the customers until the Group received those confirmations.

A receivable is recognised when the goods are delivered and the customers have inspected and accepted the products as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

The products are often sold with volume discounts based on aggregate sales over a period of time. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. A refund liability (included in trade and other payables) is recognised for expected volume discounts payable to customers in relation to sales made.

The Group's obligations to provide a refund for faulty products are under the standard warranty terms. Accumulated experience is used to estimate such returns at the time of sale. Because of the large size and low value of each individual product, the amount of products returned were immaterial. It is highly probable that a significant reversal in the cumulative revenue recognised will not occur. Therefore, no refund liability for goods return was recognised. The validity of this assumption and the estimated amount of returns are reassessed at each reporting date.

For certain payments to customers for promotion activities, the Group did not provide a distinct good or service to customers and therefore recorded as a deduction of sales price.

No element of financing is deemed present as the sales are made with a credit term of 60-90 days, which is consistent with market practice. The Group does not expect to have any contract containing financing components. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

2 Summary of significant accounting policies (*continued*)

2.23 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

The Group leases various offices, warehouses, equipment and vehicles. Rental contracts are typically made for fixed periods over 12 months, but may have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments (including in-substance fixed payments).

The lease payments are discounted using incremental borrowing rate of the Group which the Group would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

To determine the incremental borrowing rate, the Group uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date

Depreciation of right-of-use assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated lease period.

All land in the PRC is state-owned and no individual land ownership right exists. The Group acquired the right to use certain land. The premiums paid for such right are treated as prepayment for operating lease and recorded at cost as right-of-use assets, which are depreciated over the lease periods using the straight-line method.

2 Summary of significant accounting policies *(continued)*

2.23 Leases *(continued)*

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option. Low-value assets comprise small items of office furniture.

Extension options are included in a number of property and equipment leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension options held are exercisable only by the Group and not by the respective lessor.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature.

2.24 Interest income

Interest income on financial assets at amortised cost calculated using the effective interest method is recognised in profit or loss as part of other income.

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes. See Note 26 below for details.

2.25 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

2.26 Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, fair value interest rate risk and cash flow interest rate risk), credit risk, and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial market and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by a central treasury department (group treasury) under policies approved by the board of directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units.

(a) Market risk

(i) Foreign exchange risk

The Company's functional currency is RMB. Since the Group operates its business in different countries/regions, i.e the HKSAR, Malaysia, Chinese Taiwan, etc., the functional currency of its subsidiaries varies. Foreign exchange risk arises from the commercial transactions of sales to and purchases from overseas.

The Company's presentation currency is HK\$. The depreciation/appreciation of RMB against HK\$ may result in material impact to currency translation differences in other comprehensive income.

Exposure

The aggregate net foreign exchange gains recognised in profit or loss were:

	For the year ended 31 December	
	2022 HK\$	2021 HK\$
Net foreign exchange (loss)/gain included in other income and losses – net (Note 23)	(75,525,885)	27,695,389
Exchange gain/(loss) in finance income and costs – net (Note 26)	10,312,439	(189,105)
Total net foreign exchange (loss)/gain recognised in profit before income tax for the period	(65,213,446)	27,506,284

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

The Group's major exposure to foreign currency risk at the end of the reporting period, expressed in HK\$, was presented below. Due to the US\$/HK\$ exchange rate remains stable, such impact is not included.

Assets and liabilities denominated in foreign currencies held by the Company and its subsidiaries, expressed in HK\$:

	31 December 2022		
	US\$	HK\$	RMB
Cash	2,694,594	509,842	36,878
Trade receivables	31,557,235	–	207,391,096
Trade payables	111,873,050	–	357,272,131

Assets and liabilities denominated in foreign currencies held by the Company and its subsidiaries, expressed in HK\$:

	31 December 2021		
	US\$	HK\$	RMB
Cash	13,009,909	2,044,595	5,783,327
Trade receivables	32,396,174	–	570,447,818
Trade payables	82,381,125	–	157,822,011

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

3 Financial risk management (*continued*)

3.1 Financial risk factors (*continued*)

(a) Market risk (*continued*)

(i) Foreign exchange risk (*continued*)

As shown in the table above, the Group is primarily exposed to changes in RMB/US\$, Malaysia Ringgit ("MYR")/US\$ and HK\$/RMB exchange rates. As at 31 December 2022 and 2021, for the RMB subsidiaries, if RMB had strengthened/weakened by 10% against US\$ with all other variables held constant, the post-tax profit for each year would have changed mainly as a result of foreign exchange gains/losses on translation of US\$ denominated cash and cash equivalents, trade and other receivables, trade and other payables and due from/due to related parties. Details of the changes are as follows:

	2022 HK\$	2021 HK\$
For the year ended:		
Post-tax profit increase/(decrease)		
– Strengthened by 10%	1,796,953	1,831,485
– Weakened by 10%	(1,796,953)	(1,831,485)
As at 31 December:		
Owners' equity increase/(decrease)		
– Strengthened by 10%	1,796,953	1,831,485
– Weakened by 10%	(1,796,953)	(1,831,485)

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

As at 31 December 2022 and 2021, for the MYR subsidiaries, if MYR had strengthened/weakened by 10% against US\$ with all other variables held constant, the post-tax profit for each year would have changed mainly as a result of foreign exchange gains/losses on translation of US\$ denominated cash and cash equivalents, trade and other receivables, trade and other payables and due from/to related parties. Details of the changes are as follows:

	2022 HK\$	2021 HK\$
For the year ended:		
Post-tax profit increase/(decrease)		
– Strengthened by 10%	1,760,063	2,008,932
– Weakened by 10%	(1,760,063)	(2,008,932)
As at 31 December:		
Owners' equity increase/(decrease)		
– Strengthened by 10%	1,760,063	2,008,932
– Weakened by 10%	(1,760,063)	(2,008,932)

As at 31 December 2022 and 2021, for the HK\$ subsidiaries, if HK\$ had strengthened/weakened by 10% against RMB with all other variables held constant, the post-tax profit for each year would have changed mainly as a result of foreign exchange gains/losses on translation of RMB denominated cash and cash equivalents, trade and other receivables, trade and other payables and due from/to related parties. Details of the changes are as follows:

	2022 HK\$	2021 HK\$
For the year ended:		
Post-tax profit increase/(decrease)		
– Strengthened by 10%	12,511,987	(34,937,163)
– Weakened by 10%	(12,511,987)	34,937,163
As at 31 December:		
Owners' equity increase/(decrease)		
– Strengthened by 10%	12,511,987	(34,937,163)
– Weakened by 10%	(12,511,987)	34,937,163

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

3 Financial risk management (*continued*)

3.1 Financial risk factors (*continued*)

(a) Market risk (*continued*)

(ii) Cash flow and fair value interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest-rate risk arises from borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. Details of the Group's borrowings have been disclosed in Note 19.

As at 31 December 2022 and 2021, if interest rates on borrowings at variable rates had been 10 basis points higher/lower with all other variables held constant, the post-tax profit for each year would have changed mainly as a result of higher/lower interest expense on floating rate borrowings. Details of the changes are as follows:

	2022 HK\$	2021 HK\$
For the year ended:		
Post-tax profit (decrease)/increase		
– 10 basis points higher	(2,030,602)	(2,715,167)
– 10 basis points lower	2,030,602	2,715,167
As at 31 December:		
Owners' equity (decrease)/increase		
– 10 basis points higher	(2,030,602)	(2,715,167)
– 10 basis points lower	2,030,602	2,715,167

3 Financial risk management (*continued*)

3.1 Financial risk factors (*continued*)

(b) Credit risk

The Group has no significant concentrations of credit risk. The carrying amounts of cash and cash equivalents, due from related parties, and trade, notes and other receivables represent the Group's maximum exposure to credit risk in relation to financial assets. It has policies in place to ensure that sales of products are made to customers with an appropriate credit history.

As at 31 December 2022 and 2021, all cash and cash equivalents were deposited in state-owned banks and reputable financial institutions and were hence without significant credit risk. Management does not expect any losses from non-performance by these counterparties.

Credit sales are made to selected customers with good credit history. The Group has policies in place to ensure that outstanding trade receivables are collected on a timely basis. Trade and notes receivables, and other receivables, including amounts due from related parties, are subject to the expected credit loss model.

The Group applies HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables from initial recognition. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of sales over a period of past 3 years and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on factors affecting the ability of the customers to settle the receivables.

On that basis, the loss allowance as at 31 December 2022 and 31 December 2021 was determined as follows for trade receivables:

	Within 6 months	7 months to 12 months	Over 1 year	Total
31 December 2022				
Gross carrying amount	2,297,385,363	25,336,069	45,051,511	2,367,772,943
Expected loss rate	0.021%	9.772%	98.373%	1.996%
Loss allowance	472,373	2,475,830	44,318,579	47,266,782
31 December 2021	Within 6 months	7 months to 12 months	Over 1 year	Total
Gross carrying amount	2,340,913,538	43,055,961	18,628,266	2,402,597,765
Expected loss rate	0.006%	71.907%	98.071%	2.055%
Loss allowance	136,600	30,960,127	18,268,996	49,365,723

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

3 Financial risk management (*continued*)

3.1 Financial risk factors (*continued*)

(b) Credit risk (*continued*)

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

	2022 HK\$	2021 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 at 31 December	47,266,782	49,365,723

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a reasonable period greater than 60-90 days past due.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

As at 31 December 2022 and 2021, other receivables mainly included creditable input value-added tax ("VAT"), purchase rebates, and deposits due from government agency or property owners. Receivables from related party arose from sales of products to related parties or expenses paid on behalf of related parties. Management used lifetime expected loss allowance for these receivables from initial recognition. Historically, all other receivables were collected on timely basis, and all receivables from related party were collected within the credit terms. Management assessed and concluded the credit risk for these receivables was low. And thus, no loss allowance provision was recognised.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group's objective is to maintain adequate committed credit lines to ensure sufficient and flexible funding is available to the Group.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. For term loans which contain a repayment on demand clause which can be exercised at the bank's sole discretion, the analysis shows the cash outflow based on the earliest period in which the entity can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loans with immediate effect. The maturity analysis for other bank borrowings is prepared based on the scheduled repayment dates.

	Less than 1 year HK\$	Between 1 and 2 years HK\$	Between 2 and 5 years HK\$	More than 5 Years HK\$
As at 31 December 2022				
Bank loans and interest payables (i)	388,369,989	906,285,450	1,991,671,188	–
Loans from a related party and interest payables (i)	723,372,658	92,337,926	–	–
Lease liabilities	60,552,960	39,861,120	47,368,475	22,507,859
Trade payables	4,500,445,917	–	–	–
Notes payable	321,486,143	–	–	–
Other payables	678,187,562	–	–	–
Accrued expenses	1,686,454,983	–	–	–
Due to related parties	22,509,163	–	–	–
As at 31 December 2021				
Bank loans and interest payables (i)	951,852,834	1,090,859,141	1,959,415,439	–
Loans from a related party and interest payables (i)	10,356,697	906,199,925	96,193,695	–
Lease liabilities	70,361,210	55,259,055	68,175,091	33,015,760
Trade payables	2,322,244,652	–	–	–
Notes payable	351,765,967	–	–	–
Other payables	618,594,434	–	–	–
Accrued expenses	1,644,756,133	–	–	–
Due to related parties	19,748,675	–	–	–

- (i) The interest on borrowings is calculated based on borrowings held as at 31 December 2022 and 2021 without taking account of future issues. Floating-rate interest is estimated using interest rate prevailing as at 31 December 2022 and 2021 respectively.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

3 Financial risk management (*continued*)

3.2 Capital risk management

The Group had access to the following undrawn borrowing facilities at the end of:

	2022 HK\$	2021 HK\$
Expiring within one year	3,867,395,976	4,333,080,467
Expiring beyond one year (i)	3,335,844,705	3,000,000,000
Total	7,203,240,681	7,333,080,467

- (i) As at 31 December 2022, unutilised credit facilities from related party amounted to HK\$3 billion (31 December 2021: HK\$3 billion).

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the net gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated balance sheet) add lease liabilities less cash and cash equivalents.

The net gearing ratios at 31 December 2022 and 2021 were as follows:

	As at 31 December	
	2022 HK\$	2021 HK\$
Total borrowings (Note 19)	3,888,244,226	4,796,106,555
Total lease liabilities (Note 7)	154,970,144	205,193,159
Less: Cash and cash equivalents (Note 14)	(606,947,407)	(1,025,327,689)
Net debt	3,436,266,963	3,975,972,025
Total equity	12,000,285,443	13,018,661,883
Net gearing ratio	28.6%	30.5%

3.3 Fair value estimation

As at 31 December 2022 and 2021, the carrying amounts of the Group's current assets and current liabilities approximate their fair values.

4 Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal to the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Impairment assessments of goodwill and intangible assets with indefinite useful lives

The Group tests annually whether goodwill and intangible assets with indefinite useful lives have suffered any impairment, in accordance with the accounting policy stated in Note 2.9. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (Note 8).

(b) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management reassesses the useful lives on a regular basis. Management will increase the depreciation charge where useful lives are shorter than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(c) Current tax and deferred income tax

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred tax assets and taxation in the periods in which such estimate is changed.

(d) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs to completion and selling expenses. These estimates are based on the current market condition and historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in customer taste and competitor actions in response to industry cycles. Management reassesses the estimates at each balance sheet date.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

4 Critical accounting estimates and judgments (*continued*)

(e) Provision for impairment of trade, notes and other receivables

The Group's management determines the provision for impairment of trade, notes and other receivables based on the expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Management reassesses the provision at each balance sheet date.

(f) Impairment of property, plant and equipment

Property, plant and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations or market valuations. These calculations require the use of judgments and estimates.

Management judgment is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related assets values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell or net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, if necessary, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value in the impairment test and as a result affect the Group's financial condition and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to the consolidated statement of comprehensive income.

5 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.

5 Segment information (continued)

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

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 HK\$	2021 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	19,417,559,563	18,675,739,458

The total non-current assets are analysed as follows:

	As at 31 December	
	2022 HK\$	2021 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	2,030,636	2,122,690
Total non-current assets	14,703,634,063	15,820,602,143

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

5 Segment information (*continued*)

(b) Segment profit or loss

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

5 Segment information *(continued)*

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

5 Segment information (*continued*)

(c) Segment assets and liabilities

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

5 Segment information (*continued*)

(d) Liabilities related to contracts with customers

The Group has recognised following liabilities related to contracts with customers:

	As at 31 December	
	2022 HK\$	2021 HK\$
Household paper products	107,738,034	83,369,921
Personal care products	10,644,721	8,255,125
	118,382,755	91,625,046

Management expects that all of the transaction price allocated to unsatisfied performance obligations as of 31 December 2022 will be recognised as revenue during the next year.

The following table shows how much of the revenue related to carried-forward contract liabilities that were satisfied in a prior year.

	For the year ended 31 December	
	2022 HK\$	2021 HK\$
Household paper products	83,369,921	142,422,164
Personal care products	8,255,125	4,733,136
	91,625,046	147,155,300

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

6 Property, plant and equipment

	Land and buildings HK\$	Leasehold improvements HK\$	Machinery HK\$	Furniture, fittings and equipment HK\$	Vehicles HK\$	Construction in progress HK\$	Total HK\$
Year ended 31 December 2021							
Opening net book amount	2,843,563,637	1,075,368	5,440,943,670	116,020,250	39,244,429	1,676,557,469	10,117,404,823
Additions	539,787	83,526	14,673,006	28,366,052	3,010,648	1,853,375,305	1,900,048,324
Disposals	–	–	(6,014,156)	(497,819)	(454,912)	–	(6,966,887)
Reclassification	656,282,808	–	517,400,124	29,283,181	1,288,083	(1,204,254,196)	–
Depreciation (Note 24)	(134,446,866)	(774,415)	(844,879,968)	(38,563,979)	(8,470,446)	–	(1,027,135,674)
Impairment charges (Note 24)	–	–	(50,186)	–	–	–	(50,186)
Exchange differences	88,973,422	21,706	134,593,535	3,191,788	1,067,384	14,537,278	242,385,113
Closing net book amount	3,454,912,788	406,185	5,256,666,025	137,799,473	35,685,186	2,340,215,856	11,225,685,513
At 31 December 2021							
Cost	4,635,290,245	9,480,757	11,260,371,691	436,738,102	93,556,345	2,342,822,556	18,778,259,696
Accumulated depreciation and impairment	(1,180,377,457)	(9,074,572)	(6,003,705,666)	(298,938,629)	(57,871,159)	(2,606,700)	(7,552,574,183)
Net book amount	3,454,912,788	406,185	5,256,666,025	137,799,473	35,685,186	2,340,215,856	11,225,685,513
Year ended 31 December 2022							
Opening net book amount	3,454,912,788	406,185	5,256,666,025	137,799,473	35,685,186	2,340,215,856	11,225,685,513
Additions	34,695,169	–	69,756,957	9,459,887	950,375	1,054,210,674	1,169,073,062
Disposals	–	–	(1,896,101)	(287,846)	(1,165,391)	–	(3,349,338)
Reclassification	904,114,047	–	1,717,978,883	37,269,347	1,468,970	(2,660,831,247)	–
Transfer to investment properties (Note 9)	(39,703,592)	–	–	(309,686)	–	–	(40,013,278)
Depreciation (Note 24)	(152,908,282)	(384,912)	(885,274,602)	(39,633,498)	(8,003,206)	–	(1,086,204,500)
Exchange differences	(299,797,909)	(21,273)	(461,021,748)	(10,934,929)	(2,759,885)	(137,120,401)	(911,656,145)
Closing net book amount	3,901,312,221	–	5,696,209,414	133,362,748	26,176,049	596,474,882	10,353,535,314
At 31 December 2022							
Cost	5,127,065,260	8,677,631	12,024,333,103	442,066,741	82,052,940	598,939,866	18,283,135,541
Accumulated depreciation and impairment	(1,225,753,039)	(8,677,631)	(6,328,123,689)	(308,703,993)	(55,876,891)	(2,464,984)	(7,929,600,227)
Net book amount	3,901,312,221	–	5,696,209,414	133,362,748	26,176,049	596,474,882	10,353,535,314

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%).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

6 Property, plant and equipment (continued)

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

	For the year ended 31 December	
	2022 HK\$	2021 HK\$
Cost of sales	892,772,976	860,429,003
Administrative expenses	193,431,524	166,706,671
	1,086,204,500	1,027,135,674

7 Leases

	As at 31 December	
	2022 HK\$	2021 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
Total right-of-use assets	1,221,438,469	1,375,505,525
Lease liabilities		
– Current	55,585,120	69,203,205
– Non-current	99,385,024	135,989,954
Total lease liabilities	154,970,144	205,193,159

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

	For the year ended 31 December	
	2022 HK\$	2021 HK\$
Depreciation of right-of-use assets (Note 24)		
– 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
	98,647,774	105,992,748
Interest expense (Note 26)	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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

7 Leases (continued)

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).

8 Intangible assets

	Goodwill HK\$	Trademarks and licences HK\$	Contractual customer relationships HK\$	Computer software HK\$	Total HK\$
Year ended 31 December 2021					
Opening net book amount	1,617,437,121	736,192,399	280,851,575	111,593,416	2,746,074,511
Additions	–	–	–	45,342,506	45,342,506
Amortisation expense (Note 24)	–	(32,008,855)	(36,568,253)	(46,349,735)	(114,926,843)
Exchange differences	(19,843,227)	(8,263,064)	(4,694,692)	2,996,043	(29,804,940)
Closing net book amount	1,597,593,894	695,920,480	239,588,630	113,582,230	2,646,685,234
At 31 December 2021					
Cost	1,600,292,288	931,803,203	465,279,577	362,302,493	3,359,677,561
Accumulated amortisation and impairment	(2,698,394)	(235,882,723)	(225,690,947)	(248,720,263)	(712,992,327)
Net book amount	1,597,593,894	695,920,480	239,588,630	113,582,230	2,646,685,234
Year ended 31 December 2022					
Opening net book amount	1,597,593,894	695,920,480	239,588,630	113,582,230	2,646,685,234
Additions	–	–	–	27,566,022	27,566,022
Amortisation expense (Note 24)	–	(30,188,202)	(34,714,146)	(46,638,380)	(111,540,728)
Exchange differences	(63,603,395)	(23,936,565)	(9,707,454)	(8,757,983)	(106,005,397)
Closing net book amount	1,533,990,499	641,795,713	195,167,030	85,751,889	2,456,705,131
At 31 December 2022					
Cost	1,536,460,309	893,915,750	445,506,907	358,906,729	3,234,789,695
Accumulated amortisation and impairment	(2,469,810)	(252,120,037)	(250,339,877)	(273,154,840)	(778,084,564)
Net book amount	1,533,990,499	641,795,713	195,167,030	85,751,889	2,456,705,131

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

8 Intangible assets (continued)

During the year ended 31 December 2022, amortisation of intangible assets were charged to the consolidated statement of comprehensive income is as follows:

	For the year ended 31 December	
	2022 HK\$	2021 HK\$
Administrative expenses	71,965,973	73,482,722
Selling expenses	34,714,146	36,568,253
Cost of sales	4,860,609	4,875,868
	111,540,728	114,926,843

(a) Impairment assessments for goodwill

Management reviews the business performance based on type of business. There are two business segments identified – household paper products and personal care products segments. Goodwill is monitored by the management at the operating segment level. The following is a summary of goodwill allocation for each operating segment:

2022	Opening HK\$	Exchange differences HK\$	Closing HK\$
Personal care products	1,030,091,530	(63,234,338)	966,857,192
Household paper products	567,502,364	(369,057)	567,133,307
	1,597,593,894	(63,603,395)	1,533,990,499

2021	Opening HK\$	Exchange differences HK\$	Closing HK\$
Personal care products	1,050,059,197	(19,967,667)	1,030,091,530
Household paper products	567,377,924	124,440	567,502,364
	1,617,437,121	(19,843,227)	1,597,593,894

The recoverable amount of a CGU is determined based on value-in-use calculations.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

8 Intangible assets (*continued*)

(a) Impairment assessments for goodwill (*continued*)

Management believes that the personal care business and the household paper business requires continued investment in brand building as well as enlarging the sales network to achieve long term profit growth. To adopt financial forecasts covering forecast periods of 10 years in determining the recoverable amount of the CGUs would offset the volatility of business and better reflect the market conditions, business potentials and products lifecycle. Therefore, the calculations use pre-tax cash flow projections based on financial plans approved by Board covering a forecast period of 10 years. Cash flows beyond the forecast period are extrapolated using the estimated growth rates stated below.

For each of the CGUs with a significant amount of goodwill, the key assumptions used in the value-in-use calculations are as follows:

	2022	
	Personal care products	Household paper products
Sales amount (% annual growth rate)	6.5%~11.2%	3.0%~8.2%
Gross margin (% of revenue)	31.3%~36.0%	28.0%~32.0%
Long-term growth rate	3.0%	3.0%
Pre-tax discount rate	11.5%	11.5%

	2021	
	Personal care products	Household paper products
Sales amount (% annual growth rate)	8.3%~13.0%	5.0%~9.0%
Gross margin (% of revenue)	34.0%~36.0%	32.0%~36.0%
Long-term growth rate	3.0%	3.0%
Pre-tax discount rate	11.5%	11.5%

These assumptions have been used for the analysis of each CGU within the operating segment.

The changes in key assumptions were in line with the latest business performance of the Group, taking consideration of the Group's business strategy and the latest competitive landscape of the industry.

8 Intangible assets (*continued*)(a) Impairment assessments for goodwill (*continued*)

Management has determined the values assigned to each of the above key assumptions as follows:

Assumption	Approach used to determining values
Sales amount	Average annual growth rate over the ten-year forecast period; based on current industry trends, past performance and management's expectations for the future.
Gross margin	Based on past performance and management's expectations for the future.
Long-term growth rate	This is the weighted average growth rate used to extrapolate cash flows beyond the budget period.
Pre-tax discount rate	Reflect specific risks relating to the relevant segments and the countries in which they operate.

(b) Impairment assessments for trademarks and licences with indefinite useful lives

The trademarks and licence with indefinite useful lives were acquired through acquisitions completed in 2016. The Group obtained perpetual, exclusive and royalty-free licence to use the Tempo brand, and owns Dr. P and Drypers. After considering the brands and licence's leading positions, competitive advantages, strong growth and continuous support, management deemed that it is proper to recognise these brands and licence as indefinite useful lives.

Management assesses the value of trademarks and licence with indefinite useful lives annually by using the value-in-use method calculated based on cash flow projections approved by management. Cash flows beyond the forecast period are extrapolated using the estimated growth rates stated below. The following is current year movement of trademarks and licences with indefinite useful life:

2022	Opening HK\$	Exchange differences HK\$	Closing HK\$
Personal care products	240,926,947	(13,391,600)	227,535,347
Household paper products	337,321,343	(3,034,470)	334,286,873
	578,248,290	(16,426,070)	561,822,220

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

8 Intangible assets (*continued*)

(b) Impairment assessments for trademarks and licences with indefinite useful lives (*continued*)

2021	Opening HK\$	Exchange differences HK\$	Closing HK\$
Personal care products	247,395,947	(6,469,000)	240,926,947
Household paper products	336,298,168	1,023,175	337,321,343
	583,694,115	(5,445,825)	578,248,290

The key assumptions used in the annual impairment assessments for trademarks and licences with indefinite useful lives are same as those used in annual impairment assessments for goodwill disclosed in Note 8(a).

Based on the headroom of the impairment assessments, management believed that any reasonably possible change in any of the key assumptions would not result in an impairment provision of goodwill and intangible assets with indefinite useful lives.

9 Investment properties

	As at 31 December	
	2022 HK\$	2021 HK\$
Opening net book amount	2,421,930	3,167,484
Transfer from property, plant and equipment (Note 6)	40,013,278	–
Depreciation for the year (Note 23)	(715,993)	(162,160)
Disposal	–	(654,774)
Exchange differences	(1,546,147)	71,380
Closing net book amount	40,173,068	2,421,930
Cost	43,732,161	3,731,001
Accumulated depreciation and impairment	(3,559,093)	(1,309,071)
Net book amount	40,173,068	2,421,930

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

10 Subsidiaries

As at 31 December 2022, the Company had direct and indirect interests in the following subsidiaries:

Name	Place of incorporation/ operation and kind of legal entity	Principal activities	Issued and fully paid capital	Interest held	
				(directly)	(indirectly)
Vinda Household Paper (China) Limited	British Virgin Islands, limited liability company	Investment holding and trading of wood pulp and machinery	US\$1	100%	–
Vinda Household Paper (Hong Kong) Limited	British Virgin Islands, limited liability company	Investment holding	US\$10,002	100%	–
Vinda Household Paper (U.S.A.) Limited	British Virgin Islands, limited liability company	Investment holding	US\$1	100%	–
Vinda Household Paper (Australia) Limited	British Virgin Islands, limited liability company	Investment holding	US\$1	100%	–
Vinda Paper (U.S.A.) Inc.	United States of America, limited liability company	Service for import & export	US\$1	–	100%
Vinda Paper (Australia) Pty Limited	Australia, limited liability company	Manufacturing and sale of household paper products	Australian dollar 100,000	–	100%
Forton Enterprises Limited ("Forton Enterprises")	HKSAR, limited liability company	Investment holding and trading of household paper products	HK\$10,100	–	100%
Vinda Paper Industrial (H.K.) Company Limited ("Vinda Industrial HK")	HKSAR, limited liability company	Investment holding and trading of household paper products and personal care products	HK\$10,001	–	100%
Vinda Investment (China) Limited ("Vinda Investment")	HKSAR, limited liability company	Investment holding	HK\$1	–	100%
Vinda Paper (Sichuan) Company Limited ("Vinda Paper (Sichuan)")	The PRC, wholly foreign owned enterprise	Manufacturing and sale of household paper products	HK\$263,400,000 (Note (ii))	–	100%
Vinda Paper (Beijing) Company Limited ("Vinda Paper (Beijing)")	The PRC, wholly foreign owned enterprise	Trading of household paper products	US\$350,000	–	100%
Vinda North Paper (Beijing) Company Limited ("Vinda Northern Paper")	The PRC, wholly foreign owned enterprise	Manufacturing and sale of household paper products	HK\$75,000,000	–	100%
Vinda Paper (Zhejiang) Company Limited ("Vinda Paper (Zhejiang)")	The PRC, wholly foreign owned enterprise	Manufacturing and sale of household paper and personal care products	HK\$850,000,000	–	100%
Vinda Personal Care Limited ("Vinda Personal Care")	HKSAR, limited liability company	Investment holding and trading of personal care products	HK\$1	–	100%
Vinda Trading Company Limited ("Vinda Trading")	The PRC, wholly foreign owned enterprise	Trading of household paper and personal care products	RMB50,000,000	–	100%
Vinda Paper (Liaoning) Company Limited ("Vinda Paper (Liaoning)")	The PRC, wholly foreign owned enterprise	Manufacturing and sale of household paper products	HK\$200,000,000	–	100%
Vinda Investment Group Limited ("Vinda Investment Group")	HKSAR, limited liability company	Investment holding	HK\$1	–	100%

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

10 Subsidiaries (continued)

Name	Place of incorporation/ operation and kind of legal entity	Principal activities	Issued and fully paid capital	Interest held	
				(directly)	(indirectly)
Vinda Paper (Shandong) Company Limited ("Vinda Paper (Shandong)")	The PRC, wholly foreign owned enterprise	Manufacturing and sale of household paper products	HK\$200,000,000	–	100%
Vinda Paper (China) Company Limited ("Vinda Paper (China)")	The PRC, wholly foreign owned enterprise	Manufacturing and sale of household paper products	US\$197,279,136	–	100%
Sparkle Sunshine Limited	British Virgin Islands, limited liability company	Investment holding company	US\$1	–	100%
Vinda Personal Care Holdings Limited	British Virgin Islands, limited liability company	Investment holding company	HK\$250,000,000	–	100%
Vinda Hygiene Care (Hong Kong) Limited ("VHC")	HKSAR, limited liability company	Investment holding company	HK\$1	–	100%
China-Euro Healthcare Management Limited	HKSAR, limited liability company	Investment holding company	HK\$1	100%	–
Vinda Personal Care (China) Limited ("VPC (China)")	The PRC, wholly foreign owned enterprise	Manufacturing and sale of household paper and personal care products	RMB508,998,487	–	100%
Vinda (Shanghai) Healthcare Management Company Limited	The PRC, wholly foreign owned enterprise	Providing home health care services and health management consulting	RMB4,531,039	–	100%
Guangdong Xinjiang Energy Company Limited ("Xinjiang Energy")	The PRC, wholly foreign owned enterprise	Manufacturing and sale of steam	RMB34,000,000	–	100%
Vinda Personal Care (Guangdong) Company Limited ("VPC (Guangdong)")	The PRC, wholly foreign owned enterprise	Manufacturing and sale of household paper and personal care products	HK\$524,600,000 (Note(i))	–	100%
PT Vinda International Indonesia ("Vinda Indonesia")	Indonesia, limited liability company	Trading of personal care products	Indonesian Rupiah 10,000,190,900	–	100%
Vinda Malaysia Sdn. Bhd. ("Vinda Malaysia")	Malaysia, limited liability company	Manufacturing and sale of personal care products	MYR23,800,000	–	100%
Vinda Korea Co., Ltd. ("Vinda Korea")	Korea, limited liability company	Trading of household paper and personal care products	Korea Won ("KRW") 310,000,000	–	100%
Vinda Taiwan Ltd. ("Vinda Taiwan")	Chinese Taiwan, limited liability company	Manufacturing and sale of personal care products	New Taiwan Dollar ("NT\$") 560,879,450	–	100%
Vinda Marketing (M) Sdn. Bhd. ("Vinda Marketing")	Malaysia, limited liability company	Trading of personal care products	MYR10,000	–	100%
Vinda Singapore Pte. Ltd. ("Vinda Singapore")	Singapore, limited liability company	Trading of personal care products	Singapore Dollar ("SG\$") 852,850	–	100%

(i) In 2022, the paid in capital of VPC (Guangdong) was increased from HK\$485,100,000 to HK\$524,600,000.

(ii) In 2022, the paid in capital of Vinda Paper (Sichuan) was increased from HK\$223,900,000 to HK\$263,400,000.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

11 Inventories

	As at 31 December	
	2022 HK\$	2021 HK\$
Raw materials	3,769,911,206	2,564,926,288
Finished goods	2,244,911,830	1,861,699,796
	6,014,823,036	4,426,626,084

The cost of inventories recognised as expenses and included in cost of sales amounted to HK\$11,077,812,698 (2021: HK\$9,482,323,334) for the year ended 31 December 2022.

The Group reversed HK\$4,065,034 of a previous inventory write-down during the year ended 31 December 2022, as the Group sold the relevant goods at original cost.

The Group provided write-downs of inventories to net realisable value amounting to HK\$2,783,728. These were recognised as an expense during the year ended 31 December 2021.

12 Financial instruments by category

	As at 31 December	
	2022 HK\$	2021 HK\$
Financial assets		
Trade and notes receivables	2,339,665,339	2,364,447,931
Other receivables	483,237,455	408,932,536
Due from related parties	40,242,578	43,969,461
Cash and cash equivalents	606,947,407	1,025,327,689
Total	3,470,092,779	3,842,677,617
Financial liabilities		
Loans from a related party	788,282,378	993,358,611
Borrowings	3,099,961,848	3,802,747,944
Trade and other payables excluding non-financial liabilities	7,186,574,605	4,937,361,186
Due to related parties	22,509,163	19,748,675
Lease liabilities	154,970,144	205,193,159
Total	11,252,298,138	9,958,409,575

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

12 Financial instruments by category (continued)

The Group's exposure to various risks associated with the financial instruments is discussed in Note 3. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

13 Trade, notes and other receivables and prepayments

	As at 31 December	
	2022 HK\$	2021 HK\$
Trade receivables	2,367,772,943	2,402,597,765
Less: Provision for impairment of trade receivables	(47,266,782)	(49,365,723)
	2,320,506,161	2,353,232,042
Notes receivable	19,159,178	11,215,889
Trade and note receivables	2,339,665,339	2,364,447,931
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	161,522,515	109,821,130
	483,237,455	408,932,536
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	44,109,023	42,283,858
	100,093,982	91,065,446
	2,922,996,776	2,864,445,913

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

13 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 HK\$	2021 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
	2,367,772,943	2,402,597,765

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.

Information about the impairment of trade and other receivables and the Group's exposure to credit risk, foreign currency risk and interest rate risk can be found in Note 3.1.

14 Cash and cash equivalents

	As at 31 December	
	2022 HK\$	2021 HK\$
Cash in hand	1,273,103	85,234
Cash at bank	605,674,304	1,025,242,455
	606,947,407	1,025,327,689

The effective weighted average annual interest rate on cash at bank and deposits was 2.05% (2021: 1.73%) for the year ended 31 December 2022.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

14 Cash and cash equivalents (*continued*)

The carrying amounts of cash and cash equivalents are denominated in the following currencies:

	As at 31 December	
	2022 HK\$	2021 HK\$
RMB	452,043,515	772,247,506
HK\$	50,265,813	51,211,240
NT\$	46,085,396	105,499,261
US\$	25,923,359	21,200,968
MYR	15,152,066	56,149,014
Other currencies	17,477,258	19,019,700
	606,947,407	1,025,327,689

15 Share capital and share premium

	Number of authorised shares	Number of issued and fully paid shares	Amount		
			Ordinary shares	Share premium	Total
			HK\$	HK\$	HK\$
At 31 December 2020	80,000,000,000	1,199,474,373	119,947,437	4,428,374,681	4,548,322,118
Employee share option scheme (Note 16)					
– 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 (Note 16)					
– 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

16 Share-based payment

On 15 April 2011, 4,837,000 share options were granted to the directors and certain employees at an exercise price of HK\$8.648 per share. The Group has no legal or constructive obligation to repurchase or settle the options in cash. The options are exercisable on or after 15 April 2011 and no later than 14 April 2021.

On 2 May 2012, 16,771,000 share options were granted to the directors and certain employees at an exercise price of HK\$14.06 per share. The Group has no legal or constructive obligation to repurchase or settle the options in cash. All the directors and employees accepted the share options.

The options are exercisable during the following periods if the Company meets certain performance conditions as set by the board of directors:

- (a) The first tranche of 5,313,000 options are exercisable during the period from 2 May 2012 to 1 May 2022.
- (b) The second tranche of 5,729,000 options are exercisable during the period from 2 May 2013 to 1 May 2022.
- (c) The third tranche of 5,729,000 options are exercisable during the period from 2 May 2014 to 1 May 2022.

On 2 May 2013, 1,359,000 share options were granted to a director and certain employees at an exercise price of HK\$10.34 per share. The Group has no legal or constructive obligation to repurchase or settle the options in cash. All the director and employees accepted the share options.

The options are exercisable during the following periods if the Company meets certain performance conditions as set by the board of directors:

- (a) The first tranche of 1,134,000 options are exercisable during the period from 2 May 2013 to 1 May 2023.
- (b) The second tranche of 225,000 options are exercisable during the period from 2 May 2014 to 1 May 2023.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

16 Share-based payment (*continued*)

Movements in the number of share options outstanding and their related weighted average exercise prices for the years ended 31 December 2022 and 2021 were as follows:

	For the year ended 31 December			
	2022 Weighted average exercise price in HK\$	Number of options	2021 Weighted average exercise price in HK\$	Number of options
At 1 January	14.04	2,170,000	13.39	3,961,000
Exercised (Note (a))	14.06	(2,010,000)	12.59	(1,791,000)
Lapsed (Note (b))	14.06	(150,000)	–	–
At 31 December	10.34	10,000	14.04	2,170,000

All of the outstanding options are exercisable.

- (a) Options exercised during the year ended 31 December 2022 resulted in 2,010,000 shares (2021: 1,791,000 shares) being issued with proceeds of HK\$28,260,600 (2021: HK\$22,553,280). The related weighted average share price at the time of exercise was HK\$19.82 (2021: HK\$25.27) per share.
- (b) Options lapsed during the year ended 31 December 2022 was 150,000 (2021: nil).

Share options outstanding as at 31 December 2022 have the following expiry dates and exercise prices:

Expiry date	Exercise price HK\$ per share	Number of options
1 May 2023	10.34	10,000

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

17 Other reserves

	Statutory reserves (Note (a)) HK\$	Retained earnings HK\$	Translation reserve HK\$	Other reserves HK\$	Total HK\$
At 1 January 2021	891,699,484	5,715,223,246	483,655,803	28,456,383	7,119,034,916
Employee share options scheme:					
– Exercise of options	–	–	–	(8,212,758)	(8,212,758)
Profit for the year	–	1,638,364,572	–	–	1,638,364,572
Appropriation of reserves	127,768,671	(127,768,671)	–	–	–
Dividends	–	(564,217,605)	–	–	(564,217,605)
Currency translation differences	–	–	253,638,907	–	253,638,907
Remeasurement on post-employment benefit obligation	–	–	–	965,695	965,695
At 31 December 2021	1,019,468,155	6,661,601,542	737,294,710	21,209,320	8,439,573,727

	Statutory reserves (Note (a)) HK\$	Retained earnings HK\$	Translation reserve HK\$	Other reserves HK\$	Total HK\$
At 1 January 2022	1,019,468,155	6,661,601,542	737,294,710	21,209,320	8,439,573,727
Employee share options scheme:					
– Exercise of options	–	–	–	(10,347,480)	(10,347,480)
Profit for the year	–	706,039,502	–	–	706,039,502
Appropriation of reserves	33,247,589	(33,247,589)	–	–	–
Dividends	–	(601,637,686)	–	–	(601,637,686)
Currency translation differences	–	–	(1,152,993,589)	–	(1,152,993,589)
Remeasurement on post-employment benefit obligation	–	–	–	1,954,733	1,954,733
At 31 December 2022	1,052,715,744	6,732,755,769	(415,698,879)	12,816,573	7,382,589,207

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

17 Other reserves (continued)

(a) Statutory reserves

In accordance with the “Foreign Investment Law of the People’s Republic of China” and the Articles of Association of those subsidiaries of the Group, which are wholly foreign owned enterprises with limited liability within PRC, an appropriation to the Statutory Reserve from the statutory net profit after offsetting accumulated losses of previous years should be made prior to profit distribution to the shareholders. The appropriation for the Reserve Fund is no less than 10% of the statutory net profit and it can cease to accrue when the accumulated appropriation exceeds 50% of the registered capital. For the year ended 31 December 2022, the appropriation for the Reserve Fund is 15% (2021:15%) of the statutory net profits of the year for the subsidiaries in the PRC.

In accordance with the “Taiwan Company Act”, Vinda Taiwan should appropriate 10% of its statutory net profit after offsetting accumulated losses of previous years to Statutory Reserve before distribution of retained earnings to shareholders unless Statutory Reserve reached equal amount of paid in capital. Such reserve fund can be distributed to shareholders with a limitation of 25% of the Company’s paid in capital.

18 Trade payables, other payables and accrued expenses

	As at 31 December	
	2022 HK\$	2021 HK\$
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 (Note 22)	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
	7,548,972,120	5,431,671,084

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

18 Trade payables, other payables and accrued expenses (*continued*)

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 HK\$	2021 HK\$
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
	4,821,932,060	2,674,010,619

19 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 (Note 32(c))	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 (Note 32(c)) – 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

19 Borrowings (continued)

(a) The maturity of borrowings is as follows:

	Bank borrowings As at 31 December		Loans from a related party As at 31 December	
	2022 HK\$	2021 HK\$	2022 HK\$	2021 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
	3,099,961,848	3,802,747,944	788,282,378	993,358,611

(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%

(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%

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

19 Borrowings (continued)

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

	As at 31 December	
	2022 HK\$	2021 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
	3,888,244,226	4,796,106,555

20 Deferred income tax

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	As at 31 December	
	2022 HK\$	2021 HK\$
Deferred income tax assets		
– Deferred income tax assets to be recovered after 12 months	104,223,914	103,514,952
– Deferred income tax assets to be recovered within 12 months	525,527,531	464,666,299
	629,751,445	568,181,251
Deferred income tax liabilities		
– Deferred income tax liabilities to be settled after 12 months	(200,437,400)	(185,850,168)
– Deferred income tax liabilities to be settled within 12 months	(14,855,679)	(12,340,797)
	(215,293,079)	(198,190,965)
Deferred income tax assets, net	414,458,366	369,990,286

The gross movement on the deferred income tax account is as follows:

	For the year ended 31 December	
	2022 HK\$	2021 HK\$
Beginning of the year	369,990,286	314,861,960
Credited to the consolidated statement of comprehensive income	83,979,041	41,227,307
Exchange differences	(39,510,961)	13,901,019
End of the year	414,458,366	369,990,286

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

20 Deferred income tax (continued)

The movement of the deferred tax assets is as follows:

	Impairment of assets HK\$	Deferred government grants HK\$	Unrealised profits – inter- company sales of inventories HK\$	Unrealised profits – inter- company sales of property, plant and equipment HK\$	Accrued expenses HK\$	Taxable loss carried forward HK\$	Share option expenses HK\$	Retirement benefit obligation HK\$	Accelerated depreciation HK\$	Capital reinvestment allowance HK\$	Total HK\$
At 31 December 2020 and 1 January 2021	42,892,164	67,552,610	49,370,808	20,506,633	269,162,627	41,492,983	1,667,184	2,094,158	20,467,693	–	515,206,860
Credited/(charged) to the consolidated statement of comprehensive income	3,833,938	(10,613,148)	(25,037,340)	3,281,822	(14,758,908)	75,077,680	–	(1,131,962)	8,719,933	–	39,372,015
Exchange differences	1,208,063	1,833,968	1,092,388	650,053	5,941,734	2,117,111	–	32,119	726,940	–	13,602,376
At 31 December 2021	47,934,165	58,773,430	25,425,856	24,438,508	260,345,453	118,687,774	1,667,184	994,315	29,914,566	–	568,181,251
At 31 December 2021 and 1 January 2022	47,934,165	58,773,430	25,425,856	24,438,508	260,345,453	118,687,774	1,667,184	994,315	29,914,566	–	568,181,251
Credited/(charged) to the consolidated statement of comprehensive income	(703,810)	(92,437)	6,364,586	(1,982,927)	64,013,810	24,224,830	(1,667,184)	(27,693)	8,859,518	12,377,568	111,366,261
Exchange differences	(3,972,954)	(4,975,616)	(2,371,041)	(2,002,551)	(22,807,293)	(10,665,253)	–	(94,887)	(2,836,422)	(70,050)	(49,796,067)
At 31 December 2022	43,257,401	53,705,377	29,419,401	20,453,030	301,551,970	132,247,351	–	871,735	35,937,662	12,307,518	629,751,445

Deferred income tax assets are recognised for tax losses carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of HK\$21,659,670 (2021: HK\$17,817,645) in respect of losses amounting to HK\$87,468,654 (2021: HK\$69,208,459), which are not subject to expiration, that can be carried forward against future taxable income.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

20 Deferred income tax (continued)

The movement of the deferred tax liabilities is as follows:

	Interest capitalised HK\$	Fair value gains through business combination HK\$	Decelerated capital expenditure HK\$	Actuarial gains on defined benefit plans HK\$	Unrealised foreign exchange loss HK\$	Total HK\$
At 31 December 2020 and 1 January 2021	30,827,903	131,955,738	35,831,834	524,689	1,204,736	200,344,900
Charged/(credited) to the consolidated statement of comprehensive income	5,238,819	(9,160,144)	1,945,479	58,124	62,430	(1,855,292)
Exchange differences	901,394	(158,698)	(1,018,583)	11,612	(34,368)	(298,643)
At 31 December 2021	36,968,116	122,636,896	36,758,730	594,425	1,232,798	198,190,965
At 31 December 2021 and 1 January 2022	36,968,116	122,636,896	36,758,730	594,425	1,232,798	198,190,965
Charged/(credited) to the consolidated statement of comprehensive income	3,746,988	(10,071,239)	32,113,171	217,461	1,380,839	27,387,220
Exchange differences	(3,171,786)	(4,796,213)	(2,178,708)	(63,553)	(74,846)	(10,285,106)
At 31 December 2022	37,543,318	107,769,444	66,693,193	748,333	2,538,791	215,293,079

Deferred income tax liabilities of HK\$302,629,429 (2021: HK\$324,029,491) have not been recognised for the withholding tax that would otherwise be payable on the unremitted earnings of certain subsidiaries. Management currently has no intention to remit those earnings in the foreseeable future. Such unremitted earnings totalled HK\$6,013,765,103 as at 31 December 2022 (2021: HK\$6,411,611,049).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

21 Deferred government grants

	HK\$
At 1 January 2021	
Cost	385,453,230
Accumulated amortisation	(100,576,781)
Net book amount	284,876,449
Year ended 31 December 2021	
Opening net book amount	284,876,449
Additions	8,349,603
Amortisation (Note 23)	(25,911,207)
Exchange differences	8,108,872
Closing net book amount	275,423,717
At 31 December 2021	
Cost	404,682,671
Accumulated amortisation	(129,258,954)
Net book amount	275,423,717
Year ended 31 December 2022	
Opening net book amount	275,423,717
Additions	22,939,702
Amortisation (Note 23)	(27,216,106)
Exchange differences	(23,185,553)
Closing net book amount	247,961,760
At 31 December 2022	
Cost	392,558,411
Accumulated amortisation	(144,596,651)
Net book amount	247,961,760

In 2022, certain subsidiaries of the Group received government grants with total amount of RMB19,792,100 (2021: RMB6,924,593). The government grant was recorded as deferred government grants and credited to the consolidated statement of comprehensive income on a straight-line basis over the expected useful lives of the corresponding property, plant and equipment or land use right.

22 Long-term incentive plans

	As at 31 December	
	2022 HK\$	2021 HK\$
Current liabilities		
Long-term incentive plans – current portion	46,047,386	–
Other non-current liabilities		
Long-term incentive plans	3,200,341	15,848,793
Total incentive plans (i)(ii)	49,247,727	15,848,793

- (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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

23 Other income and losses – net

	For the year ended 31 December	
	2022 HK\$	2021 HK\$
Subsidy income received from local government	117,643,982	35,571,470
Amortisation of deferred government grants (Note 21)	27,216,106	25,911,207
Gain/(loss) on disposal of property, plant and equipment	1,063,611	(2,029,666)
Gain on disposal of investment properties	–	7,695,226
Foreign exchange (loss)/gain – net	(75,525,885)	27,695,389
Rental income	1,005,189	958,093
Depreciation of investment properties (Note 9)	(715,993)	(162,160)
Others	6,058,513	6,056,485
	76,745,523	101,696,044

24 Expenses by nature

	For the year ended 31 December	
	2022 HK\$	2021 HK\$
Raw materials and trading merchandise consumed	10,300,989,656	8,585,895,968
Staff costs (Note 25)	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 (Note 6)	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 (Note 8)	111,540,728	114,926,843
Depreciation of right-of-use assets (Note 7)	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 (Note 7)	31,636,407	72,072,371
Auditor's remuneration	8,786,403	9,024,079
Provision for impairment of receivables (Note 3.1(b))	4,448,991	24,720,800
Bank charges	2,983,071	3,454,296
(Reversal of provision)/provision for write-down of inventories (Note 11)	(4,065,034)	2,783,728
Impairment charge on property, plant and equipment (Note 6)	–	50,186
Other expenses	286,536,308	270,830,182
Total cost of sales, selling and marketing costs, administrative expenses and net impairment losses on financial assets	18,687,788,542	16,733,949,706

25 Employee benefit expenses

The aggregate amounts of staff costs including directors' emoluments are as follows:

	For the year ended 31 December	
	2022 HK\$	2021 HK\$
Defined contribution for HKSAR employees		
– MPF	3,282,664	1,874,847
Defined contribution for overseas employees	32,616,923	35,192,391
Defined benefits for overseas employees	1,494,944	148,890
Long-term incentive plans	34,202,350	25,203,556
Social security and benefits for the PRC employees	279,955,312	276,831,187
Wages, salaries and bonus	1,544,713,139	1,635,824,672
Staff welfare	89,080,686	103,994,950
	1,985,346,018	2,079,070,493

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2022 include 2 directors and 3 senior management (2021: 3 directors and 2 senior management) whose emoluments are reflected in the analysis disclosed in Notes 32 and 34. The emoluments payable to non-director individuals amongst five highest paid individuals during the year are as follows:

	For the year ended 31 December	
	2022 HK\$	2021 HK\$
– Basic salaries, housing allowances, other allowances and benefits-in-kind	16,342,181	14,797,941
– Long-term incentive plans	3,308,500	4,023,319
– Others	158,888	112,874
	19,809,569	18,934,134

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

26 Finance income and costs – net

	For the year ended 31 December	
	2022 HK\$	2021 HK\$
Interest expense		
– borrowings	(87,836,706)	(105,374,539)
– lease liabilities (Note 7)	(7,105,808)	(7,302,446)
Foreign exchange gain/(loss) – net	10,312,439	(189,105)
Interest income		
– bank deposits	25,029,788	19,179,882
Net finance costs	(59,600,287)	(93,686,208)

27 Taxation

(a) 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 HK\$	2021 HK\$
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	6,577,510	8,166,818
	40,827,454	311,209,930

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

27 Taxation (continued)

(a) Income tax expense (continued)

The tax on the Group's profit before tax differs from the theoretical amount that would arise using weighted average tax rate applicable to profits of the Group as follows:

	For the year ended 31 December	
	2022 HK\$	2021 HK\$
Profit before income tax	746,866,956	1,949,574,502
Tax calculated at applicable tax rate	138,441,263	435,594,603
HNTE and R&D tax benefits	(101,152,399)	(142,031,883)
Income not subject to tax	(5,430,987)	(3,260,898)
Expenses not deductible for tax purposes	14,073,176	15,404,825
Unrecognised tax losses	4,362,960	2,546,351
Utilisation of previously unrecognised tax losses	(118,442)	(384,864)
Tax filing difference for prior year	1,168,537	(4,825,022)
Withholding tax	6,577,510	8,166,818
Capital reinvestment allowance	(17,094,164)	–
Income tax expense	40,827,454	311,209,930

(b) VAT

Sales of self-manufactured products of the Company's PRC subsidiaries are subject to VAT. The applicable tax rate for PRC domestic sales is 13%.

Input VAT on purchases of raw materials, fuel, utilities, certain fixed assets and other production materials (merchandise, transportation costs) are creditable against output VAT. VAT payable is the net difference between output VAT and creditable input VAT.

28 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\$)	706,039,502	1,638,364,572
Weighted average number of ordinary shares issued	1,202,935,874	1,200,503,307
Basic earnings per share (HK\$ per share)	0.587	1.365

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

28 Earnings per share (continued)

(b) Diluted

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

	For the year ended 31 December	
	2022	2021
Profit attributable to equity holders of the Company (HK\$)	706,039,502	1,638,364,572
Weighted average number of ordinary shares issued	1,202,935,874	1,200,503,307
Adjustments for share options	103,647	1,196,259
Weighted average number of ordinary shares for diluted earnings per share	1,203,039,521	1,201,699,566
Diluted earnings per share (HK\$ per share)	0.587	1.363

29 Dividends

	2022 HK\$	2021 HK\$
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	360,982,612	480,506,149
	481,310,149	600,594,486

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

30 Cash flow information

(a) Reconciliation of profit before income tax to cash generated from operations

	For the year ended 31 December	
	2022 HK\$	2021 HK\$
Profit before income tax	746,866,956	1,949,574,502
Adjustments for:		
– Depreciation of property, plant and equipment (Note 6)	1,086,204,500	1,027,135,674
– Depreciation of investment properties (Note 9)	715,993	162,160
– Amortisation of intangible assets (Note 8)	111,540,728	114,926,843
– Depreciation of right-of-use assets (Note 7)	98,647,774	105,992,748
– Amortisation of deferred government grants (Note 21)	(27,216,106)	(25,911,207)
– (Gain)/loss on disposals of property, plant and equipment (Note 23)	(1,063,611)	2,029,666
– Loss/(gain) on disposal of right-of-use assets	166,213	(319)
– Gain on disposal of investment properties (Note 23)	–	(7,695,226)
– Provision for impairment of receivables (Note 3.1)	4,448,991	24,720,800
– (Reversal of provision)/provision for write-down of inventories (Note 24)	(4,065,034)	2,783,728
– Impairment charge on property, plant and equipment (Note 6)	–	50,186
– Share of post-tax loss of an associate	49,301	225,086
– Net finance costs and exchange losses	135,126,172	65,990,819
	2,151,421,877	3,259,985,460
Changes in working capital (excluding the effect of exchange differences on consolidation):		
– (Increase)/decrease in inventories	(1,918,655,030)	431,268,213
– Increase in trade, notes, and other receivables, and prepayments	(224,316,272)	(18,913,938)
– Decrease/(increase) in due from related parties	2,186,672	(5,660,034)
– Increase/(decrease) in trade payables, other payables and accrued expenses and contract liabilities	2,388,935,336	(423,660,638)
– (Decrease)/increase in due to related parties	(200,661)	5,143,553
Cash generated from operations	2,399,371,922	3,248,162,616

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

30 Cash flow information (continued)

(b) Reconciliation of proceeds from disposal of property, plant and equipment and investment properties

In the cash flow statement, proceeds from disposal of property, plant and equipment and investment properties comprise:

	For the year ended 31 December	
	2022 HK\$	2021 HK\$
Net book amount of property, plant and equipment (Note 6)	3,349,338	6,966,887
Gain/(loss) on disposal of property, plant and equipment (Note 23)	1,063,611	(2,029,666)
Net book amount of investment properties	–	654,774
Gain on disposal of investment properties (Note 23)	–	7,695,226
Proceeds from disposal of property, plant and equipment and investment properties	4,412,949	13,287,221

(c) Reconciliation of liabilities arising from financing activities

	Leases HK\$	Bank borrowings HK\$	Loans from a related party HK\$	Total HK\$
As at 1 January 2021	201,927,445	4,335,810,551	396,080,272	4,933,818,268
Cash flows				
– Inflow from financing activities	–	5,323,737,713	600,000,000	5,923,737,713
– Outflow from financing activities	(84,857,326)	(5,935,590,167)	–	(6,020,447,493)
Recognition of right-of-use assets	89,120,836	–	–	89,120,836
Currency translations	(997,796)	78,789,847	(2,721,661)	75,070,390
As at 31 December 2021	205,193,159	3,802,747,944	993,358,611	5,001,299,714
Cash flows				
– Inflow from financing activities	–	4,711,269,760	–	4,711,269,760
– Outflow from financing activities	(74,480,171)	(5,202,906,642)	(200,000,000)	(5,477,386,813)
Recognition of right-of-use assets	34,866,233	–	–	34,866,233
Currency translations	(10,609,077)	(211,149,214)	(5,076,233)	(226,834,524)
As at 31 December 2022	154,970,144	3,099,961,848	788,282,378	4,043,214,370

31 Capital commitments

	As at 31 December	
	2022 HK\$	2021 HK\$
Property, plant and equipment and intangible assets	550,351,953	843,161,676

32 Related party transactions

(a) Information on related parties and their relationships with the Group are as follows:

Name of related party	Relationship
Uni-Charm Mölnlycke KK ("Uni-Charm")	Subsidiary of Essity Aktiebolag (publ)
Asaleo Care Fiji Limited	Subsidiary of Essity Aktiebolag (publ)
Productos Familia, S.A., Colombia	Subsidiary of Essity Aktiebolag (publ)
Asaleo Care New Zealand Ltd.	Subsidiary of Essity Aktiebolag (publ)
Asaleo Personal Care Pty Ltd.	Subsidiary of Essity Aktiebolag (publ)
Essity Higiene y Salud Mexico, S.A. de C.V. ("Essity Mexico")	Subsidiary of Essity Aktiebolag (publ)
Essity Operations Gennep B.V. ("Essity OG B.V.")	Subsidiary of Essity Aktiebolag (publ)
Essity Canada Inc.	Subsidiary of Essity Aktiebolag (publ)
Essity Operations Hoogezand B.V. ("Essity Hoogezand B.V.")	Subsidiary of Essity Aktiebolag (publ)
Essity Higiene and Health AB ("Essity HH")	Subsidiary of Essity Aktiebolag (publ)
Essity Netherlands B.V.	Subsidiary of Essity Aktiebolag (publ)
Essity Operations Mainz-Kostheim GmbH ("Essity Kostheim")	Subsidiary of Essity Aktiebolag (publ)
Essity Poland Sp.z o.o.	Subsidiary of Essity Aktiebolag (publ)
Essity Turkey Hijyen Urunleri Sanayi Ve Ticaret A. S. ("Essity Turkey")	Subsidiary of Essity Aktiebolag (publ)
Essity Operations France	Subsidiary of Essity Aktiebolag (publ)
Essity Slovakia s.r.o.	Subsidiary of Essity Aktiebolag (publ)
Malaysian BSN Medical SDN BHD ("BSN Malaysia")	Subsidiary of Essity Aktiebolag (publ)
Essity HMS North America Inc ("Essity HMS")	Subsidiary of Essity Aktiebolag (publ)
Vinda Health (Guangdong)	Associate of the Group
Essity Treasury AB	Subsidiary of Essity Aktiebolag (publ)
Essity OM	Subsidiary of Essity Aktiebolag (publ)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

32 Related party transactions (*continued*)

(b) Significant related party transactions

In the opinion of the Company's directors, the related party transactions were conducted in the ordinary course of business and based on terms mutually agreed by the underlying parties. Significant related party transactions of the Group during the year ended 31 December 2022 include:

(1) Sales of products to related parties:

	For the year ended 31 December	
	2022 HK\$	2021 HK\$
– Uni-Charm	120,519,638	102,945,085
– Asaleo Care Fiji Limited	25,625,407	38,874,055
– Asaleo Care New Zealand Ltd.	22,034,310	16,021,387
– Asaleo Personal Care Pty Ltd.	18,062,275	15,300,424
– Essity Mexico	11,948,723	5,845,893
– Productos Familia, S.A., Colombia	8,918,013	23,608,455
– Essity OG B.V.	1,610,081	2,808,959
– Essity Canada Inc.	1,554,497	2,334,587
– Essity Hoogezand B.V.	840,241	1,473,550
– Essity HH	3,003	241
	211,116,188	209,212,636

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

32 Related party transactions (*continued*)

(b) Significant related party transactions (*continued*)

(2) Purchase of products from related parties:

	For the year ended 31 December	
	2022 HK\$	2021 HK\$
– Essity Netherlands B.V.	56,360,665	61,380,400
– Essity Kostheim	34,554,944	41,450,998
– Essity HH	31,414,378	26,687,394
– Essity Poland Sp.z o.o.	29,254,233	26,156,236
– Productos Familia, S.A., Colombia	27,496,642	4,589,949
– Essity OG B.V.	17,959,789	14,824,774
– Essity Mexico	9,853,648	7,707,486
– Essity Turkey	2,028,065	879,532
– Essity Operations France	1,715,902	–
– Essity Slovakia s.r.o.	–	1,389,063
– BSN Malaysia	–	41,337
– Essity OM	–	21,429
	210,638,266	185,128,598

(3) R&D expenses charged to a related party:

	For the year ended 31 December	
	2022 HK\$	2021 HK\$
– Essity HH	17,614,671	19,798,577

(4) IT costs charged by a related party:

	For the year ended 31 December	
	2022 HK\$	2021 HK\$
– Essity HH	446,144	610,819

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

32 Related party transactions (*continued*)

(b) Significant related party transactions (*continued*)

(5) Loans borrowed from a related party:

	For the year ended 31 December	
	2022 HK\$	2021 HK\$
– Essity Treasury AB (Note (a))	–	600,000,000

(6) Loans repaid to a related party:

	For the year ended 31 December	
	2022 HK\$	2021 HK\$
– Essity Treasury AB	200,000,000	–

On 12 December 2022, the Group made one loan repayment with principal amount of HK\$200,000,000 and the loan's maturity date is 10 March 2023. The weighted average interest rate is 1.79%.

(7) Interest expenses accrued to a related party:

	For the year ended 31 December	
	2022 HK\$	2021 HK\$
– Essity Treasury AB	20,574,199	7,584,057

(8) Interest expenses paid to a related party:

	For the year ended 31 December	
	2022 HK\$	2021 HK\$
– Essity Treasury AB	16,765,308	8,166,658

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

32 Related party transactions (*continued*)

(b) Significant related party transactions (*continued*)

(9) Key management compensation:

	For the year ended 31 December	
	2022 HK\$	2021 HK\$
Directors		
– Basic salaries, housing allowances, other allowances, benefits-in-kind, pensions and other benefits	37,245,697	40,518,150
– Long-term incentive plans	9,612,554	5,061,466
Senior management		
– Basic salaries, housing allowances, other allowances, benefits-in-kind, pensions and other benefits	53,800,451	40,741,942
– Long-term incentive plans	7,397,050	9,626,493
	108,055,752	95,948,051

The emoluments of senior management (excluding directors) fell within the following bands:

	Number of individuals	
	2022	2021
– HK\$1,500,000 to HK\$2,000,000	1	1
– Above HK\$2,000,000	9	9

No emoluments have been paid to directors and senior management as an inducement to join or upon joining the Group or as compensation for loss of office for the years ended 31 December 2022 and 2021.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

32 Related party transactions (*continued*)

(c) Year-end balances with related parties

	As at 31 December	
	2022 HK\$	2021 HK\$
(1) Trade and other receivables from related parties:		
– Uni-Charm	22,885,914	21,050,413
– Essity HH	4,787,187	5,989,712
– Asaleo Care New Zealand Ltd.	3,491,752	3,171,231
– Asaleo Personal Care Pty Ltd.	3,460,413	1,988,556
– Essity Mexico	2,683,869	2,211,548
– Asaleo Care Fiji Limited	2,001,561	2,475,232
– Productos Familia, S.A., Colombia	549,618	4,564,858
– Vinda Health (Guangdong)	225,171	–
– Essity Canada Inc.	157,093	752,383
– Essity OG B.V.	–	1,171,791
– Essity Hoogezand B.V.	–	544,942
– Essity HMS	–	48,795
	40,242,578	43,969,461

All the above receivables are aged within 3 months based on invoice date as at 31 December 2022 and 31 December 2021.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

32 Related party transactions (*continued*)

(c) Year-end balances with related parties (*continued*)

	As at 31 December	
	2022 HK\$	2021 HK\$
(2) Trade and other payables to related parties		
– Essity Netherlands B.V.	4,762,182	6,525,315
– Essity Kostheim	3,038,110	4,903,119
– Essity Poland Sp.z o.o.	2,770,089	3,756,757
– Essity OG B.V.	2,378,824	879,558
– Essity HH	2,336,119	1,950,466
– Productos Familia, S.A., Colombia	1,661,113	–
– Essity Operations France	437,383	–
– Essity Turkey	235,351	237,817
– Essity Mexico	178,367	592,933
– Uni-Charm	5,827	690
	17,803,365	18,846,655

All the above payables are aged within 3 months based on invoice date as at 31 December 2022 and 31 December 2021.

	As at 31 December	
	2022 HK\$	2021 HK\$
(3) Loans from a related party		
– Essity Treasury AB (Note (a))	788,282,378	993,358,611
(4) Interest payable to a related party		
– Essity Treasury AB	4,705,798	902,020

(a) Due to repayment of loans in 2022 with principal amount of HK\$200,000,000, loans from a related party as at 31 December 2022 represented the remaining loans with principal of HK\$100,000,000, HK\$300,000,000, HK\$300,000,000 and MYR50,000,000 (HK\$88,282,378). The weighted average interest rate is 2.11%. These loans are due on 10 March 2023, 10 May 2023, 8 November 2023 and 18 December 2024 respectively.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

33 Balance sheet and reserve movement of the Company

	As at 31 December	
	2022 HK\$	2021 HK\$
ASSETS		
Non-current assets		
Investments in and balances with subsidiaries	3,680,750,056	4,021,408,515
Current assets		
Prepayments	10,624,139	14,942,612
Dividends receivable	480,000,000	650,000,000
Due from subsidiaries	186,479,784	176,499,644
Cash and cash equivalents	449,112	2,181,948
	677,553,035	843,624,204
Total assets	4,358,303,091	4,865,032,719
EQUITY		
Capital and reserves attributable to the Company's equity holders		
Share capital	120,327,537	120,126,537
Share premium	4,497,368,699	4,458,961,619
Other reserves (Note (a))	(502,886,945)	45,144,011
Total equity	4,114,809,291	4,624,232,167
LIABILITIES		
Current liabilities		
Other payables and accrued expenses	972,657	1,621,590
Due to subsidiaries	242,521,143	239,178,962
	243,493,800	240,800,552
Total liabilities	243,493,800	240,800,552
Total equity and liabilities	4,358,303,091	4,865,032,719

The balance sheet of the Company was approved by the Board of Directors on 20 January 2023 and were signed on its behalf.

LI Chao Wang
Director

LI Jielin
Director

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

33 Balance sheet and reserve movement of the Company (continued)

Note(a) Reserve movement of the Company

	Translation reserve HK\$	Retained earnings HK\$	Employee option reserve HK\$	Total HK\$
At 1 January 2021	(613,384,309)	463,146,026	25,385,733	(124,852,550)
Employee share options scheme:				
– Exercise of options	–	–	(8,212,758)	(8,212,758)
Dividends	–	(564,217,605)	–	(564,217,605)
Profit for the year	–	626,944,279	–	626,944,279
Currency translation differences	115,482,645	–	–	115,482,645
At 31 December 2021	(497,901,664)	525,872,700	17,172,975	45,144,011
At 1 January 2022	(497,901,664)	525,872,700	17,172,975	45,144,011
Employee share options scheme:				
– Exercise of options	–	–	(10,347,480)	(10,347,480)
Dividends	–	(601,637,686)	–	(601,637,686)
Profit for the year	–	452,696,122	–	452,696,122
Currency translation differences	(388,741,912)	–	–	(388,741,912)
At 31 December 2022	(886,643,576)	376,931,136	6,825,495	(502,886,945)

34 Benefits and interests of directors

(a) Directors' emoluments

	For the year ended 31 December	
	2022 HK\$	2021 HK\$
Directors		
– Basic salaries, housing allowances, other allowances and benefits-in-kind	36,363,502	40,464,150
– Long-term incentive plans	9,612,554	5,061,466
– Others	882,195	54,000
	46,858,251	45,579,616

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

34 Benefits and interests of directors (*continued*)

(a) Directors' emoluments (*continued*)

The remuneration of every director is set out below:

For the year ended 31 December 2022

Aggregate emoluments paid to or receivable by directors in respect of their services in connection with the management of the affairs of the Company or its subsidiary undertaking

	Directors' fees HK\$	Salaries (Note(i)) HK\$	Discretionary bonuses HK\$	Allowances and benefits in kind (Note(ii)) HK\$	Employer's contribution to a retirement benefit scheme HK\$	Long-term incentive plans HK\$	Total HK\$
<i>Chairman</i>							
- Mr. LI Chao Wang	-	5,127,980	3,550,466	56,180	256,399	2,928,194	11,919,219
<i>Executive directors</i>							
- Ms. YU Yi Fang	-	3,327,350	2,303,758	46,792	166,368	1,878,083	7,722,351
- Ms. LI Jielin	-	5,501,200	3,550,559	389,259	293,060	2,928,194	12,662,272
- Mr. DONG Yi Ping	-	3,327,350	2,303,709	28,136	166,368	1,878,083	7,703,646
<i>Non-executive directors</i>							
- Mr. Jan Christer JOHANSSON	3,180,692	-	-	-	-	-	3,180,692
- Mr. Carl Magnus GROTH	-	-	-	-	-	-	-
- Mr. Carl Fredrik Stenson RYSTEDT	-	-	-	-	-	-	-
- Mr. Johann Christoph MICHALSKI	-	1,984,500	-	-	-	-	1,984,500
<i>Independent non-executive directors</i>							
- Ms. LEE Hsiao-yun Ann (iii)	240,206	-	-	-	-	-	240,206
- Dr. Cao Zhenlei (iv)	124,432	-	-	-	-	-	124,432
- Mr. WONG Kwai Huen, Albert	420,311	-	-	-	-	-	420,311
- Mr. TSUI King Fai	470,311	-	-	-	-	-	470,311
- Mr. LAW Hong Ping, Lawrence	430,311	-	-	-	-	-	430,311
<i>Alternate directors</i>							
- Mr. Gert Mikael SCHMIDT	-	-	-	-	-	-	-
- Mr. Dominique Michel Jean DESCHAMPS	-	-	-	-	-	-	-
	4,866,263	19,268,380	11,708,492	520,367	882,195	9,612,554	46,858,251

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

34 Benefits and interests of directors (*continued*)

(a) Directors' emoluments (*continued*)

For the year ended 31 December 2021

Aggregate emoluments paid to or receivable by directors in respect of their services in connection with the management of the affairs of the Company or its subsidiary undertaking

	Directors' fees HK\$	Salaries (Note(ii)) HK\$	Discretionary bonuses HK\$	Allowances and benefits in kind (Note(ii)) HK\$	Employer's contribution to a retirement benefit scheme HK\$	Long-term incentive plans HK\$	Total HK\$
<i>Chairman</i>							
- Mr. LI Chao Wang	-	4,886,710	4,275,815	51,174	18,000	1,541,833	10,773,532
<i>Executive directors</i>							
- Ms. YU Yi Fang	-	3,187,861	2,774,408	24,654	-	988,900	6,975,823
- Ms. LI Jielin	-	4,910,826	3,650,309	385,587	18,000	1,541,833	10,506,555
- Mr. DONG Yi Ping	-	3,171,880	2,774,350	24,654	18,000	988,900	6,977,784
<i>Non-executive directors</i>							
- Mr. Jan Christer JOHANSSON	3,029,230	-	-	-	-	-	3,029,230
- Mr. Carl Magnus GROTH	-	-	-	-	-	-	-
- Mr. Carl Fredrik Stenson RYSTEDT	-	-	-	-	-	-	-
- Mr. Johann Christoph MICHALSKI	-	1,890,000	3,810,268	-	-	-	5,700,268
<i>Independent non-executive directors</i>							
- Ms. LEE Hsiao-yun Ann	344,106	-	-	-	-	-	344,106
- Mr. WONG Kwai Huen, Albert	404,106	-	-	-	-	-	404,106
- Mr. TSUI King Fai	454,106	-	-	-	-	-	454,106
- Mr. LAW Hong Ping, Lawrence	414,106	-	-	-	-	-	414,106
<i>Alternate directors</i>							
- Mr. Gert Mikael SCHMIDT	-	-	-	-	-	-	-
- Mr. Dominique Michel Jean DESCHAMPS	-	-	-	-	-	-	-
	4,645,654	18,047,277	17,285,150	486,069	54,000	5,061,466	45,579,616

Notes:

- (i) Salaries paid to a director relate to emolument paid or payable in respect of that person's services in connection with the management of the affairs of the Company or its subsidiary undertakings.
- (ii) Includes housing allowances, medical and life insurance premium.
- (iii) Ms. LEE Hsiao-yun Ann resigned from independent non-executive director on 31 August 2022.
- (iv) Dr. Cao Zhenlei was appointed as independent non-executive director on 31 August 2022.
- (v) For the year ended 31 December 2022 and 2021, no directors of the Company waived any emoluments and no emoluments were paid by the Company to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

34 Benefits and interests of directors (*continued*)

(b) Directors' termination benefits

There were no termination benefits paid to any director at any time during the year ended 31 December 2022 and 2021.

(c) Consideration provided to third parties for making available directors' services

During the year ended 31 December 2022 and 2021, the Group provided no consideration to third parties for making available director's services.

(d) Information about loans, quasi-loans and other dealings

There were no loans, quasi-loans and other dealings in favour of:

- (i) directors of the Company and of a holding company of the Company;
- (ii) bodies corporate controlled by such directors; and
- (iii) entities connected with such directors as at the end of the year or at any time during the year.

(e) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Five-Year Financial Summary

Consolidated Statement of Comprehensive Income

	For the year ended 31 December				2022 HK\$
	2018 HK\$	2019 HK\$	2020 HK\$	2021 HK\$	
Revenue	14,878,547,902	16,074,288,277	16,511,676,772	18,675,739,458	19,417,559,563
Cost of sales	(10,691,953,432)	(11,089,036,453)	(10,288,905,938)	(12,079,392,782)	(13,934,355,595)
Gross profit	4,186,594,470	4,985,251,824	6,222,770,834	6,596,346,676	5,483,203,968
Selling and marketing costs	(2,379,803,125)	(2,575,268,219)	(2,960,719,996)	(3,672,134,223)	(3,837,322,482)
Administrative expenses	(758,565,392)	(856,145,835)	(952,159,970)	(957,701,901)	(911,661,474)
Net impairment losses on financial assets	(1,829,013)	(1,540,148)	1,032,625	(24,720,800)	(4,448,991)
Other income and losses – net	(26,772,076)	17,291,041	141,770,328	101,696,044	76,745,523
Operating profit	1,019,624,864	1,569,588,663	2,452,693,821	2,043,485,796	806,516,544
Finance income and costs – net	(221,951,496)	(198,620,467)	(126,180,098)	(93,686,208)	(59,600,287)
Share of post-tax loss of an associate	–	(208,240)	(177,842)	(225,086)	(49,301)
Profit before income tax	797,673,368	1,370,759,956	2,326,335,881	1,949,574,502	746,866,956
Income tax expense	(148,368,679)	(232,443,563)	(452,006,637)	(311,209,930)	(40,827,454)
Profit attributable to equity holders of the Company	649,304,689	1,138,316,393	1,874,329,244	1,638,364,572	706,039,502
Other comprehensive (loss)/income:					
<i>Item that may be reclassified to profit or loss</i>					
Currency translation differences	(421,842,655)	(157,128,714)	647,626,892	253,638,907	(1,152,993,589)
<i>Item that will not be reclassified subsequently to profit or loss</i>					
Remeasurements of post-employment benefit obligations	396,637	(222,560)	679,492	965,695	1,954,733
Total comprehensive (loss)/income attributable to equity holders of the Company	227,858,671	980,965,119	2,522,635,628	1,892,969,174	(444,999,354)

Five-Year Financial Summary

Consolidated Balance Sheet

	As at 31 December				
	2018 HK\$	2019 HK\$	2020 HK\$	2021 HK\$	2022 HK\$
ASSETS					
Property, plant and equipment	8,997,273,418	8,858,171,961	10,117,404,823	11,225,685,513	10,353,535,314
Right-of-use assets	–	1,250,456,963	1,366,419,837	1,375,505,525	1,221,438,469
Leasehold land and land use rights	1,050,718,413	–	–	–	–
Intangible assets	2,823,114,342	2,780,086,369	2,746,074,511	2,646,685,234	2,456,705,131
Deferred income tax assets	403,828,940	456,674,351	515,206,860	568,181,251	629,751,445
Investment properties	7,217,853	4,039,119	3,167,484	2,421,930	40,173,068
Investment in an associate	–	2,525,619	2,347,777	2,122,690	2,030,636
Inventories	2,745,883,730	3,223,321,363	4,773,880,408	4,426,626,084	6,014,823,036
Trade and notes receivables	1,888,459,707	1,916,318,675	2,435,038,930	2,364,447,931	2,339,665,339
Other receivables	449,515,451	237,999,919	302,577,542	408,932,536	483,237,455
Prepayments	90,514,885	59,439,391	71,020,270	91,065,446	100,093,982
Due from related parties	36,609,005	32,065,779	39,063,829	43,969,461	40,242,578
Cash and cash equivalents	574,465,154	460,387,446	749,399,329	1,025,327,689	606,947,407
Total Assets	19,067,600,898	19,281,486,955	23,121,601,600	24,180,971,290	24,288,643,860
EQUITY					
Capital and reserves attributable to the Company's equity holders					
Share capital	119,485,237	119,510,337	119,947,437	120,126,537	120,327,537
Share premium	4,351,781,230	4,356,240,018	4,428,374,681	4,458,961,619	4,497,368,699
Other reserves	4,258,649,944	4,987,460,947	7,119,034,916	8,439,573,727	7,382,589,207
Total equity	8,729,916,411	9,463,211,302	11,667,357,034	13,018,661,883	12,000,285,443
LIABILITIES					
Long-term borrowings	3,004,812,188	2,297,063,820	2,890,391,162	2,936,090,168	2,800,715,036
Long-term loans from a related party	1,218,116,846	1,274,928,072	96,080,272	993,358,611	88,282,378
Long-term lease liabilities	–	119,942,991	129,563,570	135,989,954	99,385,024
Deferred government grants	215,070,111	266,342,534	284,876,449	275,423,717	247,961,760
Deferred income tax liabilities	208,522,060	193,616,342	200,344,900	198,190,965	215,293,079
Post-employment benefits	31,124,829	26,952,299	15,983,243	9,372,989	6,960,500
Other non-current liabilities	10,709,487	29,214,726	2,253,625	15,848,793	3,200,341
Other current liabilities	5,649,328,966	5,610,214,869	7,834,751,345	6,598,034,210	8,826,560,299
Total Liabilities	10,337,684,487	9,818,275,653	11,454,244,566	11,162,309,407	12,288,358,417
Total equity and liabilities	19,067,600,898	19,281,486,955	23,121,601,600	24,180,971,290	24,288,643,860