Vinda International Holdings Limited

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

Annual Report 2021

To **Become**
A Leading Hygiene
Company
in **Asia**

Contents

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

Ms. LEE Hsiao-yun Ann
Mr. TSUI King Fai
Mr. WONG Kwai Huen, Albert
Mr. LAW Hong Ping, Lawrence

Alternate Directors

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

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
Ms. LEE Hsiao-yun Ann
Mr. LAW Hong Ping, Lawrence

Nomination Committee

Mr. LI Chao Wang (Committee Chairman)
Mr. Jan Christer JOHANSSON
Ms. LEE Hsiao-yun Ann
Mr. WONG Kwai Huen, Albert
Mr. LAW Hong Ping, Lawrence

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

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 the 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

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

The 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

	2021	2020
Revenue (HK$ million)	**18,676**	16,512
Gross profit (HK$ million)	**6,596**	6,223
EBITDA (HK$ million)	**3,292**	3,601
Operating profit (HK$ million)	**2,043**	2,453
Gross margin (%)	**35.3%**	37.7%
Operating margin (%)	**10.9%**	14.9%
EBITDA margin (%)	**17.6%**	21.8%
Earnings per share (HK$) – basic	**136.5 cents**	156.5 cents
Dividend per share (HK$)	**50.0 cents**	47.0 cents
– interim dividend (paid) (HK$)	**10.0 cents**	10.0 cents
– final dividend (proposed) (HK$)	**40.0 cents**	37.0 cents
Finished goods turnover[1]	**55 days**	49 days
Debtors turnover[2]	**44 days**	44 days
Creditors turnover[3]	**82 days**	93 days
Current ratio (times)	**1.3**	1.1
Net debt to EBITDA ratio (times)	**1.2**	1.2
Net gearing ratio (%)[4]	**30.5%**	35.9%

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.

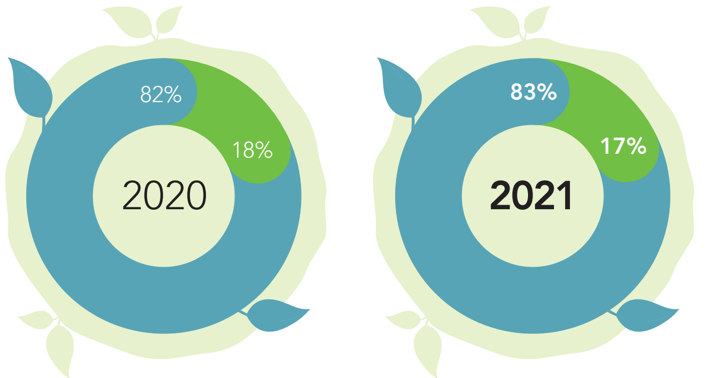
2. Calculation: multiplying 12-month average account receivables by 360 days, and dividing the result by the revenue for the 12 months ended 31 December for the relevant year.

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.

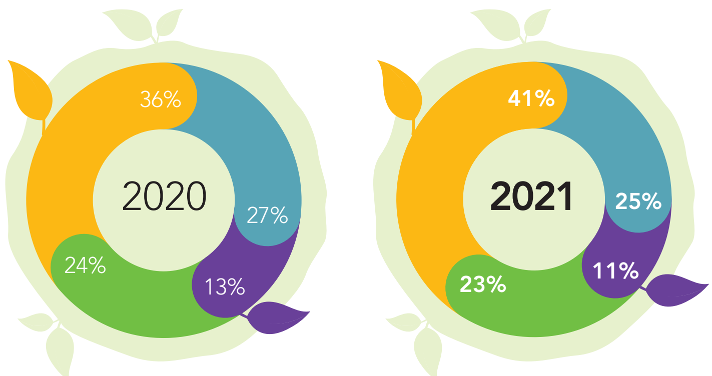
   Net debt: total debt including lease liabilities less cash and cash equivalents and restricted bank deposits.

Revenue by Business Segment



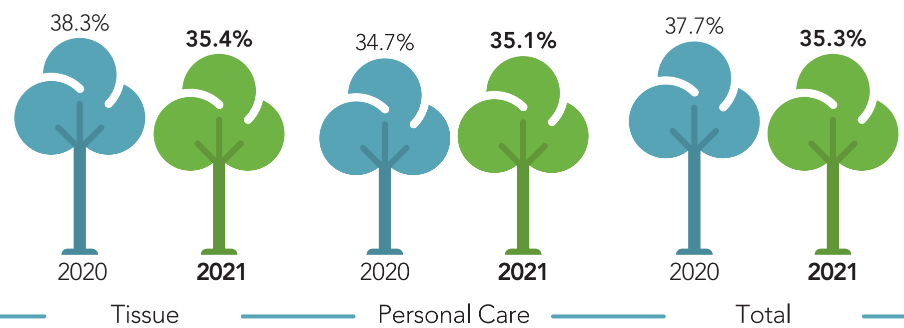
- Tissue
- Personal care

Revenue by Sales Channels

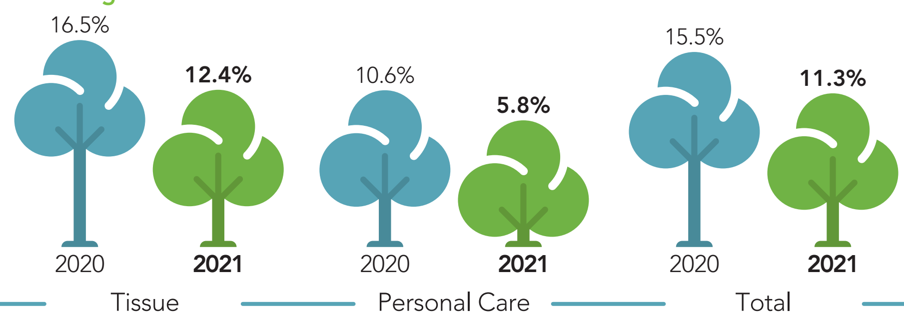


- Traditional distributors
- B2B corporate clients
- Key account (hypermarkets and supermarkets)
- E-commerce

Gross Margin



Segment Result Margin



Chairman's Statement

2021 was a year challenged by the resurgence of COVID-19 pandemic, raw material price fluctuations and intensified market competition for Vinda, while the business environment continued to be full of uncertainties. Fortunately, due to its extensive and successful experience in the household paper industry and its leading brand position, Vinda was able to maintain steady revenue growth in 2021. Moreover, Vinda remained market leader in the industry as a result of its efforts in planning strategic deployment and exploiting new consumption patterns throughout the year.

Benefiting from the public's growing concern about hygiene and quality of life, our premium products have been increasingly well received by consumers. Aware that there is plenty of room for expansion in the household paper market, Vinda is focused on heavily promoting premium and diversified products in its strategic planning, optimizing its product structure on a continuous basis, and actively expanding its personal care business. Our position in the premium feminine care market has increased concomitant with that sectors' year on year expansion due to the improved perception of intimate hygiene and quality of life by female consumers. In addition, the silver economy will bring substantial business opportunities for the Group's incontinence care business in the mid to long term as a consequence of the ageing population in China. Vinda believes that the market potential for personal care in China will be further released as a result of increased standards of living, as well as our consumer-oriented education and promotion. These socio-economic factors together with Vinda's own initiatives will propel continuous and healthy development, while ensuring the steady improvement of the Group.

Throughout 2021, the Group continued to grow the Southeast Asian business through its Malaysian R&D and manufacture base. Notwithstanding the outbreaks of the pandemic and flooding, the Group fully resumed its normal operations within a short timeframe by actively cooperating with local government and responding in a well-timed and flexible manner. At the same time, the Group has been committed to regional research and development, as well as production capacity upgrade to meet the growing demand of local consumers. Vinda's commitment encompasses further exploration of the potential market value, aiming to be a leading company for hygiene products throughout Asia.

Seizing the business opportunities of post-pandemic eras in which consumers heavily relied on e-commerce shopping, our online platform has been anchored and is thriving. As one of the pioneers entering e-commerce channels, Vinda embraced traffic trends while consolidating its position on traditional e-commerce platforms. These new trends afforded the opportunity for us to expand to live streaming platforms, such as TikTok and Kuaishou, establishing strong links to promotion, acquisition and sales. The Group continued to post an impressive performance in important e-commerce promotional activities, with our online household paper sales ranked first at the Double-11 Festival for the ninth consecutive year, while our feminine and incontinence care products recorded strong growth. Looking forward, we will continue to interact with major e-commerce platforms to deepen market penetration and to consolidate the Group's leading position, in order to ensure steady growth in performance.

While promoting the comprehensive development of its interests and activities, Vinda understands that businesses should grow in harmony with both the environment and society. Consequently, the Group actively fulfills its corporate social responsibilities by pledging "carbon neutrality" and always abides by the core value of sustainable development. The Group has been highly recognized by the public for our selection of wood pulp, in addition to controlling emissions' reduction, decreasing pollution in factories, and participating in social welfare initiatives. Vinda has created a roadmap visualising its rapid growth in sustainability, covering eight major aspects including energy management, green supply chain, carbon emissions and sustainable procurement. We will increase our efforts in sustainable development to achieve a mutually advantageous relationship between economic benefits and environmental protection.

As we head further into 2022 with ongoing uncertainties concerning global economic recovery amid the unprecedented pandemic, Vinda remains confident about the industry outlook, and will proactively confront and manage the challenges ahead. Vinda will stay focused on its key strategies to enhance its premium portfolio through innovative thinking and technology empowerment. Moreover, Vinda will integrate both online and offline sales channels to continuously expand on-ground market activations. To secure market leadership in all its divisions, Vinda will focus on maintaining its excellent reputation for the quality of its products and services, while generating best value to the consumers and other stakeholders.

LI Chao Wang
Chairman

25 January 2022

Chief Executive Officer's Report

The global economy experienced a slow recovery throughout 2021, as it was adversely affected by volatile prices of raw materials, rising transportation costs and intensified market competition, making it an extremely challenging year for the Group. In the face of such a complicated and fluctuating business environment, we continued focusing on innovation as our core value and elected to face the difficulties with fortitude and tenacity. Our strategy aimed at catering for the needs of the market by implementing a multi-level brand strategy to secure our market share and further demonstrate the strength of the Group as a leading brand in the industry.

Thanks to the improving quality of life and increasing consumption capacity of the public, the total retail sales of consumer goods have been growing year on year, with overall consumption steadily recovering. In addition, benefiting from the improved awareness of personal hygiene among the public, the demand for tissue paper, especially the premium products, has been consistently growing. The Group has been focusing on product innovation while optimizing its product structure with innovative thinking. Furthermore, the Group has been actively promoting the contribution from its premium product portfolio, and continuing to optimize its premium products to ensure profit growth. These strategies enabled the Group to maintain a solid performance during the year while building up impetus for its long-term development. During the year under review, the Group recorded an increase of 13.1% in its revenue to HK$18,676 million.

Tissue business

Throughout 2021 Vinda maintained its focus on premium and innovative tissue products as a key driver of its business development, bringing its tissue business ahead of its competitors in the mainland China and HKSAR markets[1]. The contribution of its premium product portfolio to the Group's revenue increased from 30.6% in 2020 to 36.3% in 2021, providing a constant driving force to its earnings. *Tempo* and *Vinda 4D Deluxe* maintained their popularity among consumers, especially in the mainland China market, where *Tempo* recorded a significant organic growth[2] of 36.7%, while *Vinda 4D Deluxe* and the wet wipes series maintained their double-digit growth. In addition, the Group has been actively exploring comprehensive health solutions, with its *Tork* series continuing to expand through online and offline channels, prioritizing airports with high passenger flows, areas of public interest and the property management sector. Initial penetration has been made in such areas as sporting events and culture & tourism, where we gained the trust of our end customers and e-commerce users with a "Zero Contact" approach and all-inclusive professional support, helping us secure a sales organic growth of 37.7% in mainland China. With our continuously improving product portfolio, efficient procurement strategy and effective cost control, we have managed to alleviate the pressure imposed by the fluctuating prices of certain raw materials, ensuring the Group's growth at high quality levels and at a sustainable momentum.

Personal care business

With high-end technology enabling superior quality, our feminine care business delivered outstanding results during the year. The enhanced sense of independence and remarkable financial strength of our female clientele has resulted in this market sector gradually becoming the driving force of our premium feminine care products. *Libresse*, a brand of our premium sanitary pads, is committed to becoming an empowering brand for women. It refined its premium image with innovative patented technologies from Europe, which met with overwhelming recognition from its consumers. This success helped us secure a solid share of the premium sanitary pads market, while giving a significant boost to its sales in mainland China. In Malaysia, *Libresse*'s new Zero-allergen series has gained wide popularity, consolidating its leading position in the market.

With the global ageing phenomenon becoming increasingly serious, the silver economy has developed into a key consumer group that deserves our close attention. Vinda has been capitalizing on the opportunities in the incontinence care market, with a head-start advantage over its competitors in the PRC market, while simultaneously increasing its investment in the development of incontinence care products. The offline channels of *TENA* focused on penetrating key cities and stores to establish a benchmark, while its online channels focused on cooperating with the mainstream e-commerce platforms, and carrying out charitable and marketing activities to improve its brand influence. *Dr. P* maintained its strategy of developing online flagship stores and expanding channel coverage in a comprehensive way in conjunction with its offline channels. The Group's more developed Malaysian and Singaporean markets succeeded in maintaining their leading positions during the year[3]. With the gradual increase in the elderly population comprising this target market, the potential of the silver economy will be greatly boosted, and the Group's elderly care business will become another growth driver in the future.

Southeast Asia continues as the major stronghold of the Group's baby care business. *Drypers*, one of our well-known brands, has successfully secured the support of a large number of young parents who are convinced of its spirit of innovation and excellent quality. *Drypers* strategically disseminated its brand concept through promotional videos and special targeted events, which in turn powered its business growth and consolidated its market competitiveness. Exceptional quality, coupled with the two-way interaction, has helped secure its leading position in Malaysia.

E-commerce business

Vinda has remained the leader in e-commerce sales for years, thanks to its ability to foresee changes in consumer habits, which enabled it to complete its migration from traditional channels to e-commerce channels expeditiously. Resultantly, Vinda has surpassed its competitors with exceptional e-commerce sales performance, further enabled by its highly constructive and confident teamwork, the reliable relation with the e-commerce platforms it has diligently maintained, and its effective smart supply chain management. The Group also stayed abreast of the trends in fashion and data traffic by cooperating with emerging e-commerce platforms such as TikTok. Priorities therefore focused on expansion of the customer base, demand for high-profit products, and consolidation of the Group's competitive edge in online business. During the year under review, the Group's e-commerce sales reached an organic growth of 19.0% compared with last year, accounting for 40.8% of its total sales. The Group also actively exploited the opportunities in the online segment to promote its diversified development, further enhancing the competitiveness of its e-commerce business.

Allocation, optimization and upgrade of production capacity

In the face of the normalized efforts to keep the COVID-19 pandemic under control, the Group actively implemented its COVID-19 combat measures to ensure prompt restoration of production while continuously expanding its production capacity. By the end of the 2021, its designed capacity for tissue had reached 1,390,000 tons, including the completed, planned expansion of tissue production capacity across manufacturing sites in South, East and Central China, which has further enhanced our production capacity of premium tissue. In response to the significantly increasing demand for wet wipes, the Group's new production facilities in South and North China were put into production during the year to increase the capacity.

During the year, the construction of our regional headquarters in Malaysia continued to make steady progress and is scheduled to be completed in 2022. Similarly, production facilities and innovation centers are also expected to be completed in 2022, with all our other construction projects progressing as expected. The expansion and optimization of our tissue production capacity will underpin the Group's future market expansion. Equally, the establishment of our new regional headquarters will help improve our operating efficiency, support the long-term development of the emerging markets, and further expand the Group's business territory.

Recognition of our sustainable development

Vinda has been committed to promoting its sustainable development in all divisions and creating longer-term value for the Group. During the year under review, Vinda was the first fast-moving consumer goods company in HKSAR to receive the HK$300 million sustainability linked loan from China Construction Bank (Asia) in recognition of its environmental, social and governance performance. The loan proceeds will be used for our environmental protection operations to work towards the sustainability performance targets.

During the year, Vinda again received the "Outstanding Award for Green and Sustainable Loan Issuer (FMCG Industry)" and "Leadership Award for Green and Sustainable Finance Development" from the Hong Kong Quality Assurance Agency (the "HKQAA"). Additionally, Vinda was accorded the "Excellence in ESG Reporting Award" under the "Best Annual Reports Award 2021" from the Hong Kong Management Association, the "ESG Leading Enterprise Awards", as well as the "Leading Environmental Initiative Award" and the "Leading Social Initiative Award" under the "ESG Leading Initiative Awards" from Bloomberg Businessweek. In consequence of our outstanding performance, Vinda was once again granted the Platinum Award of the "ESG Corporate Awards" by The Asset, an internationally renowned financial magazine. Such a variety of sustainability awards in different areas received by the Group clearly demonstrates Vinda's exceptional contributions, excellence in governance, and our environmental and social responsibilities.

Outlook

In 2022, as peoples' living standard continue to rise, driving consumption higher, the market demand for premium tissue and personal care products will increase concomitantly. Furthermore, the Group's premium products segment, which it has been persistently cultivating, is also expected to gradually become the mainstream of consumption and to tap into new markets. We will continue to enhance the Group's market competitiveness through online and offline brand building, marketing promotion and channel development. Vinda will maintain its high sensitivity to the movements in the market, while proactively identifying and responding to changes in consumer needs. We will continue to focus on developing new products with innovative technologies, and actively implement our advanced, diverse strategies to ensure sustainable growth of the business.

Consistent with our commitment to "Becoming a Leading Hygiene Company in Asia", Vinda will maintain focus on the Asian market while striving to enhance the overall strength of the Group. These initiatives and commitments will ensure Vinda progresses with its stakeholders into a positive and profitable future.

Remarks

[1] *Source:*	*Kantar Worldpanel, sales value year-to-date at 31 December 2021 & Nielsen, value share year-to-date December 2021*
[2] *Organic growth:*	*Year-on-year growth at constant exchange rates*
[3] *Source:*	*Kantar Worldpanel, sales value year-to-date at 5 December 2021*

LI Jielin
Chief Executive Officer

25 January 2022

Management Discussion and Analysis

Overview

The COVID-19 pandemic continued to impact the world and the way in which businesses are operated in 2021, as the emergence and spread of coronavirus mutations and variants added even more uncertainty and pressure on the global economic recovery efforts. During the year ended 31 December 2021 (the "**Year**"), Vinda International Holdings Limited ("**Vinda**" or the "**Company**") and its subsidiaries (the "**Group**") continued to be challenged by the significant headwinds including commodity cost increases as well as higher logistic and energy costs, combined with evolving retail landscape and increased competition. Despite the near term challenges, the Group continued to achieve profitable growth through implementation of disciplined pricing strategies, continuous optimization of product mix and enhanced cost management. During the Year, the Group continued to strengthen our market positions in all key regions, demonstrating the strength of our innovations and excellent commercial execution.

Financial Summary

Total revenue increased by 13.1% (growth at constant exchange rates: 7.0%) to HK$18,676 million.

In terms of business segments, the tissue and personal care segments accounted for 83% and 17% of the Group's total revenue respectively. Traditional channels, key accounts managed supermarkets and hypermarkets, B2B corporate customers and e-commerce platforms respectively accounted for 25%, 23%, 11% and 41% of revenue by sales channels. The conversion of consumers from offline to online spending accelerated further and e-commerce is becoming the dominant sales distribution channel with an organic growth[1] of 19.0% year-on-year.

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

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

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

Sun Li

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

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

The net gearing[2] ratio declined by 5.4 ppts to 30.5%.

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

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

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

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

Business Review

Tissue Segment

In 2021, the tissue segment accounted for HK$15,501 million of revenue, an increase of 13.9% year-on-year or 7.2% at constant exchange rates, representing 83% of the Group's total revenue (2020: 82%). The Group continues to sustain the leading market position[3] in mainland China with increasing contribution from premium product portfolio. However, due to the significant increase of raw material costs and increase promotional pressures in the market, the gross margin and segment result margin[4] of the tissue segment decreased by 2.9 ppts and 4.1 ppts to 35.4% and 12.4%, respectively.

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

Song Qian

Cai Xukun

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

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

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

Personal Care Segment

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

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

In the feminine care category, the *Libresse* brand is trusted by contemporary women for its superior quality and "Dynamic Fit" cutting. To further elevate the brand's premium image, a new *Libresse* China V-Nature range of sanitary pads was launched, offering a skin gentle experience with SecureFit™ technology to meet the discerning needs of contemporary women in mainland China. The brand continued its partnership with actress and *Libresse* China brand ambassador, Zhou Dongyu, and collaborated with the popular POP MART brand for content and channel marketing to strengthen the *Libresse* China image and affinity among Chinese consumers. *Libresse* also enjoys high popularity in the Southeast Asia market: the all-new *Libresse* SensitiV range and intimawear™ by *Libresse* reusable period underwear were launched enriching the product diversification during the Year in Malaysia where the Group continues to hold the No.1 market position[5].

Zhou Dongyu

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

Production Capacity

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

Sustainability

Human Resources Management

Employees at Vinda are central to the Group's sustainable growth. Vinda is committed to providing equal employment opportunities that are free from discrimination of any kind, such as gender, age, nationality, race, religion or sexual orientation. The Group offers fair and reasonable remuneration, performance incentive mechanism along with on-going career advancement training programs for employees. Vinda was recognised with the prestigious "Excellence in Human Resources Management Award 2021" (二零二一年人力資源管理傑出獎) by JOBS (前程無憂) and "2020 China A+ Employer" (二零二零中國年度優+僱主) by Zhaopin (智聯招聘) for its extensive employer efforts in mainland China.

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

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

Health and Safety Performance

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

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

Green Production

During the Year, the Group was highly responsive to the international development situation and devoted unstinting efforts to fulfil the energy conservation and emission reduction responsibilities. Our energy utilization efficiency (standard coal consumption per HK$10,000 of sales) was 0.21 ton and the paper production sewage recycling rate was over 95% while the Group's total carbon dioxide emissions (Scope 1 and Scope 2) totalled 1,220,493 tons with carbon emission intensity (carbon dioxide emitted per HK$10,000 of sales) of 0.65 ton. The Group proactively implements the concept of green production and has formulated a sustainable development roadmap for the next five years, covering eight areas including energy management, carbon emissions, green supply chain and sustainable sourcing. The wood pulp we sourced were all certified by various forest certification system.

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

Outlook

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

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

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

We will stay focused on the following development strategies:

1. We will continue to focus on brand building, product innovation and further product mix improvement to enhance our brand competitiveness and secure long-term business success;

2. We will continue to invest to grow personal care business in mainland China and Southeast Asia;

3. We will continue to drive e-commerce and new channels sales growth, and continue to drive market share gain in all markets we operate in;

4. We will continue to enhance cost management to improve our operation efficiency and return on investment; and

5. We will strengthen our financial position with strong operating cash flow and cautious management of working capital.

Remarks

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

[2] *Net gearing ratio: Net debt divided by total shareholders' equity*
Net debt: Total debt including lease liabilities less cash and cash equivalents and restricted bank deposits

[3] *Source: Kantar Worldpanel, sales value year-to-date at 31 December 2021*

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

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

Foreign Exchange and Fair Value Interest Rate Risk

The majority of the Group's assets and sales business are located in mainland China, the HKSAR, Malaysia, Chinese Taiwan and Korea. Our significant transactions are denominated and settled in RMB, HK$, Malaysia Ringgit, New Taiwan dollar and Korean Won while most of the key raw materials are imported from overseas and denominated and paid in USD. The Group also borrows most of the long-term loans and the short-term loans denominated in RMB, HK$ or USD.

Liquidity, Financial Resources and Borrowings

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

As at 31 December 2021, the net gearing ratio, which was calculated on the basis of the amount of net debt which is total borrowings plus lease liabilities less cash and cash equivalents and restricted bank deposits as a percentage of the total shareholders' equity, was 30.5% (31 December 2020: 35.9%).

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

Charges on Group Assets

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

Contingent Liabilities

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

Final Dividend

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

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Biographies of Directors

Executive Directors

1. Mr. LI Chao Wang (李朝旺), aged 63, 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 66, 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 35, was appointed as Executive Director on 1 October 2015 and as Chief Executive Officer on 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 58, 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.

Non-Executive Directors

5. Mr. Jan Christer JOHANSSON, aged 67, 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. Mr. JOHANSSON is the Chairman of Serneke Group AB (publ) and Organoclick AB (publ) and director of Optigroup AB and Kahrs AB. Mr. JOHANSSON has a master's degree in Laws from Stockholm University, Sweden.

6. Mr. Carl Magnus GROTH, aged 58, 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 58, 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.

8. Mr. Johann Christoph MICHALSKI, aged 55, was appointed as a Non-Executive Director on 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 61, 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 58, was appointed as the Alternate Director to Mr. RYSTEDT on 25 October 2019. Mr. DESCHAMPS is 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.

Independent Non-Executive Directors

11. Ms. LEE Hsiao-yun Ann (李曉芸), aged 66, was appointed as an Independent Non-Executive Director on 31 March 2018. Ms. LEE is currently the Partner of Triumph Capital International Pte. Ltd., a private company incorporated in Singapore, which is principally engaged in Family Office type of activities, including assets management, family wealth planning and succession. Ms. LEE was Managing Director and Head of Relationship Management for Greater China of Standard Chartered Bank (HK) from 2015 to 2016. Ms. LEE has extensive experience in private banking and wealth management. She joined Société Générale Group in 1997 as Head for Private Banking – Greater China of Société Générale Bank & Trust (HK). From 2007 to 2008, she was Head of Private Banking and from 2008 to 2013, she was CEO Private Banking of Société Générale (China) Limited. From 2013 to 2014, Ms. LEE was CEO Wealth Management and Board Executive Director of Société Générale (China) Limited. Before joining Société Générale Group, Ms. LEE worked for various banks. She was Director, Heading Taiwan Marketing of Credit Lyonnais, Private Banking (HK) from 1994 to 1997. Ms. LEE graduated from University of West Florida, USA with a bachelor degree in Science – Management and has obtained a Master of Business Administration degree from University of Hartford, USA.

12. Mr. TSUI King Fai (徐景輝), aged 72, 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), Lippo China Resources Limited (Stock code: 156), Hongkong Chinese Limited (Stock code: 655), China Aoyuan Group Limited (Stock code: 3883) 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.

13. Mr. WONG Kwai Huen, Albert (王桂壎), aged 70, 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), China Oilfield Services Limited (Hong Kong Stock code: 2883; Shanghai Stock code: 601808) and NWS Holdings Limited (Stock code: 659), 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 is 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. In addition, Mr. WONG is the Honorary Adviser of the Financial Reporting Council and 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.

14. Mr. LAW Hong Ping, Lawrence (羅康平), aged 67, was appointed as an Independent Non-Executive Director on 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. He is also the honorary treasurer and financial adviser of the Hong Kong Girl Guides Association.

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Biographies of Senior Management

15. Mr. ZHANG Jian (張健), aged 49, 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 40, 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.

17. Ms. WANG Bo (王波), aged 48, 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 48, is the President – mainland China of the Group. Mr. HU previously held the position of Chief Sales Officer of the Group and President, Sales-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 50, is the President, Marketing of the Group. Mr. TANG previously held the position of Chief Marketing Officer 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 47, 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.

21. Ms. SU Ting Nee (徐珍妮), aged 51, 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 56, 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 Recourses Officer of the Group from 2011 to 2015.

23. Ms. ZHANG Cui Ling (張翠玲), aged 53, 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.

Corporate Governance Report

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 of the Company. For the Year, the Company has complied with all the code provisions set out in the Corporate Governance Code (the "**CG Code**"), as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

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. 25 January 2022) 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
Ms. LEE Hsiao-yun Ann
Mr. TSUI King Fai
Mr. WONG Kwai Huen, Albert
Mr. LAW Hong Ping, Lawrence

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

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 23 to 28 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 6 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)	6 (6)	1 (1)
Ms. YU Yi Fang (Vice Chairman)	6 (6)	1 (1)
Ms. LI Jielin (Chief Executive Officer)	6 (6)	1 (1)
Mr. DONG Yi Ping (Chief Technology Officer)	6 (6)	1 (1)
Non-Executive Directors		
Mr. Jan Christer JOHANSSON (Vice Chairman)	6 (6)	1 (1)
Mr. Carl Magnus GROTH	6 (6)	1 (1)
Mr. Carl Fredrik Stenson RYSTEDT	6 (6)	1 (1)
Mr. Johann Christoph MICHALSKI	5 (6)	1 (1)
Mr. Gert Mikael SCHMIDT (alternate to Mr. JOHANSSON and Mr. GROTH)	6 (6)	1 (1)
Mr. Dominique Michel Jean DESCHAMPS (alternate to Mr. RYSTEDT)	6 (6)	1 (1)
Independent Non-Executive Directors		
Mr. TSUI King Fai	6 (6)	1 (1)
Mr. WONG Kwai Huen, Albert	6 (6)	1 (1)
Ms. LEE Hsiao-yun Ann	6 (6)	1 (1)
Mr. LAW Hong Ping, Lawrence	6 (6)	1 (1)

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.

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 of the Company 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.

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 statues, laws, rules and regulations.

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
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	✓	✓
Mr. LAW Hong Ping, Lawrence	✓	✓
Alternate Directors		
Mr. Gert Mikael SCHMIDT (alternate to Mr. JOHANSSON and Mr. GROTH)	✓	✓
Mr. Dominique Michel Jean DESCHAMPS (alternate to Mr. RYSTEDT)	✓	✓

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, Ms. LEE Hsiao-yun Ann and Mr. LAW Hong Ping, Lawrence, and two Non-Executive Directors, namely Mr. Johann Christoph MICHALSKI and Mr. Jan Christer JOHANSSON. The chairman of the Remuneration Committee is Mr. TSUI King Fai.

The Remuneration Committee is responsible for formulating and making recommendation to the Board on the Group's remuneration policy, the determination of specific remuneration packages of senior management and making recommendations to the Board the remuneration packages of individual Executive Directors and the remuneration of Non-Executive Directors. It takes into consideration factors such as salaries paid by comparable companies, time commitment and responsibilities of Directors and senior management, employment conditions elsewhere in the Group and desirability of performance-based remuneration. Details of remuneration of the Directors and senior management for the Year are set out in Note 31(b)(9) and Note 33 to the consolidated financial statements.

During the Year, the Remuneration Committee held 1 meeting. 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 meeting attended**
Mr. TSUI King Fai	1 (1)
Mr. Jan Christer JOHANSSON	1 (1)
Ms. LEE Hsiao-yun Ann	1 (1)
Mr. Johann Christoph MICHALSKI	1 (1)
Mr. LAW Hong Ping, Lawrence	1 (1)

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, Ms. LEE Hsiao-yun Ann and Mr. LAW Hong Ping, Lawrence, an Executive Director, Mr. LI Chao Wang and a Non-Executive Director, Mr. Jan Christer JOHANSSON. The chairman of the Nomination Committee is Mr. LI Chao Wang.

The principal duties of the Nomination Committee are to consider and recommend to the Board suitably qualified persons to become Directors and to be responsible for reviewing the structure, size, diversity and composition of the Board on a regular basis.

During the Year, the Nomination Committee held 1 meeting. 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 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 meeting attended
Mr. LI Chao Wang	1 (1)
Mr. Jan Christer JOHANSSON	1 (1)
Mr. WONG Kwai Huen, Albert	1 (1)
Ms. LEE Hsiao-yun Ann	1 (1)
Mr. LAW Hong Ping, Lawrence	1 (1)

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.

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. As at the date of this annual report, the Board comprises twelves Directors. Three of them are female. Four of them are Independent Non-Executive Directors, thereby promoting critical review and control of the management process. 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.

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;

(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 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 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 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 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.

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 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 four members and is chaired by Mr. Jan Christer JOHANSSON, a Non-Executive Director. The other three members are two Executive Directors, namely Mr. DONG Yi Ping and Ms. LI Jielin and a Non-Executive Director, Mr. Johann Christoph MICHALSKI. The principal duties of the SDC are (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)

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 2021, 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 67 to 73 of this annual 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 ("**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 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	9,024
Non-audit services	1,509

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 of the Company 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 and the Board shall review it on a regular basis to ensure its effectiveness. The Company has established the following various channels for communication with its shareholders:

1. The annual general meeting provides a forum for shareholders of the Company to raise comments and exchange views with the Board. The Chairman and the Directors are available at the annual general meetings of the Company to address shareholders' queries;

2. Separate resolutions are proposed at the general meetings on each substantially separate issue and procedures for demanding a poll in general meetings are included in the circulars to the shareholders of the Company to facilitate the enforcement of shareholders' rights;

3. Interim and annual results are announced as early as possible, to keep shareholders of the Company informed of the Group's performance and operations; and

4. Updated key information of the Group is available on the Company's website to enable the shareholders of the Company and the investors to have timely access to information about the Group.

During the Year, there had been no significant change in the Company's constitutional documents.

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 9 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 76.

The Directors recommend the payment of a final dividend of 40.0 HK cents (2020: 37.0 HK cents) per ordinary share, totaling HK$480,506,149 on the 1,201,265,373 (31 December 2020: 1,199,474,373) issued shares as at 31 December 2021.

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 22 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 2021, our energy utilization efficiency (standard coal consumption per HK$10,000 of sales) was 0.21 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 (ESG) Report 2021 to be published by the Company in due course.

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.

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 2020, 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. The Group also considers converting short-term borrowings into long-term borrowings to improve the Group's liquidity.

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 12 to the consolidated financial statements on pages 127 to 128 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 16 and Note 32 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 14 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 2021, the reserves of the Company available for distribution to shareholders amounted to HK$4,984,834,319 (2020: HK$4,891,520,707), as stated in Note 32 to the consolidated financial statements.

Subsequent Events

There is no material event undertaken by the Company or the Group subsequent to 31 December 2021 and up to the date of this annual report.

Dividend Policy

The objective of the Company's dividend policy (the "**Dividend Policy**") is to allow shareholders of the Company (the "**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 40.0 HK cents (2020: 37.0 HK cents) per ordinary share, totaling HK$480,506,149 on the 1,201,265,373 (31 December 2020: 1,199,474,373) issued shares as at 31 December 2021.

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 161 and 162 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

Independent Non-Executive Directors

Ms. LEE Hsiao-yun Ann
Mr. TSUI King Fai
Mr. WONG Kwai Huen, Albert
Mr. LAW Hong Ping, Lawrence

Alternate Directors

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

Biographical Details of Directors and Senior Management

Brief biographical details of Directors and senior management are set out on pages 23 to 31.

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**") and between the Group and Asaleo Care Limited, and it subsidiaries (collectively, "**Asaleo Group**") as set out in paragraphs (A) to (C) of the "Continuing Connected Transactions" section on pages 55 to 59 and the transactions under the Licence Agreement as set out in the paragraph headed "Exempted Continuing Connected Transactions" on page 59, and the transactions between the Group and Essity Group mentioned in Note 31(b) from (3) to (8) to the consolidated financial statements, 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 21 December 2018, 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 a purchase order given by the Company to Essity Group Holding in accordance with the Vinda Master Procurement Agreement.

The term of the Vinda Master Procurement Agreement commenced on 1 January 2019 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 pricing of the Essity Products shall be based on normal commercial terms or better and on terms no less favourable to the Group when compared to those offered to independent third parties.

(B) Essity Master Procurement Agreement

On 21 December 2018, 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 personal care products and raw materials as required by Essity Group Holding for the personal care business of the Essity Group (the "**Vinda Products**") which Essity Group Holding (or other relevant member(s) of the Essity Group) may, from time to time, request pursuant to a purchase order given by Essity Group Holding to the Company in accordance with the Essity Master Procurement Agreement.

The term of the Essity Master Procurement Agreement commenced on 1 January 2019 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.

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 pricing or profit margin of Vinda Products shall be based on normal commercial terms or better and on terms no less favourable to the Group when compared to those offered to 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.

(C) Asaleo Care Product Supply Agreement

On 21 December 2018, the Company as vendor and Asaleo Personal Care Pty Ltd ("**Asaleo Care**") as purchaser entered into a product supply agreement (the "**Asaleo Care Product Supply Agreement**"). Pursuant to and on the terms set out in the Asaleo Care Product Supply Agreement, the Company has agreed to sell (or to procure the relevant member(s) of the Group to sell), and Asaleo Care has agreed to purchase (or to procure the relevant member(s) of Asaleo Group to purchase), certain household consumable paper and/or personal care products (the "**Asaleo Care Personal Products**") pursuant to contract notes and/or order forms to be entered into from time to time in accordance with the Asaleo Care Product Supply Agreement.

The term of the Asaleo Care Product Supply Agreement took effect from 1 January 2019 and, unless it is otherwise terminated or discharged in accordance with its own terms, shall continue in force for a term of three (3) years and expire on 31 December 2021.

Upon purchasing Asaleo Care Personal Products, Asaleo Group may only sell and distribute the Asaleo Care Personal Products supplied by the Group within Australia, New Zealand and specified countries in the pacific region as set out under the Asaleo Care Product Supply Agreement.

The price of each order under the Asaleo Care Product Supply Agreement will be negotiated and agreed between the parties with reference to prevailing market rates of the specific products concerned, taking into account factors such as the product cost structure, the price level of similar products which are sold to independent customers and the historical prices of same products, or at rates similar to (or better to the Group than) those offered by the Group to independent third parties, subject to an overarching principle of any pricing being on normal commercial terms or better and in any event on terms no less favourable to the Company than those available when dealing with an independent third party. The price that the Group would offer to independent third parties will be determined with reference to the overall profit margin of the Group and the average profit margin of identical or similar product. More than 95% of the Group's sales are made to independent third parties and pricing for sales to Asaleo Group will be determined with reference to pricing for such sales. This enables the Company to effectively monitor and ensure that pricing for sales to Asaleo Group are on pricing (and others terms) no less favourable to the Group than those offered to independent third parties.

The Company considers that it would be beneficial for the Company to enter into the Asaleo Care Product Supply Agreement as the transactions contemplated thereunder facilitate the overall operations and growth of the Group's business. As the Group has had a history of business collaboration with the Asaleo Group, it is also expected that the transactions contemplated under the Asaleo Care Product Supply Agreement will further deepen the strategic partnership, establish better collaboration and ensure efficient cooperation between the Group and the Asaleo 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. Prior to 1 July 2021, Essity Group Holding was entitled to exercise or control the exercise of approximately 36.2% of the voting power at the general meeting of Asaleo Care Limited. From 1 July 2021, Asaleo Care Limited became a subsidiary of Essity Group Holding and part of the Essity Group. As such, Asaleo Care Limited has been a connected person of the Company during the Year. Further, as Asaleo Care is a wholly-owned subsidiary of Asaleo Care Limited, Asaleo Care is also a connected person of the Company. Therefore, the transactions contemplated under the Asaleo Care Product Supply Agreement, 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 Asaleo Care Product Supply Agreement, 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 2019, 2020 and 2021 are as follows:

Year	**2019** HK$	**2020** HK$	**2021** HK$
(i) Annual caps under Asaleo Care Product Supply Agreement	100,000,000	100,000,000	100,000,000
(ii) Annual caps under Vinda Master Procurement Agreement	250,000,000	250,000,000	250,000,000
(iii) Annual caps under Essity Master Procurement Agreement	300,000,000	300,000,000	300,000,000
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 Asaleo Care Product Supply Agreement, 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 Asaleo Care Product Supply Agreement, 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 Asaleo Care Product Supply Agreement	100,000,000	42,969,803 (Note 1)
Transactions under Vinda Master Procurement Agreement	250,000,000	185,128,598
Transactions under Essity Master Procurement Agreement	300,000,000	166,242,833 (Note 2)
Total:	650,000,000	394,341,234

Note 1: For transactions between the Group and Asaleo Group before 1 July 2021.

Note 2: Included the transactions between the Group and Asaleo Group on or after 1 July 2021.

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 of the Company 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.

New Master Procurement Agreements with Essity Group

As the Vinda Master Procurement Agreement, the Essity Master Procurement Agreement and the Asaleo Care Product Supply Agreement expired on 31 December 2021 and with Asaleo Care Limited forming part of the Essity Group with effect from 1 July 2021, on 17 December 2021, the Company and Essity Group Holding entered into new master procurement agreements for a term of three (3) years commencing on 1 January 2022 in order to continue to regulate the sale of the Vinda Products by the Group to the Essity Group and the purchase of the Essity Products by the Group from the Essity Group.

For details, please refer to the announcement of the Company dated 17 December 2021.

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 31 to the consolidated financial statements.

The related party transactions mentioned in Note 31(b)(1) and (2) to the consolidated financial statements were continuing connected transactions contemplated under the Essity Master Procurement Agreement, the Asaleo Care Product Supply Agreement or the Vinda Master Procurement Agreement (as the case may be) mentioned in paragraphs (B), (C) and (A) of the "Continuing Connected Transactions" section, respectively.

The related party transactions mentioned in Note 31(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 2021, 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

		Number of shares and underlying shares held under equity derivatives			
Name		Personal interests (held as beneficial owner)	Corporate interests (interests of controlled corporations)	Total interests	Approximate percentage (%) of interests[3]
LI Chao Wang	Shares	300,000	262,841,581[(2)(i)&(ii)]	263,141,581	21.91
	Equity Derivatives – Share options	646,000[(1)]	–	646,000	0.05
				263,787,581	**21.96**
YU Yi Fang	Shares	550,000	–	**550,000**	**0.05**
LI Jielin	Shares	300,000	–	**300,000**	**0.02**
Johann Christoph MICHALSKI	Shares	59,000	–	**59,000**	**0.005**

Notes:

1. The share options granted by the Company are regarded for the time being as unlisted physically settled equity derivatives. Details of share options held by the Directors are set out in the section headed "Share Option Scheme" of this annual report.

2. (i) For the purpose of Part XV of the SFO, LI Chao Wang is deemed to be interested in the 261,841,581 shares in the Company that Sentential Holdings Limited has interests, of which 261,341,581 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.

3. Actual percentages may not equal to the stated figures due to rounding.

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: Personal interests (held as beneficial owner)	Corporate interests (interests of controlled corporations)	Total interests	Approximate percentage (%) of interests(1&2)
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	68,500	–	68,500	0.0098
Carl Fredrik Stenson RYSTEDT	Essity Aktiebolag (publ)	Class B shares	22,700	–	22,700	0.0032
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 2021, the total number of registered shares in the share capital of Essity Aktiebolag (publ) was 702,342,489, of which 61,415,068 are Class A shares and 640,927,421 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 2021, 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 of the Company 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. An Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the expiry of the option period.

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 2,170,000, representing approximately 0.18% of the issued Shares as at the date of this annual report.

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 01/01/2021	Number of Shares issuable under the Options granted during the Year	exercised during the Year	lapsed during the Year	cancelled during the Year	as at 31/12/2021	Exercise period	Weighted average closing price of the Share immediately before the exercise date HK$
Directors										
LI Chao Wang	02/05/2012	14.06	646,000	–	–	–	–	646,000	02/05/2012 to 01/05/2022	–
Employees of the Group										
In aggregate	15/04/2011	8.648	465,000	–	(465,000)	–	–	–	–	25.55
	02/05/2012	14.06	2,810,000	–	(1,296,000)	–	–	1,514,000	(Note)	25.23
	02/05/2013	10.34	40,000	–	(30,000)	–	–	10,000	02/05/2013 to 01/05/2023	22.50
Total			3,961,000	–	(1,791,000)	–	–	2,170,000		–

Note: 604,000 Options out of the total 1,514,000 Options are subject to the exercise period from 2 May 2012 to 1 May 2022.

910,000 Options out of the total 1,514,000 Options are subject to the exercise period from 2 May 2013 to 1 May 2022. These Options are subject to the vesting period from 2 May 2012 to 1 May 2013 and the vesting condition that the Board has confirmed that the Company has met the 2012 (or combined 2012 and 2013) income and profit performance benchmarks as set by the Board and that the performance appraisal of the grantee has satisfied the requirements of the management of the Company.

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 2021, 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

		Number of shares and underlying shares held under equity derivatives			
Name of substantial Shareholder		Personal interests (held as beneficial owner)	Corporate interests (interests of controlled corporations)	Total interests	Approximate percentage (%) of issued share capital[1]
Essity Group Holding BV	Shares	620,737,112[2]	–	620,737,112	51.67
Essity Aktiebolag (publ)	Shares	–	620,737,112[2]	620,737,112	51.67
Fu An International Company Limited	Shares	261,341,581[3]	–	261,341,581	21.76
Sentential Holdings Limited	Shares	500,000	261,341,581[3]	261,841,581[4]	21.80

Notes:

1. Actual percentages may not equal to the stated figures due to rounding.

2. 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.

3. 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 261,341,581 shares in the Company held by Fu An International Company Limited for the purpose of Part XV of the SFO.

4. Such 261,841,581 shares are the same shares in the Company referred to in Note 2(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.

Save as disclosed above, as at 31 December 2021, 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 2021, 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 26.2%.

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

– the largest supplier	25.9%
– five largest suppliers combined	42.2%

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 pages 20 to 21 of this annual report.

Issue of Shares

During the Year, the Company issued shares as follows:

1,791,000 ordinary shares of the Company were issued for cash of HK$22,553,280 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 15 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 of the Company 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, 25 January 2022

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 74 to 160, comprise:

- the consolidated balance sheet as at 31 December 2021;
- 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 2021, 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)(b), Note 4(a) and Note 8 to the consolidated financial statements.* As at 31 December 2021, goodwill and certain intangible assets with indefinite useful lives in relation to the acquisitions of personal care and household paper businesses in previous years amounted to HK$1,598 million and HK$578 million, respectively. We focused on this area due to the directors' assessment of 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. We noted that management had followed their clearly documented process for drawing up future cash flow forecasts, which was subject to timely review by the directors and which was consistent with the board approved budgets.

Key Audit Matters *(continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
	We challenged the key assumptions including sales growth rate and gross profit margin by comparing the current year actual results with the 2021 figures included in the prior year forecast, and by reference to future plans. We noted the assumptions are consistent with expectations. We utilised our own valuation specialists' work when considering the appropriateness of the long-term growth rate and discount rate. 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 and agreed with their conclusion that it was unlikely. Based on the procedures we performed, nothing came to our attention that would lead to impairment of goodwill and intangible assets with indefinite useful lives.

Key Audit Matters *(continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition *Refer to Note 2.22 and Note 5 to the consolidated financial statements.* 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. 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.	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. 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. One of our focuses was 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. Based on the procedures we performed, no material misstatement was noted.

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 2021 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.

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 HKSAs 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.

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, 25 January 2022

Consolidated Balance Sheet

As at 31 December 2021

		As at 31 December	
	Note	**2021** **HK$**	2020 HK$
ASSETS			
Non-current assets			
Property, plant and equipment	6	**11,225,685,513**	10,117,404,823
Right-of-use assets	7	**1,375,505,525**	1,366,419,837
Intangible assets	8	**2,646,685,234**	2,746,074,511
Deferred income tax assets	19	**568,181,251**	515,206,860
Investment properties		**2,421,930**	3,167,484
Investment in an associate		**2,122,690**	2,347,777
		15,820,602,143	14,750,621,292
Current assets			
Inventories	10	**4,426,626,084**	4,773,880,408
Trade and notes receivables	12	**2,364,447,931**	2,435,038,930
Other receivables	12	**408,932,536**	302,577,542
Prepayments	12	**91,065,446**	71,020,270
Due from related parties	31(c)	**43,969,461**	39,063,829
Cash and cash equivalents	13	**1,025,327,689**	749,399,329
		8,360,369,147	8,370,980,308
Total assets		**24,180,971,290**	23,121,601,600
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	14	**120,126,537**	119,947,437
Share premium	14	**4,458,961,619**	4,428,374,681
Other reserves	16	**8,439,573,727**	7,119,034,916
Total equity		**13,018,661,883**	11,667,357,034

	Note	As at 31 December 2021 HK$	2020 HK$
LIABILITIES			
Non-current liabilities			
Borrowings	18	**2,936,090,168**	2,890,391,162
Loans from a related party	18,31(c)	**993,358,611**	96,080,272
Lease liabilities	7	**135,989,954**	129,563,570
Deferred government grants	20	**275,423,717**	284,876,449
Deferred income tax liabilities	19	**198,190,965**	200,344,900
Post-employment benefits		**9,372,989**	15,983,243
Other non-current liabilities	21	**15,848,793**	2,253,625
		4,564,275,197	3,619,493,221
Current liabilities			
Trade payables, other payables and accrued expenses	17,21	**5,431,671,084**	5,639,927,445
Contract liabilities	5	**91,625,046**	147,155,300
Borrowings	18	**866,657,776**	1,445,419,389
Loans from a related party	18,31(c)	**–**	300,000,000
Lease liabilities	7	**69,203,205**	72,363,875
Due to related parties	31(c)	**19,748,675**	14,669,217
Current income tax liabilities		**119,128,424**	215,216,119
		6,598,034,210	7,834,751,345
Total liabilities		**11,162,309,407**	11,454,244,566
Total equity and liabilities		**24,180,971,290**	23,121,601,600

The financial statements were approved by the Board of Directors on 25 January 2022 and were signed on its behalf.

LI Chao Wang
Director

LI Jielin
Director

The notes on pages 79 to 160 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2021

	Note	2021 HK$	2020 HK$
		For the year ended 31 December	
Revenue	5	**18,675,739,458**	16,511,676,772
Cost of sales	23	**(12,079,392,782)**	(10,288,905,938)
Gross profit		**6,596,346,676**	6,222,770,834
Selling and marketing costs	23	**(3,672,134,223)**	(2,960,719,996)
Administrative expenses	23	**(957,701,901)**	(952,159,970)
Net impairment losses on financial assets	3.1(b),23	**(24,720,800)**	1,032,625
Other income and losses – net	22	**101,696,044**	141,770,328
Operating profit		**2,043,485,796**	2,452,693,821
Finance income and costs – net	25	**(93,686,208)**	(126,180,098)
Share of post-tax loss of an associate		**(225,086)**	(177,842)
Profit before income tax		**1,949,574,502**	2,326,335,881
Income tax expense	26(a)	**(311,209,930)**	(452,006,637)
Profit attributable to equity holders of the Company		**1,638,364,572**	1,874,329,244
Other comprehensive income:			
Item that may be reclassified to profit or loss			
Currency translation differences		**253,638,907**	647,626,892
Item that will not be reclassified subsequently to profit or loss			
Remeasurements of post-employment benefit obligations		**965,695**	679,492
Total comprehensive income attributable to equity holders of the Company		**1,892,969,174**	2,522,635,628
Earnings per share for profit attributable to equity holders of the Company			
– basic earnings per share	27	**1.365**	1.565
– diluted earnings per share	27	**1.363**	1.562

The notes on pages 79 to 160 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

		Attributable to equity holders of the Company			
	Note	Share capital HK$	Share premium HK$	Other reserves HK$	Total HK$
Balance at 1 January 2020		119,510,337	4,356,240,018	4,987,460,947	9,463,211,302
Profit for the year		–	–	1,874,329,244	1,874,329,244
Other comprehensive income					
– Currency translation differences		–	–	647,626,892	647,626,892
– Remeasurements of post-employment benefit obligations		–	–	679,492	679,492
Total comprehensive income for 2020		–	–	2,522,635,628	2,522,635,628
Transaction with owners					
Employees share option scheme					
– Exercise of share options	15,16	437,100	72,134,663	(19,458,983)	53,112,780
Dividends	28	–	–	(371,602,676)	(371,602,676)
Transaction with owners		437,100	72,134,663	(391,061,659)	(318,489,896)
Balance at 31 December 2020		119,947,437	4,428,374,681	7,119,034,916	11,667,357,034
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	15,16	**179,100**	**30,586,938**	**(8,212,758)**	**22,553,280**
Dividends	28	**–**	**–**	**(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**

The notes on pages 79 to 160 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	Note	For the year ended 31 December 2021 HK$	2020 HK$
Cash flows generated from operating activities			
Cash generated from operations	29(a)	**3,248,162,616**	2,660,011,591
Interest paid		**(142,354,855)**	(157,994,209)
Income tax paid		**(460,101,528)**	(497,950,753)
Net cash generated from operating activities		**2,645,706,233**	2,004,066,629
Cash flows used in investing activities			
Purchase of property, plant and equipment		**(1,754,822,545)**	(1,696,960,144)
Proceeds from disposal of property, plant and equipment and investment properties	29(b)	**13,287,221**	20,115,253
Proceeds from government grants	20	**8,349,603**	23,898,265
Payment for land use rights	7	**(129,570)**	(55,812,366)
Purchase of intangible assets		**(45,342,506)**	(33,743,898)
Interest received	25	**19,179,882**	17,254,406
Net cash used in investing activities		**(1,759,477,915)**	(1,725,248,484)
Cash flows used in financing activities			
Proceeds from shares issued		**22,553,280**	53,112,780
Proceeds from borrowings	29(c)	**5,323,737,713**	3,825,330,674
Proceeds from loans from a related party	29(c)	**600,000,000**	–
Repayments of borrowings	29(c)	**(5,935,590,167)**	(2,581,214,577)
Repayments of loans from a related party	29(c)	**–**	(880,116,846)
Dividends paid	28	**(564,217,605)**	(371,602,676)
Lease payments for right-of-use assets excluding land use rights	7, 29(c)	**(84,857,326)**	(76,598,409)
Net cash used in financing activities		**(638,374,105)**	(31,089,054)
Net increase in cash and cash equivalents		**247,854,213**	247,729,091
Effect of foreign exchange rate changes		**28,074,147**	41,282,792
Cash and cash equivalents, beginning of the year	13	**749,399,329**	460,387,446
Cash and cash equivalents, end of the year	13	**1,025,327,689**	749,399,329

The notes on pages 79 to 160 are an integral part of these consolidated financial statements.

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 9. 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 25 January 2022.

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

(b) Certain new accounting standards and interpretations have been published that are not mandatory for the year ended 31 December 2021 and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

		Effective for annual periods beginning on or after
HKAS 16 (Amendments)	Property, Plant and Equipment: Proceeds before intended use	1 January 2022
HKAS 37 (Amendments)	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
HKFRS 3 (Amendments)	Reference to the Conceptual Framework	1 January 2022
AG 5 (Revised)	Merger Accounting for Common Control Combinations	1 January 2022
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2023
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
HKFRS 8 (Amendments)	Definition of Accounting Estimates	1 January 2023
HKFRS 17	Insurance contracts	1 January 2023
HK Int 5 (2020)	Presentation of Financial Statements- Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
Annual Improvements to HKFRS Standards 2018-2020		1 January 2022

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 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.

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.

2 Summary of significant accounting policies *(continued)*

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

2.2.2 Associates *(continued)*

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.

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.

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 arises 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).

2 Summary of significant accounting policies *(continued)*

2.8 Investment properties

Investment properties, principally comprising leasehold warehouses, is held for long-term rental yields, and that is not occupied by the Group. Investment properties are measured at cost, including related transaction costs and, where applicable, borrowing costs.

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.

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 Summary of significant accounting policies *(continued)*

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 are shown within borrowings in current liabilities in the balance sheet.

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 Summary of significant accounting policies *(continued)*

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.

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.

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.

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 Summary of significant accounting policies *(continued)*

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 Summary of significant accounting policies *(continued)*

2.22 Revenue recognition

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

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.

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. 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. 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 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.

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.

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 25 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.

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	
	2021	2020
	HK$	HK$
Net foreign exchange gain included in other income and losses – net (Note 22)	**27,695,389**	51,145,823
Exchange (loss)/gain in finance income and costs – net (Note 25)	**(189,105)**	1,679,485
Total net foreign exchange gain recognised in profit before income tax for the period	**27,506,284**	52,825,308

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 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**

		31 December 2020	
	US$	HK$	RMB
Cash	29,524,767	912,392	193,048
Trade receivables	24,451,351	–	344,464,283
Trade payables	98,309,572	–	372,763,944

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$/RMB exchange rates. As at 31 December 2021 and 2020, for the RMB subsidiaries, if RMB had strengthened/weakened by 10% against US$ 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:

	2021 HK$	2020 HK$
For the year ended:		
Post-tax profit increase/(decrease)		
– Strengthened by 10%	**1,831,485**	1,695,142
– Weakened by 10%	**(1,831,485)**	(1,695,142)
As at 31 December:		
Owners' equity increase/(decrease)		
– Strengthened by 10%	**1,831,485**	1,695,142
– Weakened by 10%	**(1,831,485)**	(1,695,142)

3 Financial risk management *(continued)*

3.1 Financial risk factors *(continued)*

(a) Market risk *(continued)*

(i) Foreign exchange risk (continued)

As at 31 December 2021 and 2020, 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:

	2021 HK$	2020 HK$
For the year ended:		
Post-tax profit increase/(decrease)		
– Strengthened by 10%	2,008,932	3,524,000
– Weakened by 10%	(2,008,932)	(3,524,000)
As at 31 December:		
Owners' equity increase/(decrease)		
– Strengthened by 10%	2,008,932	3,524,000
– Weakened by 10%	(2,008,932)	(3,524,000)

As at 31 December 2021 and 2020, 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:

	2021 HK$	2020 HK$
For the year ended:		
Post-tax profit (decrease)/increase		
– Strengthened by 10%	(34,937,163)	2,346,902
– Weakened by 10%	34,937,163	(2,346,902)
As at 31 December:		
Owners' equity (decrease)/increase		
– Strengthened by 10%	(34,937,163)	2,346,902
– Weakened by 10%	34,937,163	(2,346,902)

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 18.

As at 31 December 2021 and 2020, 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:

	2021 **HK$**	2020 HK$
For the year ended:		
Post-tax profit (decrease)/increase		
– 10 basis points higher	**(2,715,167)**	(2,462,448)
– 10 basis points lower	**2,715,167**	2,462,448
As at 31 December:		
Owners' equity (decrease)/increase		
– 10 basis points higher	**(2,715,167)**	(2,462,448)
– 10 basis points lower	**2,715,167**	2,462,448

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 2021 and 2020, 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 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 2021 and 31 December 2020 was determined as follows for trade receivables:

	Within 6 months	7 months to 12 months	Over 1 year	Total
31 December 2021				
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**
31 December 2020				
Gross carrying amount	2,414,986,159	18,447,948	17,632,826	2,451,066,933
Expected loss rate	0.004%	42.076%	99.975%	1.040%
Loss allowance	104,567	7,762,067	17,628,454	25,495,088

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:

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

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 2021 and 2020, 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 Group also considers converting short-term borrowings into long-term borrowings to improve the Group's liquidity.

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 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**	**–**	**–**	**–**
As at 31 December 2020				
Bank loans and interest payables (i)	1,551,562,531	1,841,354,534	1,195,609,462	–
Loans from a related party and interest payables (i)	304,586,360	2,920,841	101,833,927	–
Lease liabilities	73,535,442	43,831,986	64,347,921	43,460,566
Trade payables	2,644,138,756	–	–	–
Notes payable	327,554,663	–	–	–
Other payables	499,244,071	–	–	–
Accrued expenses	1,673,294,531	–	–	–
Due to related parties	14,669,217	–	–	–

(i) The interest on borrowings is calculated based on borrowings held as at 31 December 2021 and 2020 without taking account of future issues. Floating-rate interest is estimated using interest rate prevailing as at 31 December 2021 and 2020 respectively.

3 Financial risk management *(continued)*

3.2 Capital risk management

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

	2021 HK$	2020 HK$
Expiring within one year	4,333,080,467	4,331,280,019
Expiring beyond one year (i)	3,000,000,000	3,118,815,646
Total	7,333,080,467	7,450,095,665

(i) As at 31 December 2021, unutilised credit facilities from related party amounted to HK$3 billion (31 December 2020: 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 2021 and 2020 were as follows:

	As at 31 December	
	2021 HK$	2020 HK$
Total borrowings (Note 18)	4,796,106,555	4,731,890,823
Total lease liabilities (Note 7)	205,193,159	201,927,445
Less: Cash and cash equivalents (Note 13)	(1,025,327,689)	(749,399,329)
Net debt	3,975,972,025	4,184,418,939
Total equity	13,018,661,883	11,667,357,034
Net gearing ratio	30.5%	35.9%

3.3 Fair value estimation

As at 31 December 2021 and 2020, 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.

4 Critical accounting estimates and judgments *(continued)*

(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.

(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, 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.

The executive committee assesses the performance of the operating segments based on a measure of segment results without considering amortisation of trademarks, licences and contractual customer relationships, other income and losses, unallocated costs, finance income/(costs) and income tax expense which is consistent with that in the annual consolidated financial statements. Unallocated costs are mainly the central expenses.

Sales between segments are carried out on terms equivalent to those that prevail in arm's length transactions. The revenue from external parties reported to the executive committee is measured in a manner consistent with that in the annual consolidated statement of comprehensive income.

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

	For the year ended 31 December	
	2021	2020
	HK$	HK$
Mainland China	**14,448,818,216**	12,416,201,513
Malaysia	**1,577,175,716**	1,475,010,423
HKSAR	**1,170,906,668**	1,155,914,331
Japan	**400,262,446**	383,899,986
Chinese Taiwan	**335,786,459**	326,492,953
Others	**742,789,953**	754,157,566
Total revenue	**18,675,739,458**	16,511,676,772

5 Segment information *(continued)*

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

The total non-current assets are analysed as follows:

	As at 31 December	
	2021	2020
	HK$	HK$
Total non-current assets other than deferred income tax assets and investment in an associate		
– Mainland China	**11,396,068,217**	10,262,988,103
– HKSAR and overseas	**3,854,229,985**	3,970,078,552
Deferred income tax assets	**568,181,251**	515,206,860
Investment in an associate	**2,122,690**	2,347,777
Total non-current assets	**15,820,602,143**	14,750,621,292

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

5 Segment information *(continued)*

(b) Segment profit or loss

	For the year ended 31 December 2021		
	Household paper products HK$	Personal care products HK$	Total HK$
Segment revenue	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

5 Segment information *(continued)*

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

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

5 Segment information *(continued)*

(c) Segment assets and liabilities

	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**

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

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	
	2021	2020
	HK$	HK$
Household paper products	**83,369,921**	142,422,164
Personal care products	**8,255,125**	4,733,136
Total contract liabilities	**91,625,046**	147,155,300

Management expects that all of the transaction price allocated to unsatisfied performance obligations as of 31 December 2021 will be recognised as revenue during the next year.

The following table shows how much of the revenue recognised for the year ended 31 December 2021 related to carried-forward contract liabilities that were satisfied in a prior year.

	For the year ended 31 December	
	2021	2020
	HK$	HK$
Household paper products	**142,422,164**	119,953,883
Personal care products	**4,733,136**	2,888,323
	147,155,300	122,842,206

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 2020							
Opening net book amount	2,743,720,012	643,900	5,432,137,004	99,265,574	42,861,049	539,544,422	8,858,171,961
Additions	7,839,735	861,030	31,925,063	28,998,380	1,863,784	1,636,599,680	1,708,087,672
Disposals	(1,350,297)	–	(2,218,275)	(232,939)	(308,212)	(300,862)	(4,410,585)
Reclassification	42,953,908	–	504,024,135	17,061,287	661,954	(564,701,284)	–
Depreciation (Note 23)	(120,235,944)	(491,710)	(770,162,038)	(35,384,167)	(8,216,009)	–	(934,489,868)
Impairment charges (Note 23)	(1,303,740)	–	(68,889,695)	–	–	–	(70,193,435)
Exchange differences	171,939,963	62,148	314,127,476	6,312,115	2,381,863	65,415,513	560,239,078
Closing 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
At 31 December 2020							
Cost	3,857,174,127	9,127,651	10,536,614,073	376,455,791	91,820,947	1,679,240,180	16,550,432,769
Accumulated depreciation and impairment	(1,013,610,490)	(8,052,283)	(5,095,670,403)	(260,435,541)	(52,576,518)	(2,682,711)	(6,433,027,946)
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
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 23)	(134,446,866)	(774,415)	(844,879,968)	(38,563,979)	(8,470,446)	–	(1,027,135,674)
Impairment charges (Note 23)	–	–	(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

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

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	
	2021	2020
	HK$	HK$
Cost of sales	**860,429,003**	797,373,563
Administrative expenses	**166,706,671**	137,116,305
	1,027,135,674	934,489,868

7 Leases

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

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

	For the year ended 31 December	
	2021	2020
	HK$	HK$
Depreciation of right-of-use assets (Note 23)		
– Land use rights	**29,347,216**	26,383,198
– Buildings	**75,163,235**	70,620,374
– Equipment and others	**1,482,297**	1,561,646
	105,992,748	98,565,218
Interest expense (Note 25)	**7,302,446**	7,429,390
Expense relating to short-term leases	**71,513,287**	68,273,794
Expense relating to leases of low-value assets	**559,084**	976,244

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

8 Intangible assets

	Goodwill HK$	Trademarks and licences HK$	Contractual customer relationships HK$	Computer software HK$	Total HK$
Year ended 31 December 2020					
Opening net book amount	1,589,935,014	758,152,629	312,730,229	119,268,497	2,780,086,369
Additions	–	–	–	33,743,898	33,743,898
Amortisation expense (Note 23)	–	(31,284,772)	(35,906,586)	(48,010,577)	(115,201,935)
Exchange differences	27,502,107	9,324,542	4,027,932	6,591,598	47,446,179
Closing net book amount	1,617,437,121	736,192,399	280,851,575	111,593,416	2,746,074,511
At 31 December 2020					
Cost	1,620,058,440	942,971,517	473,036,666	308,249,032	3,344,315,655
Accumulated amortisation and impairment	(2,621,319)	(206,779,118)	(192,185,091)	(196,655,616)	(598,241,144)
Net book amount	1,617,437,121	736,192,399	280,851,575	111,593,416	2,746,074,511
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 23)	**–**	**(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**

8 Intangible assets *(continued)*

During the year ended 31 December 2021, amortisation of intangible assets were charged to the consolidated statement of comprehensive income is as follows:

	For the year ended 31 December	
	2021	2020
	HK$	HK$
Administrative expenses	**73,482,722**	75,532,998
Selling expenses	**36,568,253**	35,906,587
Cost of sales	**4,875,868**	3,762,350
	114,926,843	115,201,935

(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:

2021	**Opening**	**Addition**	**Exchange differences**	**Closing**
	HK$	**HK$**	**HK$**	**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**

2020	Opening	Addition	Exchange differences	Closing
	HK$	HK$	HK$	HK$
Personal care products	1,022,812,881	–	27,246,316	1,050,059,197
Household paper products	567,122,133	–	255,791	567,377,924
	1,589,935,014	–	27,502,107	1,617,437,121

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

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, long-term growth rate and discount rate used in the value-in-use calculations in 2021 are as follows:

	Personal care products	**Household paper products**
Sales amount (% annual growth rate)	8.3%~13.0%	5%~9%
Gross margin (% of revenue)	34%~36%	32%~36%
Long-term growth rate	3.00%	3.00%
Pre-tax discount rate	11.50%	11.50%

For each of the CGUs with a significant amount of goodwill, the key assumptions, long-term growth rate and discount rate used in the value-in-use calculations in 2020 are as follows:

	Personal care products	**Household paper products**
Sales amount (% annual growth rate)	8.2%~13.7%	5%~10%
Gross margin (% of revenue)	33%~35%	32%~38%
Long-term growth rate	3.00%	3.00%
Pre-tax discount rate	12.50%	12.00%

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

The changes in gross margin assumption was 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:

2021	Opening HK$	Addition 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

8 Intangible assets *(continued)*

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

2020	Opening HK$	Addition HK$	Exchange differences HK$	Closing HK$
Personal care products	243,687,345	–	3,708,602	247,395,947
Household paper products	334,195,003	–	2,103,165	336,298,168
	577,882,348	–	5,811,767	583,694,115

The key assumptions, long-term growth rate and discount rate used in the annual impairment assessments for trademarks and licences with indefinite useful lives in 2021 are as follows:

	Personal care products trademark and licence	**Household paper products trademark and licence**
Sales amount (% annual growth rate)	8.3%~13.0%	5%~9%
Gross margin (% of revenue)	34%~36%	32%~36%
Long-term growth rate	3.00%	3.00%
Pre-tax discount rate	11.50%	11.50%

The key assumptions, long-term growth rate and discount rate used in the annual impairment assessments for trademarks and licences with indefinite useful lives in 2020 are as follows:

	Personal care products trademark and licence	**Household paper products trademark and licence**
Sales amount (% annual growth rate)	8.2%~13.7%	5%~10%
Gross margin (% of revenue)	33%~35%	32%~38%
Long-term growth rate	3.00%	3.00%
Pre-tax discount rate	12.50%	12.00%

Management has determined the values assigned to each of the above key assumptions same as the information 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 Subsidiaries

As at 31 December 2021, 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)	Interest held (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$223,900,000 (Note(i))	–	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 Paper North (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%

9 Subsidiaries *(continued)*

Name	Place of incorporation/ operation and kind of legal entity	Principal activities	Issued and fully paid capital	Interest held (directly)	Interest held (indirectly)
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%
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 ("CEHM")	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$485,100,000 (Note(ii))	–	100%
PT Vinda International Indonesia ("Vinda Indonesia")	Indonesia, limited liability company	Trading of personal care products	Indonesian Rupiah 10,000,190,900 (Note(iii))	–	100%
Vinda Malaysia Sdn Bhd ("Vinda Malaysia")	Malaysia, limited liability company	Manufacturing and sale of personal care products	MYR23,800,000	–	100%

9 Subsidiaries *(continued)*

Name	Place of incorporation/ operation and kind of legal entity	Principal activities	Issued and fully paid capital	Interest held (directly)	Interest held (indirectly)
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 2021, the paid in capital of Vinda Paper (Sichuan) was increased from HK$183,900,000 to HK$223,900,000.

(ii) In 2021, the paid in capital of VPC (Guangdong) was increased from HK$250,000,000 to HK$485,100,000.

(iii) In 2021, the paid in capital of Vinda Indonesia was increased from Indonesian Rupiah 4,948,213,200 to Indonesian Rupiah 10,000,190,900.

10 Inventories

	As at 31 December 2021 HK$	2020 HK$
Raw materials	**2,564,926,288**	3,371,623,189
Finished goods	**1,861,699,796**	1,402,257,219
	4,426,626,084	4,773,880,408

The cost of inventories recognised as expenses and included in cost of sales amounted to HK$9,482,323,334(2020: HK$7,973,902,102) for the year ended 31 December 2021.

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.

The Group reversed HK$25,513,626 of a previous inventory write-down in the year ended 31 December 2020, as the Group sold the relevant goods at original cost.

11 Financial instruments by category

	As at 31 December	
	2021	2020
	HK$	HK$
Financial assets		
Trade and notes receivables	**2,364,447,931**	2,435,038,930
Other receivables	**408,932,536**	302,577,542
Due from related parties	**43,969,461**	39,063,829
Cash and cash equivalents	**1,025,327,689**	749,399,329
Total	**3,842,677,617**	3,526,079,630

	As at 31 December	
	2021	2020
	HK$	HK$
Financial liabilities		
Loans from a related party	**993,358,611**	396,080,272
Borrowings	**3,802,747,944**	4,335,810,551
Trade and other payables excluding non-financial liabilities	**4,937,361,186**	5,144,232,021
Due to related parties	**19,748,675**	14,669,217
Lease liabilities	**205,193,159**	201,927,445
Total	**9,958,409,575**	10,092,719,506

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.

12 Trade, notes and other receivables and prepayments

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

Customers who are given credit are generally granted with credit terms ranging from 60 to 90 days. Ageing analysis of trade receivables of the Group based on invoice date as at 31 December 2021 and 2020 is as below:

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

All notes receivable of the Group as at 31 December 2021 and 2020 is aged within 3 months based on invoice date.

12 Trade, notes and other receivables and prepayments *(continued)*

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.

13 Cash and cash equivalents

	As at 31 December	
	2021	2020
	HK$	HK$
Cash in hand	**85,234**	93,097
Cash at bank	**1,025,242,455**	749,306,232
	1,025,327,689	749,399,329

The effective weighted average annual interest rate on cash at bank and deposits was 1.73% (2020: 2.00%) for the year ended 31 December 2021.

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

	As at 31 December	
	2021	2020
	HK$	HK$
RMB	**772,247,506**	569,131,744
NT$	**105,499,261**	93,986,246
MYR	**56,149,014**	27,208,421
HK$	**51,211,240**	17,590,101
US$	**21,200,968**	33,830,270
Other currencies	**19,019,700**	7,652,547
	1,025,327,689	749,399,329

14 Share capital and share premium

	Number of authorised shares	Number of issued and fully paid shares	Amount: Ordinary shares HK$	Amount: Share premium HK$	Amount: Total HK$
At 31 December 2019	80,000,000,000	1,195,103,373	119,510,337	4,356,240,018	4,475,750,355
Employee share option scheme (Note 15) – Exercise of share options	–	4,371,000	437,100	72,134,663	72,571,763
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 15) – 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**

15 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.

15 Share-based payment *(continued)*

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.

Movements in the number of share options outstanding and their related weighted average exercise prices for the years ended 31 December 2021 and 2020 were as follows:

	For the year ended 31 December			
	2021		2020	
	Weighted average exercise price in HK$	**Number of options**	Weighted average exercise price in HK$	Number of options
At 1 January	**13.39**	**3,961,000**	12.74	8,332,000
Exercised (Note (a))	**12.59**	**(1,791,000)**	12.15	(4,371,000)
Lapsed (Note (b))	**–**	**–**	–	–
At 31 December	**14.04**	**2,170,000**	13.39	3,961,000

(a) All of the outstanding options are exercisable. Options exercised during the year ended 31 December 2021 resulted in 1,791,000 shares (2020: 4,371,000 shares) being issued with proceeds of HK$22,553,280 (2020: HK$53,112,780). The related weighted average share price at the time of exercise was HK$25.27 (2020: HK$24.19) per share.

(b) Option lapsed during the year ended 31 December 2021 was nil (2020: nil).

Share options outstanding as at 31 December 2021 have the following expiry dates and exercise prices:

Expiry date	**Exercise price** HK$ per share	**Number of options**
1 May 2022	14.06	2,160,000
1 May 2023	10.34	10,000

16 Other reserves

	Statutory reserves (Note (a)) HK$	Retained earnings HK$	Translation reserve HK$	Other reserves HK$	Total HK$
At 1 January 2020	701,384,835	4,402,811,327	(163,971,089)	47,235,874	4,987,460,947
Employee share options scheme:					
– Exercise of options	–	–	–	(19,458,983)	(19,458,983)
Profit for the year	–	1,874,329,244	–	–	1,874,329,244
Appropriation of reserves	190,314,649	(190,314,649)	–	–	–
Dividends	–	(371,602,676)	–	–	(371,602,676)
Currency translation differences	–	–	647,626,892	–	647,626,892
Remeasurement on post-employment benefit obligation	–	–	–	679,492	679,492
At 31 December 2020	891,699,484	5,715,223,246	483,655,803	28,456,383	7,119,034,916
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

(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 2021, the appropriation for the Reserve Fund is 15% (2020:15%) 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.

17 Trade payables, other payables and accrued expenses

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

As at 31 December 2021 and 2020, the carrying amounts of the Group's trade payables, notes payable and other payables approximated their fair values.

The credit period granted by the creditors generally ranged from 30 to 180 days. Ageing analysis of trade and notes payable as at 31 December 2021 and 2020 based on invoice date is as follows:

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

18 Borrowings

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

The Company issued corporate guarantee for bank facilities used by certain subsidiaries.

(a) The maturity of borrowings is as follows:

	Bank borrowings		Loans from a related party	
	As at 31 December		As at 31 December	
	2021	2020	**2021**	2020
	HK$	HK$	**HK$**	HK$
Portion of loans due for repayment within 1 year	**866,657,776**	1,445,419,389	**–**	300,000,000
Loans due for repayment after 1 year:				
Between 1 and 2 years	**1,015,890,786**	1,755,149,835	**900,000,000**	–
Between 2 and 5 years	**1,920,199,382**	1,135,241,327	**93,358,611**	96,080,272
	3,802,747,944	4,335,810,551	**993,358,611**	396,080,272

18 Borrowings *(continued)*

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

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

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

	As at 31 December	
	2021	2020
HK$	**0.97%**	2.54%
US$	**0.94%**	1.35%
RMB	**3.25%**	3.56%
KRW	**1.50%**	1.79%
MYR	**3.07%**	3.67%

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

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

19 Deferred income tax

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

	As at 31 December	
	2021	2020
	HK$	HK$
Deferred income tax assets		
– Deferred income tax assets to be recovered after 12 months	**103,514,952**	99,959,295
– Deferred income tax assets to be recovered within 12 months	**464,666,299**	415,247,565
	568,181,251	515,206,860
Deferred income tax liabilities		
– Deferred income tax liabilities to be settled after 12 months	**(185,850,168)**	(181,139,817)
– Deferred income tax liabilities to be settled within 12 months	**(12,340,797)**	(19,205,083)
	(198,190,965)	(200,344,900)
Deferred income tax assets, net	**369,990,286**	314,861,960

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

	For the year ended 31 December	
	2021	2020
	HK$	HK$
Beginning of the year	**314,861,960**	263,058,009
Credited to the consolidated statement of comprehensive income	**41,227,307**	27,660,614
Exchange differences	**13,901,019**	24,143,337
End of the year	**369,990,286**	314,861,960

19 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$	Total HK$
At 31 December 2019 and 1 January 2020	32,751,754	66,335,145	32,226,207	21,846,899	210,688,272	79,296,905	2,442,704	4,152,230	6,934,235	456,674,351
Credited/(charged) to the consolidated statement of comprehensive income	7,637,200	(2,887,591)	14,270,637	(2,599,694)	43,694,595	(40,646,499)	(775,520)	(2,217,718)	12,391,887	28,867,297
Exchange differences	2,503,210	4,105,056	2,873,964	1,259,428	14,779,760	2,842,577	–	159,646	1,141,571	29,665,212
At 31 December 2020	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
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

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$17,817,645 (2020: HK$16,918,890) in respect of losses amounting to HK$69,208,459 (2020: HK$65,507,989), which are not subject to expiration, that can be carried forward against future taxable income.

19 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 2019 and 1 January 2020	28,414,854	137,203,336	26,094,108	545,876	1,358,168	193,616,342
Charged/(credited) to the consolidated statement of comprehensive income	567,695	(8,154,063)	9,010,682	(52,724)	(164,907)	1,206,683
Exchange differences	1,845,354	2,906,465	727,044	31,537	11,475	5,521,875
At 31 December 2020	30,827,903	131,955,738	35,831,834	524,689	1,204,736	200,344,900
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**

Deferred income tax liabilities of HK$324,029,491 (2020: HK$270,449,852) 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$6,411,611,049 as at 31 December 2021 (2020: HK$5,305,909,463).

20 Deferred government grants

	HK$
At 1 January 2020	
Cost	338,450,801
Accumulated amortisation	(72,108,267)
Net book amount	266,342,534
Year ended 31 December 2020	
Opening net book amount	266,342,534
Additions	23,898,265
Amortisation (Note 22)	(22,563,611)
Exchange differences	17,199,261
Closing net book amount	284,876,449
At 31 December 2020	
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 22)	**(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**

In 2021, certain subsidiaries of the Group received government grants with total amount of RMB6,924,593 (2020: RMB20,766,500). 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.

21 Long-term incentive plans

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

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

Long-term incentive plan for Executive Directors and CFO

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

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

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

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

21 Long-term incentive plans *(continued)*

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

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

The significant inputs into the model were share price at the valuation date, the grant price, volatility of 35.00%, dividend yield of 1.18%, and annual risk-free interest rate of 1.09%. The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices of the Company over relevant period matching the life of the incentive plan.

22 Other income and losses – net

	For the year ended 31 December	
	2021	2020
	HK$	HK$
Subsidy income received from local government	**35,571,470**	46,143,345
Amortisation of deferred government grants (Note 20)	**25,911,207**	22,563,611
Loss on disposal of property, plant and equipment	**(2,029,666)**	(3,295,332)
Gain on disposal of investment properties	**7,695,226**	18,092,808
Foreign exchange gain – net	**27,695,389**	51,145,823
Rental income	**958,093**	1,507,647
Depreciation of investment properties	**(162,160)**	(180,591)
Others	**6,056,485**	5,793,017
	101,696,044	141,770,328

23 Expenses by nature

	For the year ended 31 December	
	2021	2020
	HK$	HK$
Raw materials and trading merchandise consumed	**8,585,895,968**	7,443,506,707
Staff costs (Note 24)	**2,079,070,493**	1,827,946,573
Promotion expenses	**1,383,937,327**	1,058,175,666
Transportation expenses	**1,199,518,982**	841,663,431
Utilities	**1,183,999,286**	885,322,610
Depreciation of property, plant and equipment (Note 6)	**1,027,135,674**	934,489,868
Spare parts, repair and maintenance	**325,493,752**	282,137,014
Advertising costs	**147,595,679**	147,406,222
Amortisation of intangible assets (Note 8)	**114,926,843**	115,201,935
Depreciation of right-of-use assets (Note 7)	**105,992,748**	98,565,218
Contracted processing expenses	**80,024,804**	65,293,522
Short-term and low-value lease expenses (Note 7)	**72,072,371**	69,250,038
Travel and office expenses	**68,254,082**	59,897,517
Real estate tax, stamp duty and other taxes	**49,168,426**	47,945,970
Provision/(reversal of provision) for impairment of receivables (Note 3.1(b))	**24,720,800**	(1,032,625)
Auditor's remuneration	**9,024,079**	8,330,727
Bank charges	**3,454,296**	4,833,798
Provision/(reversal of provision) for write-down of inventories (Note 10)	**2,783,728**	(25,513,626)
Impairment charge on property, plant and equipment (Note 6)	**50,186**	70,193,435
Other expenses	**270,830,182**	267,139,279
Total cost of sales, selling and marketing costs, administrative expenses and net impairment losses on financial assets	**16,733,949,706**	14,200,753,279

24 Employee benefit expenses

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

	For the year ended 31 December	
	2021	2020
	HK$	HK$
Defined contribution for HKSAR employees		
– MPF	**1,874,847**	1,604,996
Defined contribution for overseas employees	**35,192,391**	31,314,551
Defined benefits for overseas employees	**148,890**	(6,488,450)
Long-term incentive plans	**25,203,556**	93,579,585
Social security and benefits for the PRC employees	**276,831,187**	175,115,433
Wages, salaries and bonus	**1,635,824,672**	1,442,038,798
Staff welfare	**103,994,950**	90,781,660
	2,079,070,493	1,827,946,573

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2021 include three directors and two senior management (2020: five directors) whose emoluments are reflected in the analysis disclosed in Notes 31 and 33. The emoluments payable to non-director individuals amongst five highest paid individuals during the year are as follows:

	For the year ended 31 December	
	2021	2020
	HK$	HK$
– Basic salaries, housing allowances, other allowances and benefits-in-kind	**14,797,941**	–
– Long-term incentive plans	**4,023,319**	–
– Others	**112,874**	–
	18,934,134	–

25 Finance income and costs – net

	For the year ended 31 December	
	2021	2020
	HK$	HK$
Interest expense		
– borrowings	**(105,374,539)**	(137,684,599)
– lease liabilities (Note 7)	**(7,302,446)**	(7,429,390)
Foreign exchange (loss)/gain – net	**(189,105)**	1,679,485
Interest income		
– bank deposits	**19,179,882**	17,254,406
Net finance costs	**(93,686,208)**	(126,180,098)

26 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	
	2021	2020
	HK$	HK$
Current income tax		
– HKSAR and overseas profits tax	**160,745,247**	170,100,577
– Mainland China income tax	**188,408,318**	302,656,655
– Tax filing difference for prior year	**(4,825,022)**	1,784,324
Deferred income tax	**(41,285,431)**	(27,607,890)
Withholding tax	**8,166,818**	5,072,971
	311,209,930	452,006,637

26 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	
	2021	2020
	HK$	HK$
Profit before income tax	**1,949,574,502**	2,326,335,881
Tax calculated at applicable tax rate	**435,594,603**	536,239,918
HNTE and R&D tax benefits	**(142,031,883)**	(107,242,333)
Income not subject to tax	**(3,260,898)**	(5,585,506)
Expenses not deductible for tax purposes	**15,404,825**	20,743,420
Unrecognised tax losses	**2,546,351**	2,148,808
Utilisation of previously unrecognised tax losses	**(384,864)**	(1,154,965)
Tax filing difference for prior year	**(4,825,022)**	1,784,324
Withholding tax	**8,166,818**	5,072,971
Income tax expense	**311,209,930**	452,006,637

(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.

27 Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average numbers of ordinary shares in issue during the year.

	For the year ended 31 December	
	2021	2020
Profit attributable to equity holders of the Company (HK$)	**1,638,364,572**	1,874,329,244
Weighted average number of ordinary shares issued	**1,200,503,307**	1,197,868,874
Basic earnings per share (HK$ per share)	**1.365**	1.565

(b) Diluted

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

	For the year ended 31 December	
	2021	2020
Profit attributable to equity holders of the Company (HK$)	**1,638,364,572**	1,874,329,244
Weighted average number of ordinary shares issued	**1,200,503,307**	1,197,868,874
Adjustments for share options	**1,196,259**	2,370,139
Weighted average number of ordinary shares for diluted earnings per share	**1,201,699,566**	1,200,239,013
Diluted earnings per share (HK$ per share)	**1.363**	1.562

28 Dividends

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

On 25 January 2022, the Board of Directors proposed a final dividend in respect of the year ended 31 December 2021 of HK$480,506,149, representing HK$0.40 per ordinary share. Such dividend is to be approved by the shareholders at the Annual General Meeting of the Company. These financial statements do not reflect this dividend payable.

The actual final dividends paid for the year ended 31 December 2020 was HK$444,129,268 based on the 1,200,349,373 issued shares outstanding at that time.

The interim dividends actually paid in 2021 were HK$120,088,337 based on the number of issued shares outstanding at that time.

29 Cash flow information

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

	For the year ended 31 December	
	2021	2020
	HK$	HK$
Profit before income tax	**1,949,574,502**	2,326,335,881
Adjustments for:		
– Depreciation of property, plant and equipment (Note 6)	**1,027,135,674**	934,489,868
– Depreciation of investment properties (Note 22)	**162,160**	180,591
– Amortisation of intangible assets (Note 8)	**114,926,843**	115,201,935
– Depreciation of right-of-use assets (Note 7)	**105,992,748**	98,565,218
– Amortisation of deferred government grants (Note 20)	**(25,911,207)**	(22,563,611)
– Loss on disposals of property, plant and equipment (Note 22)	**2,029,666**	3,295,332
– (Gain)/loss on disposal of right-of-use assets	**(319)**	20,955
– Gain on disposal of investment properties (Note 22)	**(7,695,226)**	(18,092,808)
– Provision/(reversal of provision) for impairment of receivables (Note 23)	**24,720,800**	(1,032,625)
– Provision/(reversal of provision) for write-down of inventories (Note 23)	**2,783,728**	(25,513,626)
– Impairment charge on property, plant and equipment (Note 6)	**50,186**	70,193,435
– Share of post-tax loss of an associate	**225,086**	177,842
– Net finance costs and exchange losses	**65,990,819**	75,034,275
	3,259,985,460	3,556,292,662
Changes in working capital (excluding the effect of exchange differences on consolidation):		
– Decrease/(increase) in inventories	**431,268,213**	(1,318,592,267)
– Increase in trade, notes, and other receivables, and prepayments	**(18,913,938)**	(453,961,746)
– Increase in due from related parties	**(5,660,034)**	(6,375,684)
– (Decrease)/increase in trade payables, other payables and accrued expenses and contract liabilities	**(423,660,638)**	878,902,335
– Increase in due to related parties	**5,143,553**	3,746,291
Cash generated from operations	**3,248,162,616**	2,660,011,591

29 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	
	2021	2020
	HK$	HK$
Net book amount of property, plant and equipment (Note 6)	**6,966,887**	4,410,585
Loss on disposal of property, plant and equipment (Note 22)	**(2,029,666)**	(3,295,332)
Net book amount of investment properties	**654,774**	907,192
Gain on disposal of investment properties (Note 22)	**7,695,226**	18,092,808
Proceeds from disposal of property, plant and equipment and investment properties	**13,287,221**	20,115,253

(c) Reconciliation of liabilities arising from financing activities

	Leases	Bank borrowings	Loans from a related party	Total
	HK$	HK$	HK$	HK$
As at 1 January 2020	182,739,866	2,881,259,723	1,274,928,072	4,338,927,661
Cash flows				
– Inflow from financing activities	–	3,825,330,674	–	3,825,330,674
– Outflow from financing activities	(76,598,409)	(2,581,214,577)	(880,116,846)	(3,537,929,832)
Recognition of right-of-use assets	91,180,525	–	–	91,180,525
Currency translations	4,605,463	210,434,731	1,269,046	216,309,240
As at 31 December 2020	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**

30 Capital commitments

	As at 31 December	
	2021	2020
	HK$	HK$
Property, plant and equipment and intangible assets	**843,161,676**	1,048,498,885

31 Related party transactions

The immediate holding company of the Group is Essity BV (formerly known as SCA Group Holding BV) (incorporated in Netherlands).

(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 Hygiene 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 Hygiene and Health AB ("Essity HH")	Subsidiary of Essity Aktiebolag (publ)
Essity Do Brasil Industria E Comercio Ltda ("Essity Brasil")	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 Slovakia s.r.o.	Subsidiary of Essity Aktiebolag (publ)
Essity Turkey Hijyen Urunleri Sanayi Ve Ticaret A. S. ("Essity Turkey")	Subsidiary of Essity Aktiebolag (publ)
Malaysian BSN Medical SDN BHD ("BSN Malaysia")	Subsidiary of Essity Aktiebolag (publ)
Essity Operations Mannheim GmbH ("Essity OM")	Subsidiary of Essity Aktiebolag (publ)
Essity Treasury AB	Subsidiary of Essity Aktiebolag (publ)
Essity HMS North America Inc ("Essity HMS")	Subsidiary of Essity Aktiebolag (publ)

31 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 2021 include:

(1) Sales of products to related parties:

	For the year ended 31 December	
	2021	2020
	HK$	HK$
– Uni-Charm	**102,945,085**	98,827,921
– Asaleo Care Fiji Limited	**38,874,055**	29,862,771
– Productos Familia, S.A., Colombia	**23,608,455**	11,598,501
– Asaleo Care New Zealand Ltd.	**16,021,387**	10,762,024
– Asaleo Personal Care Pty Ltd.	**15,300,424**	11,847,187
– Essity Mexico	**5,845,893**	4,007,675
– Essity OG B.V.	**2,808,959**	485,297
– Essity Canada Inc.	**2,334,587**	3,445,629
– Essity Hoogezand B.V.	**1,473,550**	1,782,170
– Essity HH	**241**	2,919,196
– Essity Brasil	**–**	79,296
	209,212,636	175,617,667

31 Related party transactions *(continued)*

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

(2) Purchase of products from related parties:

	For the year ended 31 December	
	2021	2020
	HK$	HK$
– Essity Netherlands B.V.	**61,380,400**	53,260,806
– Essity Kostheim	**41,450,998**	33,601,331
– Essity HH	**26,687,394**	37,159,413
– Essity Poland Sp.z o.o.	**26,156,236**	31,330,754
– Essity OG B.V.	**14,824,774**	23,024,494
– Essity Mexico	**7,707,486**	4,506,057
– Productos Familia, S.A., Colombia	**4,589,949**	–
– Essity Slovakia s.r.o.	**1,389,063**	1,023,960
– Essity Turkey	**879,532**	–
– BSN Malaysia	**41,337**	–
– Essity OM	**21,429**	546,407
– Essity Hoogezand B.V.	**–**	3,507,061
	185,128,598	187,960,283

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

	For the year ended 31 December	
	2021	2020
	HK$	HK$
– Essity HH	**19,798,577**	18,602,892

(4) IT costs charged by a related party:

	For the year ended 31 December	
	2021	2020
	HK$	HK$
– Essity HH	**610,819**	976,170

31 Related party transactions *(continued)*

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

(5) Loans borrowed from a related party:

	For the year ended 31 December	
	2021	2020
	HK$	HK$
– Essity Treasury AB (Note (a))	**600,000,000**	–

(6) Loans repaid to a related party:

	For the year ended 31 December	
	2021	2020
	HK$	HK$
– Essity Treasury AB	–	880,116,846

(7) Interest expenses accrued to a related party:

	For the year ended 31 December	
	2021	2020
	HK$	HK$
– Essity Treasury AB	**7,584,057**	18,433,299

(8) Interest expenses paid to a related party:

	For the year ended 31 December	
	2021	2020
	HK$	HK$
– Essity Treasury AB	**8,166,658**	23,869,173

31 Related party transactions *(continued)*

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

(9) Key management compensation:

	For the year ended 31 December	
	2021	2020
	HK$	HK$
Directors		
– Basic salaries, housing allowances, other allowances, benefits-in-kind, pensions and other benefits	**40,518,150**	41,753,971
– Long-term incentive plans	**5,061,466**	70,699,928
Senior management		
– Basic salaries, housing allowances, other allowances, benefits-in-kind, pensions and other benefits	**40,741,942**	40,855,920
– Long-term incentive plans	**9,626,493**	16,916,649
	95,948,051	170,226,468

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

	Number of individuals	
	2021	2020
– Below HK$1,000,000	**–**	1
– HK$1,000,000 to HK$1,500,000	**–**	1
– HK$1,500,000 to HK$2,000,000	**1**	–
– Above HK$2,000,000	**9**	8

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 2021 and 2020.

31 Related party transactions *(continued)*

(c) Year-end balances with related parties

	As at 31 December	
	2021	2020
	HK$	HK$
(1) Trade and other receivables from related parties:		
– Uni-Charm	**21,050,413**	10,236,983
– Essity HH	**5,989,712**	6,133,645
– Productos Familia, S.A., Colombia	**4,564,858**	2,498,171
– Asaleo Care New Zealand Ltd.	**3,171,231**	3,151,463
– Asaleo Care Fiji Limited	**2,475,232**	12,843,667
– Essity Mexico	**2,211,548**	407,192
– Asaleo Personal Care Pty Ltd.	**1,988,556**	2,615,819
– Essity OG B.V.	**1,171,791**	485,340
– Essity Canada Inc.	**752,383**	515,305
– Essity Hoogezand B.V.	**544,942**	128,561
– Essity HMS	**48,795**	47,683
	43,969,461	39,063,829

All the above receivables are aged within 3 months based on invoice date as at 31 December 2021 and 31 December 2020.

31 Related party transactions *(continued)*

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

	As at 31 December 2021 HK$	As at 31 December 2020 HK$
(2) Trade and other payables to related parties		
– Essity Netherlands B.V.	**6,525,315**	4,677,549
– Essity Kostheim	**4,903,119**	2,927,897
– Essity Poland Sp.z o.o.	**3,756,757**	2,424,947
– Essity HH	**1,950,466**	2,105,972
– Essity OG B.V.	**879,558**	1,691,084
– Essity Mexico	**592,933**	65,003
– Essity Turkey	**237,817**	–
– Uni-Charm	**690**	13,435
– Essity OM	**–**	225,613
– Essity Slovakia s.r.o.	**–**	215,401
	18,846,655	14,346,901

All the above payables are aged within 3 months based on invoice date as at 31 December 2021 and 31 December 2020.

	As at 31 December 2021 HK$	As at 31 December 2020 HK$
(3) Loans from a related party		
– Essity Treasury AB (Note (a))	**993,358,611**	396,080,272
(4) Interest payable to a related party		
– Essity Treasury AB	**902,020**	322,316

(a) Due to drawdowns of new loans in 2021 and extending of existing loan in 2020, loans from a related party as at 31 December 2021 represented long-term loans with principal of HK$300,000,000, HK$300,000,000, HK$300,000,000, and MYR50,000,000(HK$93,358,611). The weighted average interest rate is 1.20%. These loans are due on 10 March 2023, 10 May 2023, 8 November 2023 and 18 December 2024 respectively.

On 10 March 2021, the Group extended the loan with principal amount of HK$300,000,000 whose maturity date used to be 10 June 2021. The loan's maturity date was extended to 10 March 2023. The weighted average interest rate is 0.97%.

On 10 May 2021, the Group made one loan drawdown with principal amount of HK$300,000,000 and the loan's maturity date is 10 May 2023. The weighted average interest rate is 0.77%.

On 8 November 2021, the Group made one loan drawdown with principal amount of HK$300,000,000 and the loan's maturity date is 8 November 2023. The weighted average interest rate is 0.74%.

32 Balance sheet and reserve movement of the Company

	As at 31 December	
	2021	2020
	HK$	HK$
ASSETS		
Non-current assets		
Investments in and balances with subsidiaries	4,021,408,515	3,906,543,893
Current assets		
Prepayments	14,942,612	18,277,268
Dividends receivable	650,000,000	640,548,380
Due from subsidiaries	176,499,644	89,590,349
Cash and cash equivalents	2,181,948	740,559
	843,624,204	749,156,556
Total assets	4,865,032,719	4,655,700,449
EQUITY		
Capital and reserves attributable to the Company's equity holders		
Share capital	120,126,537	119,947,437
Share premium	4,458,961,619	4,428,374,681
Other reserves (Note (a))	45,144,011	(124,852,550)
Total equity	4,624,232,167	4,423,469,568
LIABILITIES		
Current liabilities		
Other payables and accrued expenses	1,621,590	6,570,981
Due to subsidiaries	239,178,962	225,659,900
	240,800,552	232,230,881
Total liabilities	240,800,552	232,230,881
Total equity and liabilities	4,865,032,719	4,655,700,449

The balance sheet of the Company was approved by the Board of Directors on 25 January 2022 and were signed on its behalf.

LI Chao Wang
Director

LI Jielin
Director

32 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 2020	(845,929,035)	255,006,601	44,844,716	(546,077,718)
Employee share options scheme:				
– Exercise of options	–	–	(19,458,983)	(19,458,983)
Dividends	–	(371,602,676)	–	(371,602,676)
Profit for the year	–	579,742,101	–	579,742,101
Currency translation differences	232,544,726	–	–	232,544,726
At 31 December 2020	(613,384,309)	463,146,026	25,385,733	(124,852,550)
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**

33 Benefits and interests of directors

(a) Directors' emoluments

	For the year ended 31 December	
	2021 HK$	2020 HK$
Directors		
– Basic salaries, housing allowances, other allowances and benefits-in-kind	**40,464,150**	41,698,471
– Long-term incentive plans	**5,061,466**	70,699,928
– Others	**54,000**	55,500
	45,579,616	112,453,899

33 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 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(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$
Chairman							
– Mr. LI Chao Wang	–	4,886,710	4,275,815	51,174	18,000	1,541,833	10,773,532
Executive directors							
– 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
Non-executive directors							
– 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
Independent non-executive directors							
– 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
Alternate directors							
– 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

33 Benefits and interests of directors *(continued)*

(a) Directors' emoluments *(continued)*

For the year ended 31 December 2020

	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$
Chairman							
– Mr. LI Chao Wang	–	4,651,140	4,387,890	16,158	18,000	17,396,519	26,469,707
Executive directors							
– Ms. YU Yi Fang	–	3,017,950	2,847,130	16,158	1,500	11,157,767	17,040,505
– Ms. LI Jielin	–	3,829,727	2,841,930	376,158	18,000	11,250,861	18,316,676
– Mr. DONG Yi Ping	–	3,017,950	2,847,130	16,158	18,000	11,157,767	17,057,005
Non-executive directors							
– Mr. Jan Christer JOHANSSON	2,884,981	–	–	–	–	–	2,884,981
– Mr. Carl Magnus GROTH	–	–	–	–	–	–	–
– Mr. Carl Fredrik Stenson RYSTEDT	–	–	–	–	–	–	–
– Mr. Johann Christoph MICHALSKI(iii)	450,000	3,825,900	5,213,520	–	–	19,737,014	29,226,434
Independent non-executive directors							
– Ms. LEE Hsiao-yun Ann	328,672	–	–	–	–	–	328,672
– Mr. CHIA Yen On(iv)	236,130	–	–	–	–	–	236,130
– Mr. WONG Kwai Huen, Albert	388,672	–	–	–	–	–	388,672
– Mr. TSUI King Fai	438,672	–	–	–	–	–	438,672
– Mr. LAW Hong Ping,Lawrence(v)	66,445	–	–	–	–	–	66,445
Alternate directors							
– Mr. Gert Mikael SCHMIDT	–	–	–	–	–	–	–
– Mr. Dominique Michel Jean DESCHAMPS	–	–	–	–	–	–	–
	4,793,572	18,342,667	18,137,600	424,632	55,500	70,699,928	112,453,899

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) Mr. Johann Christoph MICHALSKI resigned from executive director and was appointed as non-executive director on 1 October 2020.

(iv) Mr. CHIA Yen On resigned from independent non-executive director on 12 September 2020.

(v) Mr. LAW Hong Ping, Lawrence was appointed as independent non-executive director on 1 November 2020.

(vi) For the year ended 31 December 2021 and 2020, 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.

33 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 2021 and 2020.

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

During the year ended 31 December 2021 and 2020, 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.

Consolidated Statement of Comprehensive Income

	For the year ended 31 December				
	2017	2018	2019	2020	2021
	HK$	HK$	HK$	HK$	HK$
Revenue	13,485,960,780	14,878,547,902	16,074,288,277	16,511,676,772	**18,675,739,458**
Cost of sales	(9,486,047,682)	(10,691,953,432)	(11,089,036,453)	(10,288,905,938)	**(12,079,392,782)**
Gross profit	3,999,913,098	4,186,594,470	4,985,251,824	6,222,770,834	**6,596,346,676**
Selling and marketing costs	(2,351,849,995)	(2,379,803,125)	(2,575,268,219)	(2,960,719,996)	**(3,672,134,223)**
Administrative expenses	(727,035,386)	(758,565,392)	(856,145,835)	(952,159,970)	**(957,701,901)**
Net impairment losses on financial assets	–	(1,829,013)	(1,540,148)	1,032,625	**(24,720,800)**
Other income and losses – net	62,498,407	(26,772,076)	17,291,041	141,770,328	**101,696,044**
Operating profit	983,526,124	1,019,624,864	1,569,588,663	2,452,693,821	**2,043,485,796**
Finance income and costs – net	(214,027,686)	(221,951,496)	(198,620,467)	(126,180,098)	**(93,686,208)**
Share of post-tax loss of an associate	–	–	(208,240)	(177,842)	**(225,086)**
Profit before income tax	769,498,438	797,673,368	1,370,759,956	2,326,335,881	**1,949,574,502**
Income tax expense	(148,541,984)	(148,368,679)	(232,443,563)	(452,006,637)	**(311,209,930)**
Profit attributable to equity holders of the Company	620,956,454	649,304,689	1,138,316,393	1,874,329,244	**1,638,364,572**
Other comprehensive income:					
Item that may be reclassified to profit or loss					
Currency translation differences	692,642,246	(421,842,655)	(157,128,714)	647,626,892	**253,638,907**
Item that will not be reclassified subsequently to profit or loss					
Remeasurements of post-employment benefit obligations	2,491,047	396,637	(222,560)	679,492	**965,695**
Total comprehensive income attributable to equity holders of the Company	1,316,089,747	227,858,671	980,965,119	2,522,635,628	**1,892,969,174**

Consolidated Balance Sheet

	As at 31 December				
	2017	2018	2019	2020	2021
	HK$	HK$	HK$	HK$	HK$
ASSETS					
Property, plant and equipment	8,739,887,326	8,997,273,418	8,858,171,961	10,117,404,823	11,225,685,513
Right-of-use assets	–	–	1,250,456,963	1,366,419,837	1,375,505,525
Leasehold land and land use rights	1,042,127,885	1,050,718,413	–	–	–
Intangible assets	2,913,888,055	2,823,114,342	2,780,086,369	2,746,074,511	2,646,685,234
Deferred income tax assets	348,762,906	403,828,940	456,674,351	515,206,860	568,181,251
Investment properties	7,660,539	7,217,853	4,039,119	3,167,484	2,421,930
Investment in an associate	–	–	2,525,619	2,347,777	2,122,690
Inventories	3,048,179,318	2,745,883,730	3,223,321,363	4,773,880,408	4,426,626,084
Trade receivable, other receivables and prepayments	2,309,863,202	–	–	–	–
Trade and notes receivables	–	1,888,459,707	1,916,318,675	2,435,038,930	2,364,447,931
Other receivables	–	449,515,451	237,999,919	302,577,542	408,932,536
Prepayments	–	90,514,885	59,439,391	71,020,270	91,065,446
Due from related parties	28,949,331	36,609,005	32,065,779	39,063,829	43,969,461
Cash and cash equivalents	534,589,786	574,465,154	460,387,446	749,399,329	1,025,327,689
Total Assets	18,973,908,348	19,067,600,898	19,281,486,955	23,121,601,600	24,180,971,290
EQUITY					
Capital and reserves attributable to the Company's equity holders					
Share capital	119,416,737	119,485,237	119,510,337	119,947,437	120,126,537
Share premium	4,345,689,034	4,351,781,230	4,356,240,018	4,428,374,681	4,458,961,619
Other reserves	4,271,362,605	4,258,649,944	4,987,460,947	7,119,034,916	8,439,573,727
Total equity	8,736,468,376	8,729,916,411	9,463,211,302	11,667,357,034	13,018,661,883
LIABILITIES					
Long-term borrowings	3,310,130,427	3,004,812,188	2,297,063,820	2,890,391,162	2,936,090,168
Long-term loans from a related party	1,236,403,002	1,218,116,846	1,274,928,072	96,080,272	993,358,611
Long-term lease liabilities	–	–	119,942,991	129,563,570	135,989,954
Deferred government grants	142,848,544	215,070,111	266,342,534	284,876,449	275,423,717
Deferred income tax liabilities	211,437,204	208,522,060	193,616,342	200,344,900	198,190,965
Post-employment benefits	33,214,008	31,124,829	26,952,299	15,983,243	9,372,989
Other non-current liabilities	17,675,709	10,709,487	29,214,726	2,253,625	15,848,793
Other current liabilities	5,285,731,078	5,649,328,966	5,610,214,869	7,834,751,345	6,598,034,210
Total Liabilities	10,237,439,972	10,337,684,487	9,818,275,653	11,454,244,566	11,162,309,407
Total equity and liabilities	18,973,908,348	19,067,600,898	19,281,486,955	23,121,601,600	24,180,971,290