Vinda International Holdings Limited

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

Healthy Lifestyle
Starts with Vinda

ANNUAL REPORT
2023

To Become A Leading Hygiene Company in Asia

Contents

Corporate Information

(as at 24 January 2024)

Directors

Executive Directors

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

Non-Executive Directors

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

Independent Non-Executive Directors

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

Alternate Directors

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

Audit Committee

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

Remuneration Committee

Mr. TSUI King Fai (Committee Chairman)
Mr. Jan Christer JOHANSSON
Mr. Johann Christoph MICHALSKI
Mr. LAW Hong Ping, Lawrence
Dr. CAO Zhenlei

Nomination Committee

Mr. LI Chao Wang (Committee Chairman)
Mr. Jan Christer JOHANSSON
Mr. WONG Kwai Huen, Albert
Mr. LAW Hong Ping, Lawrence
Dr. CAO Zhenlei

Risk Management Committee

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

Executive Committee

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

Strategic Development Committee

Mr. Jan Christer JOHANSSON (Committee Chairman)
Ms. LI Jielin
Mr. DONG Yi Ping
Mr. Johann Christoph MICHALSKI
Dr. CAO Zhenlei

(as at 24 January 2024)

Authorised Representatives

Ms. LI Jielin
Ms. TAN Yi Yi

Company Secretary

Ms. TAN Yi Yi, FCCA

Auditors

PricewaterhouseCoopers

Legal Advisers to the Company

Norton Rose Fulbright Hong Kong
(as to Hong Kong law)
Conyers Dill & Pearman (as to Cayman Islands law)

Registered Office

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

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

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

Place of Listing and Stock Code

The Stock Exchange of Hong Kong Limited
Stock Code: 3331

Principal Share Registrar and Transfer Office

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

HKSAR Branch Share Registrar and Transfer Office

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

Principal Bankers

Bank of China Limited
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

Company Website

http://www.vinda.com

Financial Highlights

	2023	2022
Revenue (HK$ million)	**19,999**	19,418
Gross profit (HK$ million)	**5,251**	5,483
EBITDA (HK$ million)	**1,768**	2,104
Operating profit (HK$ million)	**424**	807
Gross margin (%)	**26.3%**	28.2%
Operating margin (%)	**2.1%**	4.2%
EBITDA margin (%)	**8.8%**	10.8%
Earnings per share (HK$) – basic	**21.0 cents**	58.7 cents
Dividend per share (HK$)	**10.0 cents**	40.0 cents
– interim dividend (paid) (HK$)	**10.0 cents**	10.0 cents
– final dividend (proposed) (HK$)	**Nil**	30.0 cents
Finished goods turnover[1]	**54 days**	50 days
Debtors turnover[2]	**41 days**	40 days
Creditors turnover[3]	**76 days**	71 days
Current ratio (times)	**1.3**	1.1
Net debt to EBITDA ratio (times)	**1.7**	1.6
Net gearing ratio (%)[4]	**26.1%**	28.6%

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.

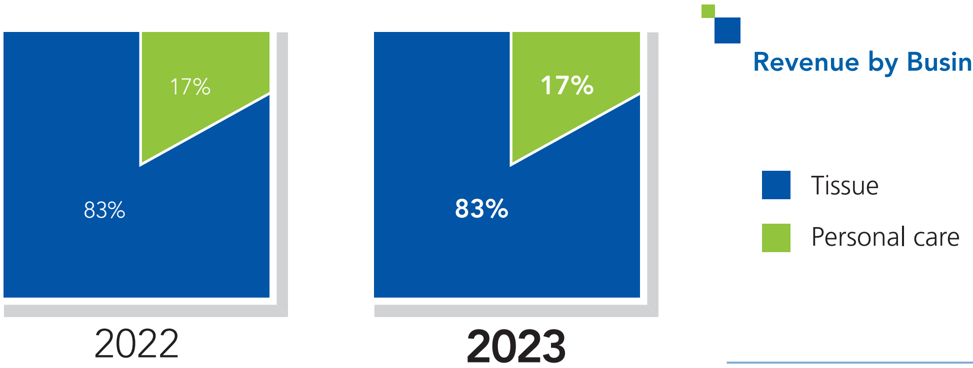
2. Calculation: multiplying 12-month average account receivables by 360 days, and dividing the result by the revenue for the 12 months ended 31 December for the relevant year.

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.

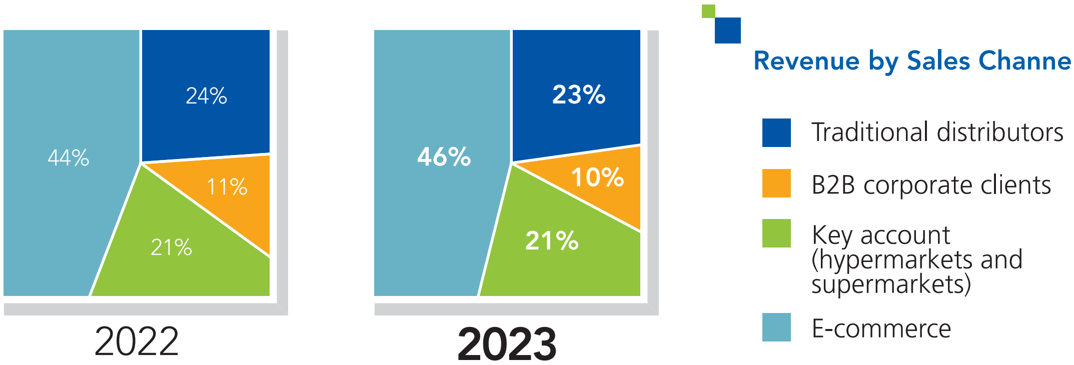
4. Calculation: net debt divided by total shareholders' equity.

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

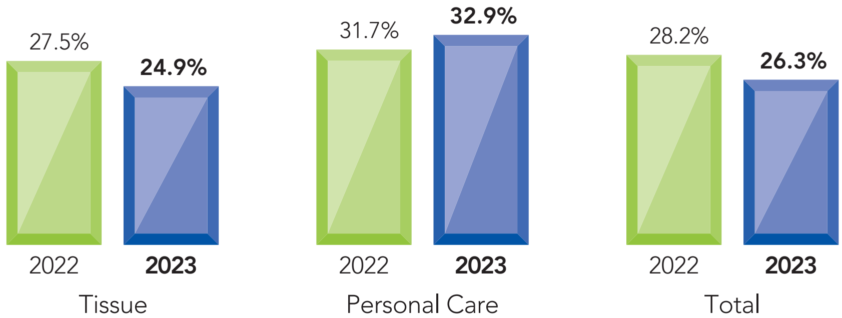
Revenue by Business Segment



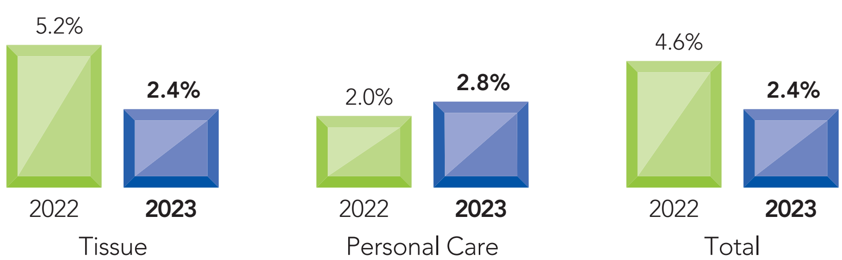
Revenue by Sales Channels



Gross Margin



Segment Result Margin



Chairman's Statement

2023 embraced both opportunities and challenges. Despite the complexity of the external environment, Vinda stood united as a cohesive entity, confronting adversity head-on with unwavering resilience. By leveraging on its leading edge and extensive experience in the household paper industry, the Group proactively made strategic adjustments to maintain steady revenue growth in 2023, demonstrating its stand as market leader in the industry.

Throughout the Year, driven by the premiumisation strategy, the Group remained dedicated to satisfy market demand by offering high-quality products and services and persisted in prioritizing innovation as the momentum to promote category development. Meanwhile, the Group also focused on brand building and expedited the expansion of its E-commerce presence. By empowering promotional channel growth through online and offline approach, the Group aimed to expand its overall market share. The Group actively implemented flexible pricing strategy through strategic adjustments in product pricing, category expansion, marketing and promotion and financial management to achieve overall efficiency improvement of the Group. The various efficient strategies adopted by the Group have driven stabilised growth and solidified its industry pioneering position.

With the improvement of people's living standards and hygiene awareness, consumers have been increasingly seeking quality and comfort in household paper products. Meanwhile, the Group has focused on high-quality products and firmly facilitated the brand premiumisation process, driving the Group's sustained sales growth in premium tissue. In terms of personal care business, female consumers' attention to personal care and their increasing consumption level have contributed to the constant rise in the Group's feminine care business. The ageing population has further boosted silver economy. Multiple Experience Health Centres and social welfare activities of Vinda have also effectively strengthened customer connections and loyalty, raising visibility and sales volume of the Group's incontinence care business. Guided by the continuous premiumization strategy, Vinda achieved solid top-line growth in the Group's performance through being deeply committed to high-quality household paper products and personal care business.

The Southeast Asia regional headquarter in Malaysia was officially put into operation on 16 December 2022. It has the Group's first overseas innovation and R&D centre, which would help the Group accurately meet consumer demands in the local market and strengthen its regional supply chain footprint across the Southeast Asia. In addition, the Group stayed unshaken in the operating philosophy of digital transformation and sustainable development. The Southeast Asia regional headquarter has been equipped with advanced automation facilities, which has improved the production efficiency and capacity of the factories in Southeast Asia, aligning seamlessly with the Group's overall cost reduction and efficiency enhancement strategy.

Vinda has been smartly capitalizing on the opportunities brought forth by the digital era, understanding the evolving trends of e-commerce, and strengthening the layout of e-commerce sales channels. During the Year, in order to further expand its market share in the e-commerce sector, the Group successfully generated momentum for its premium brands through cooperation with popular celebrities and the top three leading e-commerce channels, as well as adoption of brand crossover strategy, which have contributed to the stable and robust business growth. Looking ahead, the Group will continue its commitment in nurturing its e-commerce channels and expanding market penetration, with a view to driving further high-quality development.

Vinda was highly responsive to the call of environmental protection policies and adhered to long-term social and corporate sustainability. During the Year, the Group was again honoured with an "A" rating in ESG by MSCI, the largest index company in the world, marking its third consecutive year assigned the "A" rating following the upgrade in 2021. The Group was also recognized with the "Outstanding Award for Green and Sustainable Loan Issuer (Fast Moving Consumer Goods Industry) – Visionary Sustainability-linked Loan Performance Metrics" by the Hong Kong Quality Assurance Agency. While adhering to the concept of green production, Vinda prioritised the selection of environmentally certified raw materials. The Group has been consistently met stringent national standards for various indicators, including the paper production sewage recycling rate and carbon dioxide emission intensity, which fully exemplified a win-win relationship between the Group's economic growth and sustainable development.

Looking forward to 2024, Vinda remains confident about its prospects despite the uncertainties and challenges ahead. It is well-prepared to face various difficulties and challenges head-on. As a frontrunner in the industry, Vinda will continue to strive forward. While identifying market changes and keeping abreast of consumer demand, Vinda will focus on premiumisation strategies and innovative concepts, constantly enhancing its product portfolio optimisation, brand building and cost management capabilities. With unwavering determination, Vinda will forge ahead towards the Group's vision to become Asia's first choice for hygiene products and services.

LI Chao Wang
Chairman

24 January 2024

Chief Executive Officer's Report

Vinda encountered a complex and dynamic business environment in 2023. Despite challenges such as economic growth slowdown and intensified market competition, Vinda confronted these obstacles head-on and achieved consistent growth in sales revenue through the implementation of a flexible pricing strategy and a strategic focus on premiumisation and diversification in the product mix. During the year under review, the Group's total revenue experienced an organic growth[1] of 6.9%, reaching HK$19,999 million.

Tissue Business

In 2023, Vinda remained committed to its business belief of high quality and persisted in our pursuit of research and development for innovative products. Through an extensive and diversified marketing campaigns across all platforms, we aimed to increase product visibility and sales volume. The tissue segment continued to maintain the market leading position in mainland China[2] and Hong Kong Special Administrative Region (the "**HKSAR**")[3]. During the Year, the Group launched innovative product portfolio tailored to different markets, including a limited edition of *Vinda* Sandalwood Scented tissue during the "Double-11" shopping event in mainland China, Vinda x "Pisuke and Usagi" Special Edition tissues under *Vinda* 4D Deluxe in HKSAR, *Vinda* 4D Deluxe Botanical Toilet Roll in South Korea, and *Vinda* Deluxe Facial Tissue Spy X Family Limited Edition in Southeast Asia. By leveraging creative marketing strategies, these product launches successfully engaged different consumer groups, resulting in positive market feedback and a dual enhancement of both sales volume and brand image.

In terms of professional hygiene, Vinda has been dedicated to providing consumers with superior hygiene solutions. We closely monitor industry dynamics and development trends, while constantly updating and improving our product portfolio to cater to the diverse needs of commercial users. During the Year, by implementing a dual-brand strategy for *Tork* and *Vinda Professional*, the Group successfully entered the cultural tourism industry in mainland China and established a presence in high-traffic transport hubs and top-tier universities. This comprehensive approach has led to an enhanced public hygiene experience.

Personal Care Business

In terms of feminine care market, Vinda has firmly embraced the concept of maintaining high-quality standards and prioritising customer satisfaction. Our differentiated selling point of "Dynamic Fit" and brand proposition of "Open to Period", coupled with our unwavering commitment to innovation and high-quality product concepts, allowed us to garner immense popularity among female consumers. We have accordingly propelled a consistent increase in the sales volume of *Libresse* and stabilized the market share in mainland China. During the Year, through multi-dimensional marketing methods including cross-brand collaborations, IP co-branding and multi-platform content placement, Vinda has accessed the E-commerce and physical sales channels and reached out to the young consumers. Our innovative products, including the 3D "V-night Comfort series – soft pants", have been exceptionally well-received by consumers as they successfully met consumers' demand for practical and premium products. Meanwhile, in the Malaysia market, *Libresse* has further lifted its brand exposures and penetrated to the local market through strategic advertising, KOL promotions and various other effective marketing methods, thereby consolidating the Group's leading position in overseas markets[4].

The rapid growth of the silver economy, driven by the aging population, offers a substantial market opportunity. Vinda has been deeply engaged in the incontinence care business for several years. Our brands of *TENA* and *Dr. P* have successfully organised a wide range of social welfare promotional activities during the Year. Moreover, we have established diverse offline business structures, including the *TENA* Experience Centre and hospital stores. Through a series of social welfare activities, the Group has not only strengthened consumer education but also promoted the concept of healthy and scientific care. Our efforts have effectively achieved a satisfying conversion rate in terms of sales volume from these activities. In terms of products, Vinda has proactively adjusted its product categories to closely align with consumer needs. During the Year, we introduced upgraded skin-friendly nappies against wetness for the mainland China market under the *TENA* brand, while in South Korea we launched new Overnight Period Pants. In HKSAR and Chinese Taiwan market, we strengthened our brand presence among elderly consumers through extensive promotion across all platforms, effectively attracting new customers and fostering loyalty among existing ones. *TENA* enjoyed widespread popularity in the Southeast

Asian market. As Vinda effectively achieved its sales objectives while remaining steadfast in its dedication to social responsibility, it received "Friend of Singapore Red Cross Award 2023" in Singapore and was granted the Unity Popular Choice Award for the fifth consecutive year.

During the Year, the baby care business of the Group continues to thrive, with *Drypers* staying its position as the best-selling brand in Malaysia for several consecutive years[5]. In the Chinese Taiwan market, the *Libero* baby care brand has actively participated in various charitable activities to promote a positive brand image, engaging with consumers directly and gaining popularity. In Chinese Taiwan, *Libero* has received votes from 40,000 readers of Mombaby, an authoritative maternal and child magazine. This recognition has not only provided valuable exposure but also garnered positive feedback and market recognition. Vinda's commitment to offering practical and high-quality baby care products, combined with effective marketing and sales strategies, has further propelled the sales volume and market share of the baby care business.

E-commerce business

In recent years, Vinda has placed a high priority on emerging consumer trends and online marketing, strategically focusing on expanding its online E-commerce sales channel. In 2023, E-commerce emerged as the dominant sales channel, and Vinda achieved remarkable success, experiencing substantial sales volume and driving brand growth. During the Year, the Group collaborated with top E-commerce platforms, engaged in brand crossovers by collaborating with partners from different sectors, and enlisted popular celebrities to endorse the brand. By leveraging these initiatives, Vinda has successfully established a multi-dimensional sales network and significantly elevated its brand image and visibility. During the "Double-11" shopping event on Taobao, Tmall Annual Member Day, a crucial SSS marketing project on Tmall, and various promotional online shopping events on JD.com, Vinda's brands received billions of exposures across the platform. Through these events, Vinda has successfully created a range of hot-selling products with wide popularity and effective repurchase rate on Taobao, JD and Tmall, the top three platforms, thereby ranking the first in terms of total online sales. In 2023, the revenue from E-commerce channels of the Group recorded an organic growth of 12.6%, accounting for 46% of total revenue. As a prominent player in the E-commerce industry, Vinda has consistently strived to launch diversified and multi-dimensional promoting campaigns. By capitalizing on every opportunity and collaborating with various platforms, Vinda successfully attained a mutually beneficial outcome. This resulted in a significant increase in sales volume and heightened brand awareness, further solidifying its competitive edge in the E-commerce channels.

Allocation, optimisation and upgrade of production capacity

The Southeast Asia regional headquarter in Malaysia was officially put into operation in 2022. It has the Group's first overseas innovation and R&D centre, which would help the Group accurately meet consumer demand in the local market and achieve stable growth in production and sales efficiency. In addition, during the Year, the Group made significant progress in enhancing its overall production capacity and efficiency. By integrating resources from various channels, the Group achieved notable improvements in production efficiency, while upholding stringent standards of quality and quantity. The Group's designed capacity for tissue production amounted to 1,425,000 tons per annum. Moreover, the Group placed significant emphasis on energy saving and emission reduction, actively seeking strategies of production capacity optimisation. These efforts aimed to reduce costs, improve efficiency, and propel the Group towards its environmental sustainability goals.

Recognition of our sustainable development

Embracing the responsibility of social and environmentally sustainable development as a core corporate value, Vinda has remained committed to pursuing its strategic goal of sustainability over the years. It has consistently made strides in implementing comprehensive environmental protection programs across multiple areas, such as product design, production, transportation, packaging, brand influence and social activities. In 2023, the Group was honoured with an "A" rating in ESG again by MSCI, the largest index company in the world. The Group was assigned the "A" rating for the third consecutive year following the upgrade in 2021, with its leading position in the aspects of "Corporate Governance", "Packaging Material and Waste", "Chemical Safety" and "Raw Material Sourcing" among the industry players. The Group was also awarded the "Outstanding Award for Green and Sustainable Loan Issuer (Fast Moving Consumer Goods Industry) – Visionary Sustainability-linked Loan Performance Metrics" by the Hong Kong Quality Assurance Agency, which showed that the Group's excellence in Environmental, Social and Governance were well-recognised and its insistence in ESG concepts received high recognition from professional capital market institution.

Meanwhile, Vinda proactively initiated or participated in numerous social welfare activities during the Year. By reaching out to the community, Vinda extended support and assistance to the underprivileged while effectively disseminating knowledge about health and scientific care. Besides, through participating in various community sports and arts activities in 2023, Vinda also strongly supported the inheritance and promotion of social culture. By actively contributing to the sustainable development of the community, Vinda has emerged as a leading company within the industry in terms of ESG practices.

Outlook

Moving into 2024, though uncertainty and complexity may persist, presenting us with challenges and changes, we will continue to approach the future with confidence in our prospects. We will fully leverage our advantages in innovation and market execution for the tissue segment to further strengthen our market leading position. At the same time, we will be unshaken in our committed investment in our personal care business to support the sales growth and market share momentum. With flexible and prudent pricing actions, continuous optimisation on product mix and operation efficiency enhancement, we are confident that the Group will be on the right track towards sustainable and profitable growth.

Looking ahead, Vinda will always adhere to our corporate mission of "provide high quality hygiene products and services", be closely aware of the changes in consumer demand, and drive the growth by high quality products and services. We will take every step to realise our corporate vision to become Asia's first choice for hygiene products and services, while delivering even greater value to our shareholders and stakeholders.

LI Jielin
Chief Executive Officer

24 January 2024

Remarks

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

2 *Source: Kantar Worldpanel, mainland China sales value year-to-date at 31 December 2023*

3 *Source: Nielsen, HKSAR sales value year-to-date at 31 December 2023*

4 *Source: Kantar Worldpanel, Malaysia sales value year-to-date at 31 December 2023*

5 *Source: Kantar Worldpanel, Malaysia sales value year-to-date at 31 December 2023*

Zhao Liying

Overview

Despite the complex macroeconomic environment in 2023, the Group has successfully overcome numerous obstacles and headwinds throughout the Year. By investing in innovation, continuously optimizing our product portfolio, and strengthening brand building, the Group achieved solid top-line growth during the Year. Benefiting from the ongoing premiumisation strategy, our tissue business continued to maintain its leading position in mainland China[1] and HKSAR[2] with its solid sales growth in premium categories. Furthermore, during the Year we continued to promote the development of our personal care business while strengthening our market share in key markets.

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

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

Financial Highlights

Total revenue increased by 6.9% organically[3] and by 3.0% if presented in Hong Kong Dollar, to HK$19,999 million.

In terms of business segment, the tissue and personal care segments contributed 83% and 17% of the Group's total revenue, respectively. In terms of sales channel, traditional distributors, key accounts managed supermarkets and hypermarkets, B2B corporate customers and e-commerce platforms accounted for 23%, 21%, 10% and 46%, respectively, of the total revenue. E-commerce maintained a strong momentum as the dominant sales channel, recording a year-on-year organic growth[3] of 12.6% in sales value.

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

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

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

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

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

Net gearing ratio[4] decreased by 2.5 ppts to 26.1%.

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

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

Business Review

Tissue Segment

In 2023, revenue from the tissue segment amounted to HK$16,655 million, which delivered a year-on-year increase of 3.4% or an organic sales growth[3] of 7.6%, representing 83% of the Group's total revenue (2022: 83%). Throughout the Year, the Group adhered to its premiumisation strategy, resulting in a double-digit growth of the Group's premium tissue portfolio, further consolidating its market leadership in mainland China and HKSAR. The impact from the high-cost wood pulp inventory and promotion were relieved to an extent by the premium categories for its relatively higher profit margin. Additionally, the tissue business in the Southeast Asian market demonstrated an outstanding performance, with sales business rising steadily, experiencing an organic growth of 24.4% year-on-year. In terms of the profit margin of the tissue segment for the Year, the gross profit margin for the tissue segment was 24.9%, while the segment result margin[5] was 2.4%.

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

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

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

Personal Care

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

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

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

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

Production Capacity

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

Employees

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

During the Year, a total of 161,323 hours of training were conducted for a total of 10,051 participants.

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

Health and Safety

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

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

Green Production

During the Year, the Group was highly responsive to the domestic environmental protection policies and global development trend and devoted unrelenting efforts to achieve cost reduction and efficiency enhancement and empower the sustainable development. Our energy utilisation efficiency (standard coal consumption per HK$10,000 of sales) was 0.20 ton, while the paper production sewage recycling rate was over 98%. The Group's greenhouse gas emissions (Scope 1 and Scope 2) totalled 1.26 million ton of carbon dioxide equivalent with an emission intensity of 0.63 ton of carbon dioxide equivalent per HK$10,000 of sales. The Group has formulated the five-year sustainable development roadmap, covering eight areas including energy management, carbon emissions, green supply chain and sustainable sourcing. The wood pulp we sourced were all from controllable forest land.

At the same time, we will continue to research and develop the use of biodegradable materials as packaging, and gradually increase the proportion of biodegradable materials in Vinda products.

Recognition of Our Sustainable Development

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

Outlook

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

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

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

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

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

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

Remarks

[1] *Source: Kantar Worldpanel, mainland China sales value year-to-date at 31 December 2023*

[2] *Source: Nielsen, HKSAR sales value year-to-date at 31 December 2023*

[3] *Organically/organic growth/organic sales growth: Year-on-year growth excluding exchange rate effects*

[4] *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

[5] *Segment result: Segment profit before amortisation of trademarks, licenses and contractual customer relationship*

[6] *Source: Kantar Worldpanel, Malaysia sales value year-to-date at 31 December 2023*

Foreign Exchange and Fair Value Interest Rate Risk

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

Liquidity, Financial Resources and Borrowings

The Group's financial position remained healthy. As at 31 December 2023, the Group's bank and cash balances amounted to HK$1,375,581,365 (31 December 2022: HK$606,947,407), and short-term and long-term loans amounted to HK$4,256,190,597 (31 December 2022: HK$3,888,244,226), including the loans from a related party amounting to HK$85,051,091 (31 December 2022: HK$788,282,378). 90.2% of the borrowings are medium to long-term (31 December 2022: 74.3%). The annual interest rates of bank loans ranged from 2.20% to 6.53%.

As at 31 December 2023, the net gearing ratio, which was calculated on the basis of the amount of net debt which is total borrowings plus lease liabilities less cash and cash equivalents and restricted bank deposits as a percentage of the total shareholders' equity, was 26.1% (31 December 2022: 28.6%).

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

Charges on Group Assets

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

Contingent Liabilities

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

Final Dividend

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

Biographies of Directors and Senior Management

(based on the composition as at 24 January 2024)

1

2

3

4

5

6

7

8

9

10

11

12

13

14


Biographies of Directors

Executive Directors

1. Mr. LI Chao Wang (李朝旺), aged 65, 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 69, 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 37, was appointed as Executive Director on 1 October 2015 and as Chief Executive Officer with effect from 1 October 2020. She was the Deputy Chief Executive Officer between 1 October 2015 and 30 September 2020. Ms. Li had been the Chief Human Resources Officer from 10 July 2015 to 30 September 2020 and President, North Asia from 1 April 2016 to 30 September 2020. Ms. LI joined the Group in 2012 as the Managing Director of Vinda Household Paper (Australia) Limited and the Business Development Manager of the Company, and she has been responsible for overseas business development. She was the Group's Chief Strategy Officer from November 2014 to September 2015 and the Managing Director of Vinda Household Paper (Australia) Limited from March 2012 to September 2015. Prior to joining the Group, she worked in Orient Capital in Australia as a Client Relations Manager of Southeast Asia Division and subsequently as a Client Relations Manager of Asia Division. Ms. LI graduated from Macquarie University in 2008 with combined bachelor degrees in Accounting and Business Administration. Ms. LI is the daughter of Mr. LI Chao Wang.

4. Mr. DONG Yi Ping (董義平), aged 60, 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 69, was appointed as a Non-Executive Director on 1 January 2014 and as the Vice Chairman of the Board on 1 January 2015. Mr. JOHANSSON was the President and Chief Executive Officer of Svenska Cellulosa Aktiebolaget ("**SCA**"), from 2007 to February 2015. Prior to joining SCA, from 2001 to 2007, Mr. JOHANSSON was the President and Chief Executive Officer of Boliden AB, a metals company with core competence in the fields of exploration, mining, smelting and metals recycling. In 2001, Mr. JOHANSSON served as the President of Network Operations in Telia AB. From 1994 to 2000, Mr. JOHANSSON was the Executive Vice President of Vattenfall and, before that from 1990, the Business Area President of Svenska Shell. Mr. JOHANSSON has taken up professional roles like General Counsel in Shell International Petroleum, Svenska Shell and Lycksele and Sunne district courts from 1983 to 1990. Currently, Mr. JOHANSSON is the Chairman of Serneke Group AB (publ), Midsummer AB (publ), Novedo Holding AB (publ) and Organoclick AB (publ) and director of Kährs BondCo AB (publ). Mr. JOHANSSON has a master's degree in Laws from Stockholm University, Sweden.

6. Mr. Carl Magnus GROTH, aged 60, 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 60, 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 57, was appointed as a Non-Executive Director with effect from 1 October 2020. Mr. MICHALSKI was appointed as a Non-Executive Director of the Group in 2008 and was subsequently appointed as Executive Director and Chief Executive Officer of the Group between 1 October 2015 and 30 September 2020. Since 1 November 2020, Mr. MICHALSKI has been the President and CEO of BillerudKorsnäs, a company listed on Nasdaq Stockholm. He has over 20 years of experience in leadership roles in business development and strategy, consumer marketing and product innovation in the consumer goods industry. Mr. MICHALSKI had been the President of SCA Global Hygiene Category overseeing the global marketing and research and development and the President of SCA's Asia Pacific business unit based in Shanghai, China. Prior to joining SCA, he had held a number of senior management positions in a New Zealand dairy group, Fonterra, as well as a global FMCG company, Unilever. Mr. MICHALSKI has a master's degree in Economics from Kiel University, Germany. From January 2020 to November 2020, Mr. MICHALSKI was nominated as Honorary Representative of the Free and Hanseatic City of Hamburg for Pearl River Delta/South China under the HamburgAmbassador programme.

Alternate Directors

9. Mr. Gert Mikael SCHMIDT, aged 63, 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 60, was appointed as the Alternate Director to Mr. RYSTEDT on 25 October 2019. Mr. DESCHAMPS is the Vice President of Global Category-Professional Hygiene in Essity. Before that, he was the Vice President of Consumer Tissue Global Hygiene Category in Essity. Mr. DESCHAMPS has over 20 years of experience in management. Prior to his role in Essity, Mr. DESCHAMPS was the Vice President of Market and Business Development (Away from Home) at SCA. Before this, he was President of the Europe Middle-East Africa Away From Home Division of Georgia-Pacific (acquired by SCA in 2012). He also held various positions in general management, supply chain, manufacturing planning as well as strategic planning at Georgia-Pacific LLC. Mr. DESCHAMPS also gained experience by working as Product Manager, Financial Controller and Management Accountant at Lafarge S.A.. Mr. DESCHAMPS holds a bachelor degree in Business Administration from ESC Saint-Etienne in France.

Independent Non-Executive Directors

11. Mr. TSUI King Fai (徐景輝), aged 74, was appointed as an Independent Non-Executive Director on 19 June 2007. Mr. TSUI has over 40 years of experience in accounting, finance and investment management, particularly in investments in the PRC. He worked for two of the Big Four audit firms in the United States and the HKSAR and served in various public listed companies in the HKSAR in a senior capacity. Mr. TSUI is currently acting as an Independent Non-Executive Director of Lippo Limited (Stock code: 226), Hongkong Chinese Limited (Stock code: 655) and Newton Resources Ltd (Stock code: 1231), all listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). He graduated from the University of Houston, Texas, the United States and holds a master of Science in Accountancy degree and a bachelor of Business Administration degree with first class honors. Mr. TSUI is a fellow of the Hong Kong Institute of Certified Public Accountants, a member of the Chartered Accountants Australia and New Zealand and a member of the American Institute of Certified Public Accountants.

12. Mr. WONG Kwai Huen, Albert (王桂壎), aged 72, SBS, BBS, JP., was appointed as an Independent Non-executive Director on 1 September 2014. Mr. WONG holds a bachelor of arts degree from The Chinese University of Hong Kong and a bachelor of laws degree from the University of London. He is admitted as a solicitor in the HKSAR, the United Kingdom, Australia and Singapore. He is a China-Appointed Attesting Officer. Mr. WONG is currently the independent non-executive director of Hua Hong Semiconductor Limited (Stock code: 1347) and NWS Holdings Limited (Stock code: 659) and was the independent non-executive director of China Oilfield Services Limited (Hong Kong Stock code: 2883; Shanghai Stock code: 601808) until June 2022, all listed on the Main Board of the Stock Exchange. He has been the managing partner of the China region for 15 years in two international law firms. Prior to that he worked for the Lands Department, Department of Justice and Legislative Council of the Hong Kong SAR Government for 10 years in total. Since 2011, Mr. WONG has been appointed as board member of the Airport Authority Hong Kong, Hospital Authority, Hong Kong Mortgage Corporation Limited and the Competition Commission. He is the Honorary Chairman of Hong Kong International Arbitration Centre. He is currently the Chairman of Hong Kong Inland Revenue Board of Review and a director and the Chairman of HKBU Chinese Medicine Hospital Company Limited. He was also the past Chairman of Hong Kong Copyright Tribunal, former President of the Law Society of Hong Kong and Inter Pacific Bar Association and council member of Hong Kong Institute of Directors. Mr. WONG was admitted to the Roll of Honour of the Law Society of Hong Kong in August 2022. In addition, Mr. WONG is the Honorary Adviser of Hong Kong Business Accountants Association. Mr. WONG holds the posts of honorary lecturer, external examiner, Adjunct Professor and Professor of Practice in the University of Hong Kong, The Chinese University of Hong Kong, City University of Hong Kong, The Hang Seng University of Hong Kong and Hong Kong Shue Yan University.

13. Mr. LAW Hong Ping, Lawrence (羅康平), aged 69, was appointed as an Independent Non-Executive Director with effect from 1 November 2020. Mr. LAW has over 30 years of management experience in banking and property leasing. Mr. LAW has been a non-executive director of HKMC Insurance Limited, a company principally engaged in mortgage insurance and loan guarantee business, since June 2019. Mr. LAW started his career as a planner in China Light and Power Co. Ltd. (now CLP Power Hong Kong Limited) and was involved in tariff and long-term planning on electricity power in the HKSAR. He then worked for 23 years with HSBC and held various management positions covering a spectrum of activities of the bank. Mr. LAW's last position with HSBC was head of banking services, being the business and products head for key banking products, from June 2003 to March 2006. Mr. LAW subsequently joined Bank of China (Hong Kong) Limited as general manager for retail banking from April 2006 to December 2009 and later joined Sino Land Company Limited as an associate director for leasing matters from October 2010 to June 2012. Mr. LAW was an external supervisor of Ping An Bank between 2010 and early 2014. He was an independent non-executive director of China Oilfield Services Limited (Hong Kong stock code: 2883; Shanghai stock code: 601808) from May 2014 to May 2020. Mr. LAW graduated from the Middlesex Polytechnic University, UK with a Bachelor's degree in Social Science, major in Economics, and obtained a Master's degree in Econometrics from Queen Mary College of the University of London, UK in 1980.

14. Dr. CAO Zhenlei (曹振雷), aged 64, was appointed as an Independent Non-Executive Director with effect from 31 August 2022. Dr. CAO is a senior research scientist with more than 30 years of experience in research and management in the pulp and paper industry in China. Dr. CAO has been serving as the president of China Technical Association of Paper Industry since May 2019 and a director of China National Household Paper Industry Association since September 1999. Dr. CAO was an independent non-executive director of the Company from June 2007 to June 2014. He also served as a director of China National Pulp and Paper Research Institute from October 1998 to September 2009, vice president of Sinolight Corporation from December 2003 to June 2019, vice chairman of China Paper Association from March 2000 to April 2009 and vice president of China Paper Industry Chamber of Commerce from July 2006 to November 2012. Dr. CAO holds a bachelor's degree from South China University of Technology with a specialization in the pulp and paper industry in 1981, a master's degree in paper making from the Light Industry Institute of Science and Technology in 1984, a Ph.D. in chemical engineering from the University of Saskatchewan in 1993 and an Executive M.B.A. from Peking University's Guanghua School of Management in 2005.

(based on the composition as at 24 January 2024)

Biographies of Senior Management

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

16. Ms. TAN Yi Yi (譚奕怡), aged 42, 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. Mr. HU Yong Jin (胡永進), aged 50, is Group Senior Vice President and President, Supply Chain, Mainland China. Mr. Hu previously held the position of President, Business Development & Strategy. 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), Senior Vice President of Sales & Marketing and Chief Sales Officer of the Group, President, Sales-mainland China and President of mainland China. Mr. HU graduated from Anhui Institute of Technology in 1996 with a bachelor majoring in Automobile Design and Manufacturing.

18. Mr. TANG Hai Tang (湯海棠), aged 52, is the President – mainland China of the Group. Mr. TANG previously held the position of Chief Marketing Officer and President, Market of the Group, responsible for the marketing management of the four major product categories, namely tissue, incontinence care, feminine care and baby care, as well as e-commerce divisions in mainland China. He joined the Group in August 1995 and served as branch Deputy General Manager, Sales Director, Marketing Director and Executive Vice President (marketing & media) and Senior Vice President of Sales & Marketing of the Group etc. Mr. TANG graduated from South China University of Technology in Biochemistry in 1994.

19. Mr. HE Huixian Alfred (何惠獻), aged 49, 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.

20. Ms. SU Ting Nee (徐珍妮), aged 53, is Group Senior Vice President and President, Southeast Asia 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.

21. Mr. OU YANG He Ping Michael (歐陽和平), aged 58, 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.

22. Ms. ZHANG Cui Ling (張翠玲), aged 55, 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. The Company has adopted the principles set out in the Corporate Governance Code (the "**CG Code**") in Appendix C1 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") as its own code of corporate governance. The Company has applied the principles of the CG Code on the Company's corporate governance structure and operation in the manner as stated in this annual report. For the Year, the Company has complied with all the code provisions set out in the CG Code.

Directors' Securities Transactions

The Company has adopted a code for securities transactions by directors of the Company (the "**Code of Conduct**") on terms no less exacting than the required standard of the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix C3 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

As at 24 January 2024 (being the date of this annual report), 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. 24 January 2024) are as follows:

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

Non-Executive Directors
Mr. Jan Christer JOHANSSON (Vice Chairman)
Mr. Carl Magnus GROTH
Mr. Carl Fredrik Stenson RYSTEDT
Mr. Johann Christoph MICHALSKI

Independent Non-Executive Directors
Mr. TSUI King Fai
Mr. WONG Kwai Huen, Albert
Mr. LAW Hong Ping, Lawrence
Dr. CAO Zhenlei

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 biographical information of Directors as at the date of this annual report is set out on pages 22 to 27 under the section headed "Biographies of Directors and Senior Management" of this annual report.

Board meetings are held regularly at approximately quarterly intervals and also held on ad hoc basis as required by business needs. Regular and ad hoc Board meetings are attended by a majority of the Directors in person or through other electronic means of communication. During the Year, the Board held a total of 9 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 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 Board member.

Directors	Number of regular and ad hoc Board meetings attended	Number of general meeting attended
Executive Directors		
Mr. LI Chao Wang (Chairman)	9 (9)	1 (1)
Ms. YU Yi Fang (Vice Chairman)	9 (9)	1 (1)
Ms. LI Jielin (Chief Executive Officer)	9 (9)	1 (1)
Mr. DONG Yi Ping (Chief Technology Officer)	9 (9)	1 (1)
Non-Executive Directors		
Mr. Jan Christer JOHANSSON (Vice Chairman)	9 (9)	1 (1)
Mr. Carl Magnus GROTH	9 (9)	1 (1)
Mr. Carl Fredrik Stenson RYSTEDT	9 (9)	1 (1)
Mr. Johann Christoph MICHALSKI	8 (9)	1 (1)
Mr. Gert Mikael SCHMIDT (alternate to Mr. JOHANSSON and Mr. GROTH)	9 (9)	1 (1)
Mr. Dominique Michel Jean DESCHAMPS (alternate to Mr. RYSTEDT)	8 (9)	1 (1)
Independent Non-Executive Directors		
Mr. TSUI King Fai	9 (9)	1 (1)
Mr. WONG Kwai Huen, Albert	8 (9)	1 (1)
Mr. LAW Hong Ping, Lawrence	9 (9)	1 (1)
Dr. CAO Zhenlei	8 (9)	1 (1)

Chairman of the Board and Chief Executive Officer ("CEO")

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

Board's Independence

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

(i) Composition of the Board and Board Committees

- The Board endeavours to ensure the appointment of at least three and at least one-third of its members being Independent Non-Executive Directors (or such higher threshold as may be required by the Listing Rules from time to time).

- Apart from complying with the requirements prescribed by the Listing Rules as to the composition of certain Board committees, Independent Non-Executive Directors will be appointed to other Board committees as far as practicable to ensure independent views are available.

(ii) Independence Assessment

- The Nomination Committee must strictly adhere to the Nomination Policy and the independence assessment criteria as set out in the Listing Rules with regard to the nomination and appointment of Independent Non-Executive Directors.

- Each Independent Non-Executive Director is also required to inform the Company as soon as practicable if there is any change in his/her own personal particulars that may materially affect his/her independence.

- The Nomination Committee is mandated to assess annually the independence of all Independent Non-Executive Directors by reference to the independence criteria as set out in the Listing Rules to ensure that they can continually exercise independent judgement.

(iii) Compensation

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

(iv) Board Decision Making

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

- Independent Non-Executive Directors (as other Directors) shall not vote or be counted in the quorum on any board resolution approving any contract or arrangement in which such Director or any of his/her close associates has a material interest.

- The chairman of the Board shall at least annually hold meetings with the Independent Non-Executive Directors without the presence of other Directors to discuss major issues and any concerns.

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

Delegation by the Board

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

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

Company Secretary

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

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

Corporate Governance Functions

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

Continuous Professional Development

Each newly appointed Director is provided with necessary induction and information to ensure that he/she has a proper understanding of his/her responsibilities and duties under the relevant 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 during the Year 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	✓	✓
Mr. LAW Hong Ping, Lawrence	✓	✓
Dr. CAO Zhenlei	✓	✓
Alternate Directors		
Mr. Gert Mikael SCHMIDT (alternate to Mr. JOHANSSON and Mr. GROTH)	✓	
Mr. Dominique Michel Jean DESCHAMPS (alternate to Mr. RYSTEDT)	✓	

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

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

Directors' Liability Insurance

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

The Board Committees

Remuneration Committee

The Company established its Remuneration Committee on 19 June 2007. The Board has adopted the terms of reference for the Remuneration Committee which are in line with the code provisions set out in the CG Code. As at the date of this annual report, the Remuneration Committee has five members comprising three Independent Non-Executive Directors, namely Mr. TSUI King Fai, Mr. LAW Hong Ping, Lawrence and Dr. CAO Zhenlei, and two Non-Executive Directors, namely Mr. Johann Christoph MICHALSKI and Mr. Jan Christer JOHANSSON; and the chairman of the Remuneration Committee is Mr. TSUI King Fai.

The Remuneration Committee is responsible for, among others, formulating and making recommendation to the Board on the Group's remuneration policy, the determination of specific remuneration packages of senior management and making recommendations to the Board on the remuneration packages of individual Executive Directors and the remuneration of Non-Executive Directors. The Remuneration Committee takes into consideration factors such as salaries paid by comparable companies, time commitment and responsibilities of Directors and senior management, employment conditions elsewhere in the Group and desirability of performance-based remuneration. Details of remuneration of the Directors and senior management for the Year are set out in Note 32(b)(8) and Note 34 to the consolidated financial statements.

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

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

Members	Number of meetings attended
Mr. TSUI King Fai	2 (2)
Mr. Jan Christer JOHANSSON	2 (2)
Mr. Johann Christoph MICHALSKI	2 (2)
Mr. LAW Hong Ping, Lawrence	2 (2)
Dr. CAO Zhenlei	2 (2)

Nomination Committee

The Company established its Nomination Committee on 19 June 2007. The Board has adopted the terms of reference for the Nomination Committee which are in line with the code provisions set out in the CG Code. As at the date of this annual report, the Nomination Committee has five members comprising three Independent Non-Executive Directors, namely, Mr. WONG Kwai Huen, Albert, Mr. LAW Hong Ping, Lawrence and Dr. CAO Zhenlei, an Executive Director, Mr. LI Chao Wang and a Non-Executive Director, Mr. Jan Christer JOHANSSON; and the chairman of the Nomination Committee is Mr. LI Chao Wang.

The principal duties of the Nomination Committee are, among others, to consider and recommend to the Board suitably qualified persons to become Directors, assessed the independence of the Independent Non-executive 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 did not hold any meeting.

Diversity Policy

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

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

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

At the work place level, as at 31 December 2023, the Group had 11,465 employees in total composing of 6,562 male and 4,903 female (i.e. a female-to-male ratio of approximately 43:57), reflecting a gender equally principle generally adhere by the Group. The Group is determined to continue maintain gender diversity and equality in terms of the whole workforce. The Company expects this is achievable with suitable effort in promoting the gender diversity culture, which the Group has been advocating for so.

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

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

Nomination Policy

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

Selection Criteria

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

(a) Character and integrity;

(b) Qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategies;

(c) The Board Diversity Policy and any measurable objectives adopted by the Nomination Committee for achieving diversity on the Board;

(d) Willingness to devote adequate time to discharge duties as a Board member and other directorships and significant commitments;

(e) In case of Independent Non-Executive Directors, whether the candidates would be considered independent in accordance with the Listing Rules;

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

(g) Such other perspectives appropriate to the Company's business.

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

Nomination Procedures

(a) The Nomination Committee and/or the Board identifies potential candidates including but not limited to internal promotion, re-designation, referral by other member of the management and external recruitment agencies and/or advisors. The Nomination Committee then develops a short list of candidates and agrees on proposed candidate(s);

(b) Proposed candidate(s) will be asked to submit the necessary personal information, biographical details, together with their written consent to be appointed as a director. The Nomination Committee may request candidates to provide additional information and documents, if considered necessary;

(c) The Nomination Committee shall, upon receipt of the proposal on appointment of new director and the personal information (or relevant details) of the proposed candidate(s), evaluate such candidate(s) based on the criteria as set out above to determine whether such candidate(s) is qualified for directorship;

(d) For any person that is nominated by a Shareholder for election as a Director at the general meeting of the Company, the Nomination Committee shall evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship;

(e) If the process yields one or more desirable candidates, the Nomination Committee shall rank them by order of preference based on the needs of the Company and reference check of each candidate (where applicable);

(f) The secretary of the Nomination Committee shall convene a meeting of the Nomination Committee. For filling a casual vacancy, the Nomination Committee shall make recommendations for the Board's consideration and approval. For proposing candidates to stand for re-election or election at a general meeting, the Nomination Committee shall make nominations or recommendations for the Board's consideration and the Board shall make recommendations to the Shareholders in respect of the proposed re-election or election of Director(s) at the general meeting;

(g) In order to provide information of the candidates nominated by the Board to stand for election or re-election at a general meeting, a circular will be sent to the Shareholders. The circular will set out the names, brief biographies (including qualifications and relevant experience), independence, proposed remuneration and any other information, as required pursuant to the applicable laws, rules and regulations including the Listing Rules, of the proposed candidates; and

(h) The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election or re-election at any general meeting.

Monitor and Review

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

Audit Committee

The Company established an audit committee (the "**Audit Committee**") on 19 June 2007. The Board has adopted the terms of reference for the Audit Committee which are in line with the code provisions set out in the CG Code. As at the date of this annual report, the Audit Committee has four members comprising three Independent Non-Executive Directors, namely, Mr. TSUI King Fai, Mr. WONG Kwai Huen, Albert and Mr. LAW Hong Ping, Lawrence and a Non-Executive Director, Mr. Carl Fredrik Stenson RYSTEDT; and the chairman of the Audit Committee is Mr. TSUI King Fai. The Audit Committee is accountable to the Board and the principal duties of the Audit Committee include, among others, the review and supervision of the financial reporting process. It also reviews the effectiveness of internal audit, internal controls and risk evaluation and the interim and annual results of the Group.

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

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

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

Risk Management Committee

The Company established a risk management committee ("**RMC**") on 8 November 2013. The Board has adopted the terms of reference for the RMC. As at the date of this annual report, the RMC has five members comprising two Executive Directors, Ms. LI Jielin and Ms. YU Yi Fang; two Non-Executive Directors, namely, Mr. Jan Christer JOHANSSON and Mr. Carl Fredrik Stenson RYSTEDT; and an Independent Non-Executive Director, Mr. TSUI King Fai; and the chairman of the RMC is Mr. Jan Christer JOHANSSON. The principal duties of the RMC are, among others, to assist the Board in deciding the Group's risk level and risk appetite, advising on major decisions affecting the Group's risk profile or exposure and to give directions where appropriate, and reviewing and reporting to the Board the identified key risks, risk register and related risk mitigating actions including crisis management.

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; and the other three members are all Executive Directors, namely Ms. YU Yi Fang, Mr. DONG Yi Ping and Ms. LI Jielin.

The duties of the Executive Committee include, among others, to develop and make recommendations to the Board on the Company's annual budgets, CAPEX budget, material business plans, and to review and approve proposals for restructuring and major asset disposal as well as annual salary increases for senior executives of the Group within the annual budget approved by the Remuneration Committee.

During the Year, the Executive Committee held 10 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	10 (10)
Ms. YU Yi Fang	10 (10)
Mr. DONG Yi Ping	10 (10)
Ms. LI Jielin	10 (10)

Strategic Development Committee

The Company established a strategic development committee (the "**SDC**") on 16 October 2015. The Board has adopted the terms of reference for the SDC. As at the date of this annual report, the SDC comprises five members and is chaired by Mr. Jan Christer JOHANSSON, a Non-Executive Director; and the other four members are two Executive Directors, namely Mr. DONG Yi Ping and Ms. LI Jielin, a Non-Executive Director, Mr. Johann Christoph MICHALSKI and an Independent Non-Executive Director, Dr. CAO Zhenlei. The principal duties of the SDC are, among others, (a) to advise on strategy of the Group, namely to review and advise the mid to long-term strategic positioning, business plans, brand strategies, investment decisions and mergers and acquisitions of the Group and make recommendations to the Board/Executive Committee; and (b) to monitor, review and advise the implementations of strategic plans.

During the Year, the SDC did not hold any meeting.

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 2023, 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 40 to 41 of this annual report. The Corporate Leadership Team ("**CLT**") which consisting of senior management members has facilitated the RMC in reporting significant risks, material changes and the associated mitigating actions to enhance the accountability and quality of the risk management process.

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

Review of Risk Management and Internal Control Effectiveness

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

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

Handling and Dissemination of Inside Information

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

Auditors' Remuneration

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

Services rendered	**Fee paid/payable HK$'000**
Audit services	8,512
Non-audit services	1,900

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 and/or by way of electronic means 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 physical meeting at only one location which will be the principal meeting place, 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 shall be of not less than fourteen (14) days.

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 85 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, provided that such notices must be lodged with the Company at least fourteen (14) days prior to the date of the general meeting of election but no earlier than the day after despatch of the notice of the general meeting appointed for such election. The written notice must state that person's biographical details as required by Rule 13.51(2) of the Listing Rules. The procedures for Shareholders to propose a person for election as director is posted on the Company's website.

Communication with Shareholders

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

Purpose

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

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

General Policy

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

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

(a) financial reports (interim and annual reports), announcements, circulars, monthly returns (collectively, "**Corporate Communication**") and other disclosures are available at corporate website (www.vinda.com) of the Company (the "**Corporate Website**") and the website of the Stock Exchange (www.hkexnews.hk);

(b) company news, press release, results briefing webcast and results presentation slides are available at Corporate Website; and

(c) direct communication via annual general meeting, any other general meetings, roadshows, face-to-face meetings, conference calls and brokers' investor conferences.

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

Communication Strategies

Shareholders' enquiries

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

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

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

Corporate Communication

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

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

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

Corporate Website

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

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

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

Webcast

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

Shareholders' Meetings

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

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

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

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

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

Investment Community Communication

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

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

Constitutional Documents

Upon the Shareholders' approval by way of a special resolution at the 2023 Annual General Meeting (held on 12 May 2023), the Company has adopted the Amended and Restated Articles of Association. Details of the changes made in the document can be found in the circular of the Company dated 11 April 2023. The Amended and Restated Articles of Association of the Company has been posted on both the websites of the Company and the Stock Exchange.

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

Principal Activities and Geographical Analysis of Operations

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

Results and Appropriations

The results of the Group for the Year are set out in the consolidated statement of comprehensive income on page 76.

The Directors do not recommend any payment of a final dividend for the Year (2022: 30.0 HK cents per ordinary share).

Business Review

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

Environmental Policies, Performance and Compliance with Laws and Regulations

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

Natural gas and coal are our main sources of energy to supply heat in mainland China. We encourage our workers and frontline management to suggest any possible solution to enhance the energy efficiency of production equipment based on their experience. In 2023, our energy utilization efficiency (standard coal consumption per HK$10,000 of sales) was 0.20 ton.

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

The Group proactively implements the concept of green production and has formulated a sustainable development roadmap for the next five years, covering eight areas including energy management, carbon emissions, green supply chain and sustainable sourcing. The wood pulp we sourced were all certified by various forest certification system.

For details, please refer to the Environmental, Social and Governance Report 2023 published by the Company.

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

Principal Risks and Uncertainties

The Directors are aware that the Group is exposed to various risks, including some which are specific to the Group or the industries in which the Group operates as well as others that are common to most businesses. The Directors have established a procedure to ensure that significant risks which 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 2022 and 2023, all cash and cash equivalents were deposited in state owned banks and reputable financial institutions and were hence without significant credit risk. Management does not expect any losses from non-performance by these counterparties.

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

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

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

The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. Risk management is carried out by a central treasury department (group treasury) under policies approved by the Board. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The RMC, the CLT and the Audit Committee also assist in the Group's risk management, details of which are outlined on pages 43 to 44 of the Corporate Governance Report in this annual report.

Key Relationships with Employees, Customers and Suppliers

Being people-oriented, the Group's remuneration policies are formulated primarily based on the performance of employees and the Group seeks to ensure that all staff are reasonably remunerated and also continues to improve and regularly review and update its policies on remuneration and benefits, training, occupational health and safety.

The Group's major customers are divided into four categories: traditional distributors, B2B corporate clients, key account hypermarkets and supermarkets and e-commerce. As disclosed in Note 13 to the consolidated financial statements on pages 111 to 112 of this annual report, the credit terms granted to major customers are 60-90 days, which are in line with those granted to other customers.

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

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

Reserves

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

Property, Plant and Equipment

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

Share Capital

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

Distributable Reserves

The Company's reserves available for distribution comprise the share premium account and retained profits. As at 31 December 2023, the reserves of the Company available for distribution to Shareholders amounted to HK$4,527,465,362 (2022: HK$4,874,299,835), as stated in Note 33 to the consolidated financial statements.

Subsequent Events

There is no material event undertaken by the Company or the Group subsequent to 31 December 2023 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 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 do not recommend the payment of final dividend for the Year (2022: 30.0 HK cents per ordinary share).

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 157 and 158 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

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

Alternate Directors

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

Biographical Details of Directors and Senior Management

Brief biographical details of Directors and senior management (based on the composition as at the date of this annual report) are set out on pages 22 to 29.

Confirmation of Independence of Independent Non-Executive Directors

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

Directors' Service Contracts

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

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

Save as the transactions between the Group and the group of companies of which Essity is the ultimate holding company but excluding the Group ("**Essity Group**") as set out in paragraphs (A) and (B) of the "Continuing Connected Transactions" section on pages 56 to 58 and the transactions under the Licence Agreement as set out in the paragraph headed "Exempted Continuing Connected Transactions" on page 59, and other transactions between the Group and Essity Group mentioned in Note 32(b) to the consolidated financial statements but are not contemplated under the Vinda Master Procurement Agreement, the Essity Master Procurement and the Licence Agreement, no transactions, arrangements or contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director or any entity connected with a Director or a controlling shareholder of the Company or any of its subsidiaries had a material interest, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year.

Continuing Connected Transactions

(A) Vinda Master Procurement Agreement

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

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

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

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

(B) Essity Master Procurement Agreement

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

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

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

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

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

Aggregation of transactions and Annual caps

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

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

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

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

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

Continuing connected transactions	**Annual cap for the Year** HK$	**Actual transaction amount for the Year** HK$
Transactions under Vinda Master Procurement Agreement	250,000,000	167,394,857
Transactions under Essity Master Procurement Agreement	400,000,000	159,815,321
Total:	650,000,000	327,210,178

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

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

(a) in the ordinary and usual course of business of the Group;

(b) either on normal commercial terms or better to the Group than terms available to or from independent third parties; and

(c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

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

The auditor has issued its unqualified letter containing its findings and conclusions in respect of the aforesaid continuing connected transactions disclosed by the Group in the annual report confirming the matters set out in Rule 14A.56 of the Listing Rules.

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.

On 15 December 2023, Essity HH issued an option letter (the "**Option Letter**") to the Company in relation to the granting of an option to the Company to enter into a new intellectual property and technology licence agreement with Essity HH. For further details, please refer to the joint announcement issued by the Company and Isola Castle Ltd dated 18 December 2023.

Related Party Transactions

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

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

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

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

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

As at 31 December 2023, 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 held			
Name		Personal interests (held as beneficial owner)	Corporate interests (interests of controlled corporations)	Total interests	Approximate percentage (%) of interests[2]
LI Chao Wang	Shares	300,000	252,841,581[(1)(i)&(ii)]	**253,141,581**	**21.04**
YU Yi Fang	Shares	650,000	–	**650,000**	**0.05**
LI Jielin	Shares	414,000	–	**414,000**	**0.03**
Johann Christoph MICHALSKI	Shares	59,000	–	**59,000**	**0.005**

Notes:

1. (i) For the purpose of Part XV of the SFO, LI Chao Wang is deemed to be interested in the 251,841,581 shares in the Company that Sentential Holdings Limited has interests, of which 251,341,581 shares is held by its controlled corporation, namely Fu An International Company Limited and 500,000 is held by itself. Fu An International Company Limited is held as to 74.21% by Sentential Holdings Limited, 15.79% by Join Pride International Limited and 10.00% by Daminos Management Limited. The entire issued share capital of each of Sentential Holdings Limited, Join Pride International Limited and Daminos Management Limited is held by LI Chao Wang, YU Yi Fang and DONG Yi Ping, respectively.

   (ii) Li Song Foundation Company Limited directly holds 1,000,000 shares of the Company and it is held as to 50.00% by LI Chao Wang. As such, LI Chao Wang is also deemed to be interested in 1,000,000 shares of the Company held by Li Song Foundation Company Limited for the purpose of Part XV of the SFO.

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

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)	Number of shares held: 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	94,000	–	94,000	0.0134
Carl Fredrik Stenson RYSTEDT	Essity Aktiebolag (publ)	Class B shares	38,000	–	38,000	0.0054
Gert Mikael SCHMIDT	Essity Aktiebolag (publ)	Class B shares	34,300	–	34,300	0.0049
Dominique Michel Jean DESCHAMPS	Essity Aktiebolag (publ)	Class B shares	3,587	–	3,587	0.0005

Notes:

1. As at 31 December 2023, the total number of registered shares in the share capital of Essity Aktiebolag (publ) was 702,342,489, of which 60,977,881 are Class A shares and 641,364,608 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 2023, none of the Directors and chief executives of the Company are, under Divisions 7 and 8 of Part XV of the SFO, taken to be interested or deemed to have any other interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations, that are required to be entered in the register kept by the Company pursuant to Section 352 of the SFO or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Share Option Scheme

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

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

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

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

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

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

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

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 0. As at the date of this annual report, no further options may be granted under the Scheme.

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

				Number of Shares issuable under the Options					
	Date of Grant	Exercise price per Share HK$	as at 01/01/2023	granted during the Year	exercised during the Year[1]	lapsed during the Year	cancelled during the Year	as at 31/12/2023	Exercise period
Employees of the Group									
In aggregate	02/05/2013	10.34	10,000	–	(10,000)	–	–	–	–
Total			10,000	–	(10,000)	–	–	–	

Notes:

1. The related weighted average closing price of the Shares immediately before the date on which the Options were exercised was HK$20.25.

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 2023, 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	51.59
Essity Aktiebolag (publ)	Shares	–	620,737,112[2]	620,737,112	51.59
Fu An International Company Limited	Shares	251,341,581[3]	–	251,341,581	20.89
Sentential Holdings Limited	Shares	500,000	251,341,581[3]	251,841,581[4]	20.93
Beaumont Capital Fund Ltd	Shares	92,538,100[5]	–	92,538,100	7.69
Belinda Tanoto	Shares	–	92,538,100[5]	92,538,100	7.69
Fiduco Trust Management PTC	Shares	–	873,878,693	873,878,693[6]	72.62
Sukanto Tanoto	Shares	873,878,693	–	873,878,693[7]	72.62

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 251,341,581 shares in the Company held by Fu An International Company Limited for the purpose of Part XV of the SFO.

4. Such 251,841,581 shares are the same shares in the Company referred to in Note 1(i) of LI Chao Wang as disclosed in the table under the sub-section headed "Long Positions In Shares, Underlying Shares and Debentures in the Company" under the section headed "Directors' and Chief Executives' Interests in the Shares, Underlying Shares and Debentures of the Company or any Associated Corporation" above.

5. Belinda Tanoto is the sole shareholder of Beaumont Capital Fund Ltd. By virtue of Part XV of the SFO, Belinda Tanoto is deemed to be interested in the 92,538,100 shares held by Beaumont Capital Fund Ltd.

6. Fiduco Trust Management PTC is deemed to be interested in these shares pursuant to the irrevocable undertaking dated 14 December 2023 entered into by each of Essity Group Holding BV and LI Chao Wang in favour of Isola Castle Ltd by virtue of Part XV of the SFO. For further details, please refer to the joint announcement issued by the Company and Isola Castle Ltd dated 15 December 2023.

7. Sukanto Tanoto is the settlor of a discretionary trust, of which Fiduco Trust Management PTC is the trustee. By virtue of Part XV of the SFO, Sukanto Tanoto is deemed to be interested in the 873,878,693 Shares in which Fiduco Trust Management PTC is deemed interested.

Save as disclosed above, as at 31 December 2023, 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 2023, none of the Directors, the controlling shareholders of the Company and their respective associates (as defined in the Listing Rules) had an interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

Management Contracts

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

Major Customers and Suppliers

During the Year, the percentage of sales of goods attributable to the Group's five largest customers combined are approximately 26.0%.

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

– the largest supplier	29.5%
– five largest suppliers combined	44.1%

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

Likely Future Development of the Company's Business

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

Issue of Shares

During the Year, the Company issued shares as follows:

10,000 ordinary shares of the Company were issued for cash of HK$103,400 on the exercise of options granted under the Share Option Scheme.

Equity-linked Agreements

Share Option Scheme

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

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

Sufficiency of Public Float

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

Pre-emptive Rights

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

Permitted Indemnity Provision

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

Professional Tax Advice Recommended

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

Auditors

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

On behalf of the Board
LI Chao Wang
Chairman

The HKSAR, 24 January 2024

pwc 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 156, comprise:

- the consolidated balance sheet as at 31 December 2023;
- 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, comprising material accounting policy information 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 2023, 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 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 4(a) and Note 8 to the consolidated financial statements.* As at 31 December 2023, goodwill and intangible assets with indefinite useful lives in relation to the acquisitions of personal care and household paper businesses made in the previous years amounted to HK$1,507 million and HK$553 million, respectively. There were no provision for impairment loss of these assets as of 31 December 2023. We focused on this area due to the fact that the impairment assessment of goodwill and intangible assets with indefinite useful lives based on the value-in-use calculations of the underlying Cash-Generating Units (CGUs) 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 relevant CGU, and the process by which they were drawn up, including testing the underlying value-in-use calculations and comparing them to the latest board approved budgets.

Key Audit Matters *(continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
	We challenged the key assumptions including sales growth rate and gross profit margin by comparing the current year actual results with the 2023 figures included in the prior year forecast, and by reference to future plans. 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 relevant 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. Based on the above procedures we have performed, we found the impairment assessment to be supportable by available evidence.

Key Audit Matters *(continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition *Refer to 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.	We understood, evaluated and tested the controls in respect of the Group's sales transactions from contract approval, sales recording based on contract terms, reconciliation of cash receipts and check of 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. We also focused on sales transactions that took place shortly before and after the balance sheet date, including examination 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 in revenue recognition 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 2023 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, 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.

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 the Audit Committee and take appropriate action considering our legal rights and obligations.

Responsibilities of Directors and the 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 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, in accordance with Section 405 of the Hong Kong Companies Ordinance, 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.

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.

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

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.

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, 24 January 2024

Consolidated Balance Sheet

As at 31 December 2023

	Note	As at 31 December 2023 HK$	2022 HK$
ASSETS			
Non-current assets			
Property, plant and equipment	6	**10,045,005,752**	10,353,535,314
Right-of-use assets	7	**1,135,354,163**	1,221,438,469
Intangible assets	8	**2,341,634,862**	2,456,705,131
Deferred income tax assets	20	**751,728,527**	629,751,445
Investment properties	9	**1,910,231**	40,173,068
Investment in an associate		**–**	2,030,636
		14,275,633,535	14,703,634,063
Current assets			
Inventories	11	**3,662,494,791**	6,014,823,036
Trade and notes receivables	13	**1,983,893,729**	2,339,665,339
Other receivables	13	**633,764,209**	483,237,455
Prepayments	13	**188,482,232**	100,093,982
Due from related parties	32(c)	**28,241,044**	40,242,578
Cash and cash equivalents	14	**1,375,581,365**	606,947,407
		7,872,457,370	9,585,009,797
Total assets		**22,148,090,905**	24,288,643,860
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	15	**120,328,537**	120,327,537
Share premium	15	**4,497,509,829**	4,497,368,699
Other reserves	17	**6,913,207,609**	7,382,589,207
Total equity		**11,531,045,975**	12,000,285,443

	Note	As at 31 December 2023 HK$	2022 HK$
LIABILITIES			
Non-current liabilities			
Borrowings	19	3,839,479,423	2,800,715,036
Loans from a related party	19, 32(c)	–	88,282,378
Lease liabilities	7	83,616,575	99,385,024
Deferred government grants	21	258,616,552	247,961,760
Deferred income tax liabilities	20	209,338,951	215,293,079
Post-employment benefits		7,949,472	6,960,500
Other non-current liabilities	22	24,171,116	3,200,341
		4,423,172,089	3,461,798,118
Current liabilities			
Trade payables, other payables and accrued expenses	18	5,542,141,898	7,548,972,120
Contract liabilities	5	94,228,502	118,382,755
Borrowings	19	331,660,083	299,246,812
Loans from a related party	19, 32(c)	85,051,091	700,000,000
Lease liabilities	7	49,286,439	55,585,120
Due to related parties	32(c)	13,783,970	22,509,163
Current income tax liabilities		77,720,858	81,864,329
		6,193,872,841	8,826,560,299
Total liabilities		10,617,044,930	12,288,358,417
Total equity and liabilities		22,148,090,905	24,288,643,860

The financial statements were approved by the Board of Directors on 24 January 2024 and were signed on its behalf.

LI Chao Wang
Director

LI Jielin
Director

The notes on pages 79 to 156 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2023

	Note	For the year ended 31 December 2023 HK$	 2022 HK$
Revenue	5	**19,999,100,319**	19,417,559,563
Cost of sales	24	**(14,747,699,693)**	(13,934,355,595)
Gross profit		**5,251,400,626**	5,483,203,968
Selling and marketing costs	24	**(3,890,392,804)**	(3,837,322,482)
Administrative expenses	24	**(1,038,431,803)**	(911,661,474)
Net impairment losses on financial assets	3.1(b)	**(24,090,933)**	(4,448,991)
Other income and losses – net	23	**125,526,364**	76,745,523
Operating profit		**424,011,450**	806,516,544
Finance income and costs – net	26	**(136,399,340)**	(59,600,287)
Share of post-tax loss of an associate		**(1,513)**	(49,301)
Profit before income tax		**287,610,597**	746,866,956
Income tax expense	27(a)	**(34,459,077)**	(40,827,454)
Profit attributable to equity holders of the Company		**253,151,520**	706,039,502
Other comprehensive (loss)/income:			
Item that may be reclassified to profit or loss			
Currency translation differences		**(240,767,945)**	(1,152,993,589)
Item that will not be reclassified subsequently to profit or loss			
Remeasurements of post-employment benefit obligations		**(412,294)**	1,954,733
Total comprehensive income/(loss) attributable to equity holders of the Company		**11,971,281**	(444,999,354)
Earnings per share for profit attributable to equity holders of the Company			
– basic earnings per share	28	**0.210**	0.587
– diluted earnings per share	28	**0.210**	0.587

The notes on pages 79 to 156 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2023

		Attributable to equity holders of the Company			
	Note	Share capital HK$	Share premium HK$	Other reserves HK$	Total HK$
Balance at 1 January 2022		120,126,537	4,458,961,619	8,439,573,727	13,018,661,883
Profit for the year		–	–	706,039,502	706,039,502
Other comprehensive (loss)/income					
– Currency translation differences		–	–	(1,152,993,589)	(1,152,993,589)
– Remeasurements of post-employment benefit obligations		–	–	1,954,733	1,954,733
Total comprehensive loss for 2022		–	–	(444,999,354)	(444,999,354)
Transaction with owners					
Employees share option scheme					
– Exercise of share options	16, 17	201,000	38,407,080	(10,347,480)	28,260,600
Dividends	29	–	–	(601,637,686)	(601,637,686)
Transaction with owners		201,000	38,407,080	(611,985,166)	(573,377,086)
Balance at 31 December 2022		120,327,537	4,497,368,699	7,382,589,207	12,000,285,443
Balance at 1 January 2023		**120,327,537**	**4,497,368,699**	**7,382,589,207**	**12,000,285,443**
Profit for the year		**–**	**–**	**253,151,520**	**253,151,520**
Other comprehensive loss					
– Currency translation differences		**–**	**–**	**(240,767,945)**	**(240,767,945)**
– Remeasurements of post-employment benefit obligations		**–**	**–**	**(412,294)**	**(412,294)**
Total comprehensive income for 2023		**–**	**–**	**11,971,281**	**11,971,281**
Transaction with owners					
Employees share option scheme					
– Exercise of share options	16, 17	**1,000**	**141,130**	**(38,730)**	**103,400**
Dividends	29	**–**	**–**	**(481,314,149)**	**(481,314,149)**
Transaction with owners		**1,000**	**141,130**	**(481,352,879)**	**(481,210,749)**
Balance at 31 December 2023		**120,328,537**	**4,497,509,829**	**6,913,207,609**	**11,531,045,975**

The notes on pages 79 to 156 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2023

	Note	2023 HK$	2022 HK$
		For the year ended 31 December	
Cash flows generated from operating activities			
Cash generated from operations	30(a)	**2,272,324,627**	2,399,371,922
Interest paid		**(165,702,701)**	(109,358,060)
Income tax paid		**(162,219,452)**	(208,823,513)
Net cash generated from operating activities		**1,944,402,474**	2,081,190,349
Cash flows used in investing activities			
Payment for acquisition of subsidiaries, net of cash acquired		**(6,864,598)**	–
Purchase of property, plant and equipment		**(1,117,540,565)**	(1,099,742,904)
Proceeds from disposal of property, plant and equipment and investment properties	30(b)	**2,568,517**	4,412,949
Proceeds from government grants	21	**44,425,653**	22,939,702
Proceeds from disposal of land use rights	7	**25,697,474**	–
Payment for land use rights		**–**	(26,838,329)
Purchase of intangible assets		**(655,197)**	(27,566,022)
Interest received		**17,083,674**	24,691,224
Net cash used in investing activities		**(1,035,285,042)**	(1,102,103,380)
Cash flows used in financing activities			
Proceeds from shares issued		**103,400**	28,260,600
Proceeds from borrowings	30(c)	**4,074,955,423**	4,711,269,760
Repayments of borrowings	30(c)	**(2,949,414,411)**	(5,202,906,642)
Repayments of loans from a related party	30(c)	**(700,000,000)**	(200,000,000)
Dividends paid	29	**(481,314,149)**	(601,637,686)
Lease payments for right-of-use assets excluding land use rights	7, 30(c)	**(69,837,382)**	(74,480,171)
Net cash used in financing activities		**(125,507,119)**	(1,339,494,139)
Net increase/(decrease) in cash and cash equivalents		**783,610,313**	(360,407,170)
Effect of foreign exchange rate changes		**(14,976,355)**	(57,973,112)
Cash and cash equivalents, beginning of the year	14	**606,947,407**	1,025,327,689
Cash and cash equivalents, end of the year	14	**1,375,581,365**	606,947,407

The notes on pages 79 to 156 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 10. The Company and its subsidiaries are collectively referred to as the "Group".

The Company's shares have been listed on The Stock Exchange of Hong Kong Limited ("HKSE") since 10 July 2007.

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

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

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

2 Basis of preparation and changes in accounting policy and disclosures

2.1 Basis of preparation

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

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 Basis of preparation and changes in accounting policy and disclosures *(continued)*

2.2 Changes in accounting policy and disclosures

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

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

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

		Effective for annual periods beginning on or after
HKAS 1 (Amendments)	Classification of Liabilities as current or non-current	1 January 2024
HKAS 1 (Amendments)	Non-current liabilities with covenants	1 January 2024
HKFRS 16 (Amendments)	Lease Liability in a Sale and Leaseback	1 January 2024
HKAS 7 and HKFRS 7 (Amendments)	Supplier finance arrangements	1 January 2024
HK Int 5 (Revised)	Presentation of Financial Statements-Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024
HKAS 21 (Amendments)	Lack of Exchangeability	1 January 2025
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

2 Basis of preparation and changes in accounting policy and disclosures *(continued)*

2.2 Changes in accounting policy and disclosures *(continued)*

(c) Change in accounting policy on offsetting arrangement in long service payment scheme in Hong Kong Special Administrative Region, China (the "HKSAR")

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

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

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

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

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	
	2023	2022
	HK$	HK$
Net foreign exchange loss included in other income and losses – net (Note 23)	**(37,005,707)**	(75,525,885)
Exchange gain in finance income and costs – net (Note 26)	**2,175,630**	10,312,439
Total net foreign exchange loss recognised in profit before income tax for the period	**(34,830,077)**	(65,213,446)

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 2023		
	US$	**HK$**	**RMB**
Cash	**5,056,931**	**222,275**	**2,251,812**
Trade receivables	**19,663,406**	**–**	**45,848,287**
Trade payables	**433,862,896**	**–**	**717,841,613**

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

3 Financial risk management *(continued)*

3.1 Financial risk factors *(continued)*

(a) Market risk *(continued)*

(i) Foreign exchange risk (continued)

The Group is primarily exposed to changes in RMB/US$, Malaysia Ringgit("MYR")/US$ and HK$/RMB exchange rates.

As at 31 December 2023 and 2022, 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 receivables and trade payables. Details of the changes are as follows:

	2023 **HK$**	2022 HK$
For the year ended:		
Post-tax profit increase/(decrease)		
– Strengthened by 10%	**1,608,903**	1,796,953
– Weakened by 10%	**(1,608,903)**	(1,796,953)
As at 31 December:		
Owners' equity increase/(decrease)		
– Strengthened by 10%	**1,608,903**	1,796,953
– Weakened by 10%	**(1,608,903)**	(1,796,953)

3 Financial risk management *(continued)*

3.1 Financial risk factors *(continued)*

(a) Market risk *(continued)*

(i) Foreign exchange risk (continued)

As at 31 December 2023 and 2022, 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 receivables and trade payables. Details of the changes are as follows:

	2023 HK$	2022 HK$
For the year ended:		
Post-tax profit increase/(decrease)		
– Strengthened by 10%	**25,240,366**	1,760,063
– Weakened by 10%	**(25,240,366)**	(1,760,063)
As at 31 December:		
Owners' equity increase/(decrease)		
– Strengthened by 10%	**25,240,366**	1,760,063
– Weakened by 10%	**(25,240,366)**	(1,760,063)

As at 31 December 2023 and 2022, 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 receivables and trade payables. Details of the changes are as follows:

	2023 HK$	2022 HK$
For the year ended:		
Post-tax profit increase/(decrease)		
– Strengthened by 10%	**55,923,417**	12,511,987
– Weakened by 10%	**(55,923,417)**	(12,511,987)
As at 31 December:		
Owners' equity increase/(decrease)		
– Strengthened by 10%	**55,923,417**	12,511,987
– Weakened by 10%	**(55,923,417)**	(12,511,987)

3 Financial risk management *(continued)*

3.1 Financial risk factors *(continued)*

(a) Market risk *(continued)*

(ii) Cash flow and fair value interest rate risk

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

As at 31 December 2023 and 2022, 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:

	2023 **HK$**	2022 HK$
For the year ended:		
Post-tax profit (decrease)/increase		
– 10 basis points higher	**(3,024,695)**	(2,030,602)
– 10 basis points lower	**3,024,695**	2,030,602
As at 31 December:		
Owners' equity (decrease)/increase		
– 10 basis points higher	**(3,024,695)**	(2,030,602)
– 10 basis points lower	**3,024,695**	2,030,602

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 2023 and 2022, all cash and cash equivalents were deposited in state-owned banks and reputable financial institutions and were hence without significant credit risk. Management does not expect any losses from non-performance by these counterparties.

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

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

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

On that basis, the loss allowance as at 31 December 2023 and 31 December 2022 was determined as follows for trade receivables:

31 December 2023	**Within 6 months**	**7 months to 12 months**	**Over 1 year**	**Total**
Gross carrying amount	**1,968,137,863**	**16,166,821**	**58,789,211**	**2,043,093,895**
Expected loss rate	**0.028%**	**44.076%**	**99.179%**	**3.229%**
Loss allowance	**541,391**	**7,125,758**	**58,306,286**	**65,973,435**

31 December 2022	Within 6 months	7 months to 12 months	Over 1 year	Total
Gross carrying amount	2,297,385,363	25,336,069	45,051,511	2,367,772,943
Expected loss rate	0.021%	9.772%	98.373%	1.996%
Loss allowance	472,373	2,475,830	44,318,579	47,266,782

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:

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

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 2023 and 2022, other receivables mainly included creditable input value-added tax ("VAT"), purchase rebates, and deposits due from government agency or property owners. Receivables from related parties 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 parties were collected within the credit terms. Management assessed and concluded the credit risk for these receivables was low. And thus, no loss allowance provision was recognised.

3 Financial risk management *(continued)*

3.1 Financial risk factors *(continued)*

(c) Liquidity risk

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

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

	Less than 1 year HK$	Between 1 and 2 years HK$	Between 2 and 5 years HK$	More than 5 Years HK$
As at 31 December 2023				
Bank loans and interest payables (i)	**433,108,512**	**2,271,836,787**	**1,659,446,931**	**–**
Loans from a related party and interest payables (i)	**89,056,904**	**–**	**–**	**–**
Lease liabilities	**53,624,283**	**34,795,061**	**37,333,392**	**20,960,347**
Trade payables	**2,657,881,438**	**–**	**–**	**–**
Notes payable	**315,924,035**	**–**	**–**	**–**
Other payables	**494,288,965**	**–**	**–**	**–**
Accrued expenses	**1,669,762,634**	**–**	**–**	**–**
Due to related parties	**13,783,970**	**–**	**–**	**–**
As at 31 December 2022				
Bank loans and interest payables (i)	388,369,989	906,285,450	1,991,671,188	–
Loans from a related party and interest payables (i)	723,372,658	92,337,926	–	–
Lease liabilities	60,552,960	39,861,120	47,368,475	22,507,859
Trade payables	4,500,445,917	–	–	–
Notes payable	321,486,143	–	–	–
Other payables	678,187,562	–	–	–
Accrued expenses	1,686,454,983	–	–	–
Due to related parties	22,509,163	–	–	–

(i) The interest on borrowings is calculated based on borrowings held as at 31 December 2023 and 2022 without taking account of future issues. Floating-rate interest is estimated using interest rate prevailing as at 31 December 2023 and 2022 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:

	2023 **HK$**	2022 HK$
Expiring within one year	**4,927,804,417**	3,867,395,976
Expiring beyond one year (i)	**3,220,696,961**	3,335,844,705
Total	**8,148,501,378**	7,203,240,681

(i) As at 31 December 2023, unutilised credit facilities from related party amounted to HK$3 billion (31 December 2022: 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 2023 and 2022 were as follows:

	As at 31 December	
	2023 **HK$**	2022 HK$
Total borrowings (Note 19)	**4,256,190,597**	3,888,244,226
Total lease liabilities (Note 7)	**132,903,014**	154,970,144
Less: Cash and cash equivalents (Note 14)	**(1,375,581,365)**	(606,947,407)
Net debt	**3,013,512,246**	3,436,266,963
Total equity	**11,531,045,975**	12,000,285,443
Net gearing ratio	**26.1%**	28.6%

3.3 Fair value estimation

As at 31 December 2023 and 2022, 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 35.8. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (Note 8).

(b) Useful lives of property, plant and equipment

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

(c) Current tax and deferred income tax

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

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

(d) Net realisable value of inventories

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

4 Critical accounting estimates and judgments *(continued)*

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

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

(f) Impairment of property, plant and equipment

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

5 Segment information

(a) Description of segments and principal activities

The chief operating decision-maker has been identified as the executive committee, which comprises all executive directors. The executive committee reviews the Group's internal reporting in order to assess performance and allocate resources.

The executive committee has determined that no geographical segment information is presented as management reviews the business performance primarily based on type of business, not geographically. Instead, the executive committee assesses the performance of household paper products and personal care products.

5 Segment information *(continued)*

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

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

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

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

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

The total non-current assets are analysed as follows:

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

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

5 Segment information *(continued)*

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

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

5 Segment information *(continued)*

(c) Segment assets and liabilities

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

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

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	
	2023	2022
	HK$	HK$
Household paper products	**79,177,357**	107,738,034
Personal care products	**15,051,145**	10,644,721
	94,228,502	118,382,755

Management expects that all of the transaction price allocated to unsatisfied performance obligations as of 31 December 2023 will be recognised as revenue during the next year.

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

	For the year ended 31 December	
	2023	2022
	HK$	HK$
Household paper products	**107,738,034**	83,369,921
Personal care products	**10,644,721**	8,255,125
	118,382,755	91,625,046

(i) Accounting policies of revenue recognition

The Group manufactures and sells a range of household 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. Contract liability is recognised when the Group receives consideration in advance of satisfying a performance obligation by transferring the control of promised good.

5 Segment information *(continued)*

(d) Liabilities related to contracts with customers *(continued)*

(i) Accounting policies of revenue recognition *(continued)*

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

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

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

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

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

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

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 2022							
Opening net book amount	3,454,912,788	406,185	5,256,666,025	137,799,473	35,685,186	2,340,215,856	11,225,685,513
Additions	34,695,169	–	69,756,957	9,459,887	950,375	1,054,210,674	1,169,073,062
Disposals	–	–	(1,896,101)	(287,846)	(1,165,391)	–	(3,349,338)
Reclassification	904,114,047	–	1,717,978,883	37,269,347	1,468,970	(2,660,831,247)	–
Transfer to investment properties (Note 9)	(39,703,592)	–	–	(309,686)	–	–	(40,013,278)
Depreciation (Note 24)	(152,908,282)	(384,912)	(885,274,602)	(39,633,498)	(8,003,206)	–	(1,086,204,500)
Exchange differences	(299,797,909)	(21,273)	(461,021,748)	(10,934,929)	(2,759,885)	(137,120,401)	(911,656,145)
Closing net book amount	3,901,312,221	–	5,696,209,414	133,362,748	26,176,049	596,474,882	10,353,535,314
At 31 December 2022							
Cost	5,127,065,260	8,677,631	12,024,333,103	442,066,741	82,052,940	598,939,866	18,283,135,541
Accumulated depreciation and impairment	(1,225,753,039)	(8,677,631)	(6,328,123,689)	(308,703,993)	(55,876,891)	(2,464,984)	(7,929,600,227)
Net book amount	3,901,312,221	–	5,696,209,414	133,362,748	26,176,049	596,474,882	10,353,535,314

	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 2023							
Opening net book amount	3,901,312,221	–	5,696,209,414	133,362,748	26,176,049	596,474,882	10,353,535,314
Acquisition of subsidiaries	–	6,498,448	9,895	–	–	–	6,508,343
Additions	2,523,022	14,649,591	28,420,701	14,135,261	1,071,885	908,510,609	969,311,069
Disposals	(1,889)	–	(964,657)	(318,040)	(188,165)	(158,626)	(1,631,377)
Reclassification	390,937,744	–	674,981,913	23,993,862	1,699,823	(1,091,613,342)	–
Transfer from investment properties (Note 9)	36,670,684	–	–	–	–	–	36,670,684
Depreciation (Note 24)	(159,478,230)	(2,715,358)	(937,850,818)	(39,926,397)	(7,027,615)	–	(1,146,998,418)
Exchange differences	(69,377,544)	(146,712)	(90,927,801)	(2,423,363)	(329,847)	(9,184,596)	(172,389,863)
Closing net book amount	4,102,586,008	18,285,969	5,369,878,647	128,824,071	21,402,130	404,028,927	10,045,005,752
At 31 December 2023							
Cost	5,472,249,847	37,409,075	12,469,862,910	449,425,158	80,335,206	404,028,927	18,913,311,123
Accumulated depreciation and impairment	(1,369,663,839)	(19,123,106)	(7,099,984,263)	(320,601,087)	(58,933,076)	–	(8,868,305,371)
Net book amount	4,102,586,008	18,285,969	5,369,878,647	128,824,071	21,402,130	404,028,927	10,045,005,752

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

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	
	2023	2022
	HK$	HK$
Cost of sales	**943,279,178**	892,772,976
Administrative expenses	**203,719,240**	193,431,524
	1,146,998,418	1,086,204,500

Freehold land is not subject to amortisation. Depreciation on property, plant and equipment other than freehold land 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

7 Leases

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

7 Leases *(continued)*

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

	For the year ended 31 December	
	2023	2022
	HK$	HK$
Depreciation of right-of-use assets (Note 24)		
– Land use rights	**27,119,658**	28,332,695
– Buildings	**61,680,295**	67,334,899
– Equipment and others	**3,178,379**	2,980,180
	91,978,332	98,647,774
Interest expense (Note 26)	**6,550,560**	7,105,808
Expense relating to short-term leases	**19,395,195**	30,905,345
Expense relating to leases of low-value assets	**1,035,425**	731,062

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

The Group leases various offices, warehouses, equipment and vehicles. Lease 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.

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

8 Intangible assets

	Goodwill HK$	Trademarks and licences HK$	Contractual customer relationships HK$	Computer software HK$	Total HK$
Year ended 31 December 2022					
Opening net book amount	1,597,593,894	695,920,480	239,588,630	113,582,230	2,646,685,234
Additions	–	–	–	27,566,022	27,566,022
Amortisation expense (Note 24)	–	(30,188,202)	(34,714,146)	(46,638,380)	(111,540,728)
Exchange differences	(63,603,395)	(23,936,565)	(9,707,454)	(8,757,983)	(106,005,397)
Closing net book amount	1,533,990,499	641,795,713	195,167,030	85,751,889	2,456,705,131
At 31 December 2022					
Cost	1,536,460,309	893,915,750	445,506,907	358,906,729	3,234,789,695
Accumulated amortisation and impairment	(2,469,810)	(252,120,037)	(250,339,877)	(273,154,840)	(778,084,564)
Net book amount	1,533,990,499	641,795,713	195,167,030	85,751,889	2,456,705,131

	Goodwill HK$	Trademarks and licences HK$	Contractual customer relationships HK$	Computer software HK$	Total HK$
Year ended 31 December 2023					
Opening net book amount	1,533,990,499	641,795,713	195,167,030	85,751,889	2,456,705,131
Acquisition of subsidiaries	2,565,989	–	–	–	2,565,989
Additions	–	–	–	31,746,909	31,746,909
Disposal	–	–	–	(142,403)	(142,403)
Amortisation expense (Note 24)	–	(29,608,732)	(33,165,141)	(41,612,522)	(104,386,395)
Exchange differences	(29,486,495)	(10,328,871)	(3,779,996)	(1,259,007)	(44,854,369)
Closing net book amount	1,507,069,993	601,858,110	158,221,893	74,484,866	2,341,634,862
At 31 December 2023					
Cost	1,509,504,508	877,306,904	437,033,231	384,944,086	3,208,788,729
Accumulated amortisation and impairment	(2,434,515)	(275,448,794)	(278,811,338)	(310,459,220)	(867,153,867)
Net book amount	1,507,069,993	601,858,110	158,221,893	74,484,866	2,341,634,862

8 Intangible assets *(continued)*

During the year ended 31 December 2023, amortisation of intangible assets were charged to the consolidated statement of comprehensive income is as follows:

	For the year ended 31 December	
	2023	2022
	HK$	HK$
Administrative expenses	**67,958,603**	71,965,973
Selling expenses	**33,165,141**	34,714,146
Cost of sales	**3,262,651**	4,860,609
	104,386,395	111,540,728

(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:

2023	**Opening**	**Addition**	**Exchange differences**	**Closing**
	HK$	**HK$**	**HK$**	**HK$**
Personal care products	**966,857,192**	**2,565,989**	**(29,429,512)**	**939,993,669**
Household paper products	**567,133,307**	**–**	**(56,983)**	**567,076,324**
	1,533,990,499	**2,565,989**	**(29,486,495)**	**1,507,069,993**

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

8 Intangible assets *(continued)*

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

The Group tests whether goodwill has suffered any impairment on an annual basis. For the 2023 reporting periods, the recoverable amount of CGUs was determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering a five-year period.

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

	2023	
	Personal care products	**Household paper products**
Sales amount (% annual growth rate)	**2.48%~4.89%**	**3.00%~7.00%**
Gross margin (% of revenue)	**32.63%~36.98%**	**25.50%~30.00%**
Long-term growth rate	**2.20%**	**2.00%**
Discount rate	**11.50%**	**11.50%**

	2022	
	Personal care products	Household paper products
Sales amount (% annual growth rate)	6.47%~11.16%	3.00%~8.20%
Gross margin (% of revenue)	31.28%~36.05%	28.00%~32.00%
Long-term growth rate	3.00%	3.00%
Discount rate	11.50%	11.50%

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

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

8 Intangible assets *(continued)*

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

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

Assumption	Approach used to determining values
Sales amount	Average annual growth rate over the five-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.
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:

2023	Opening HK$	Exchange differences HK$	Closing HK$
Personal care products	**227,535,347**	**(8,131,922)**	**219,403,425**
Household paper products	**334,286,873**	**(468,529)**	**333,818,344**
	561,822,220	**(8,600,451)**	**553,221,769**

8 Intangible assets *(continued)*

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

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

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

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

(i) 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.

(ii) 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.

8 Intangible assets *(continued)*

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

(iii) 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.

9 Investment properties

	As at 31 December	
	2023	2022
	HK$	HK$
Opening net book amount	**40,173,068**	2,421,930
Transfer from property, plant and equipment (Note 6)	**–**	40,013,278
Transfer to property, plant and equipment (Note 6)	**(36,670,684)**	–
Depreciation for the year (Note 23)	**(1,232,557)**	(715,993)
Exchange differences	**(359,596)**	(1,546,147)
Closing net book amount	**1,910,231**	40,173,068
Cost	**3,366,836**	43,732,161
Accumulated depreciation and impairment	**(1,456,605)**	(3,559,093)
Net book amount	**1,910,231**	40,173,068

Investment properties, principally comprising leasehold warehouses, is held for long-term rental yields, and that is not occupied by the Group. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method over 22 years.

10 Subsidiaries

As at 31 December 2023, 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$263,400,000	–	100%
Vinda Paper (Beijing) Company Limited ("Vinda Paper (Beijing)")	The PRC, wholly foreign owned enterprise	Trading of household paper products	US$350,000	–	100%
Vinda North Paper (Beijing) Company Limited ("Vinda Northern Paper")	The PRC, wholly foreign owned enterprise	Manufacturing and sale of household paper products	HK$75,000,000	–	100%
Vinda Paper (Zhejiang) Company Limited ("Vinda Paper (Zhejiang)")	The PRC, wholly foreign owned enterprise	Manufacturing and sale of household paper and personal care products	HK$850,000,000	–	100%
Vinda Personal Care Limited ("Vinda Personal Care")	HKSAR, limited liability company	Investment holding and trading of personal care products	HK$1	–	100%
Vinda Trading Company Limited ("Vinda Trading")	The PRC, wholly foreign owned enterprise	Trading of household paper and personal care products	RMB50,000,000	–	100%
Vinda Paper (Liaoning) Company Limited ("Vinda Paper (Liaoning)")	The PRC, wholly foreign owned enterprise	Manufacturing and sale of household paper products	HK$200,000,000	–	100%
Vinda Investment Group Limited ("Vinda Investment Group")	HKSAR, limited liability company	Investment holding	HK$1	–	100%

10 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 Paper (Shandong) Company Limited ("Vinda Paper (Shandong)")	The PRC, wholly foreign owned enterprise	Manufacturing and sale of household paper products	HK$200,000,000	–	100%
Vinda Paper (China) Company Limited ("Vinda Paper (China)")	The PRC, wholly foreign owned enterprise	Manufacturing and sale of household paper products	US$197,279,136	–	100%
Sparkle Sunshine Limited	British Virgin Islands, limited liability company	Investment holding company	US$1	–	100%
Vinda Personal Care Holdings Limited	British Virgin Islands, limited liability company	Investment holding company	HK$250,000,000	–	100%
Vinda Hygiene Care (Hong Kong) Limited ("VHC")	HKSAR, limited liability company	Investment holding company	HK$1	–	100%
China-Euro Healthcare Management Limited	HKSAR, limited liability company	Investment holding company	HK$1	100%	–
Vinda Personal Care (China) Limited ("VPC (China)")	The PRC, wholly foreign owned enterprise	Manufacturing and sale of household paper and personal care products	RMB508,998,487	–	100%
Vinda (Shanghai) Healthcare Management Company Limited	The PRC, wholly foreign owned enterprise	Providing home health care services and health management consulting	RMB4,531,039	–	100%
Guangdong Xinjiang Energy Company Limited ("Xinjiang Energy")	The PRC, wholly foreign owned enterprise	Manufacturing and sale of steam	RMB34,000,000	–	100%
Vinda Personal Care (Guangdong) Company Limited ("VPC (Guangdong)")	The PRC, wholly foreign owned enterprise	Manufacturing and sale of household paper and personal care products	HK$524,600,000	–	100%
PT Vinda International Indonesia ("Vinda Indonesia")	Indonesia, limited liability company	Trading of personal care products	Indonesian Rupiah 10,000,190,900	–	100%
Vinda Malaysia Sdn. Bhd. ("Vinda Malaysia")	Malaysia, limited liability company	Manufacturing and sale of personal care products	MYR23,800,000	–	100%
Vinda Korea Co., Ltd. ("Vinda Korea")	Korea, limited liability company	Trading of household paper and personal care products	Korea Won ("KRW") 310,000,000	–	100%
Vinda Taiwan Ltd. ("Vinda Taiwan")	Chinese Taiwan, limited liability company	Manufacturing and sale of personal care products	New Taiwan Dollar ("NT$") 560,879,450	–	100%
Vinda Marketing (M) Sdn. Bhd. ("Vinda Marketing")	Malaysia, limited liability company	Trading of personal care products	MYR10,000	–	100%
Vinda Singapore Pte. Ltd. ("Vinda Singapore")	Singapore, limited liability company	Trading of personal care products	Singapore Dollar ("SG$") 852,850	–	100%
Vinda Health (Guangdong) Ltd. ("Vinda Health GD")	The PRC, wholly foreign owned enterprise	Providing home health care services and health management consulting	RMB12,000,000	–	100%
Vinda Healthcare Management Service (Jiangmen) Limited ("Vinda Jiangmen")	The PRC, wholly foreign owned enterprise	Providing home health care services and health management consulting	RMB0	–	100%

11 Inventories

	As at 31 December	
	2023	2022
	HK$	HK$
Raw materials	**1,807,793,428**	3,769,911,206
Finished goods	**1,854,701,363**	2,244,911,830
	3,662,494,791	6,014,823,036

The cost of inventories recognised as expenses and included in cost of sales amounted to HK$11,871,898,253 (2022: HK$11,077,812,698) for the year ended 31 December 2023.

The Group provided write-downs of inventories to net realisable value amounting to HK$1,464,938. These were recognised as an expense during the year ended 31 December 2023.

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

12 Financial instruments by category

	As at 31 December	
	2023	2022
	HK$	HK$
Financial assets		
Trade and notes receivables	**1,983,893,729**	2,339,665,339
Other receivables excluding non-financial assets	**89,798,220**	163,353,986
Due from related parties	**28,241,044**	40,242,578
Cash and cash equivalents	**1,375,581,365**	606,947,407
Total	**3,477,514,358**	3,150,209,310
Financial liabilities		
Loans from a related party	**85,051,091**	788,282,378
Borrowings	**4,171,139,506**	3,099,961,848
Trade and other payables excluding non-financial liabilities	**5,137,857,072**	7,186,574,605
Due to related parties	**13,783,970**	22,509,163
Lease liabilities	**132,903,014**	154,970,144
Total	**9,540,734,653**	11,252,298,138

12 Financial instruments by category *(continued)*

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

13 Trade, notes and other receivables and prepayments

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

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

Customers who are given credit are generally granted with credit terms ranging from 60 to 90 days. Ageing analysis of trade receivables of the Group based on invoice date as at 31 December 2023 and 2022 is as below:

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

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

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

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

14 Cash and cash equivalents

	As at 31 December	
	2023	2022
	HK$	HK$
Cash in hand	**1,023,364**	1,273,103
Cash at bank	**1,374,558,001**	605,674,304
	1,375,581,365	606,947,407

The effective weighted average annual interest rate on cash at bank and deposits was 1.92% (2022: 2.05%) for the year ended 31 December 2023.

14 Cash and cash equivalents *(continued)*

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

	As at 31 December	
	2023	2022
	HK$	HK$
RMB	**1,239,462,422**	452,043,515
US$	**44,560,372**	25,923,359
NT$	**34,860,473**	46,085,396
HK$	**22,810,407**	50,265,813
MYR	**9,328,272**	15,152,066
Other currencies	**24,559,419**	17,477,258
	1,375,581,365	606,947,407

15 Share capital and share premium

	Number of authorised shares	Number of issued and fully paid shares	Amount		
			Ordinary shares	Share premium	Total
			HK$	HK$	HK$
At 31 December 2021	80,000,000,000	1,201,265,373	120,126,537	4,458,961,619	4,579,088,156
Employee share option scheme (Note 16)					
– Exercise of share options	–	2,010,000	201,000	38,407,080	38,608,080
At 31 December 2022	80,000,000,000	1,203,275,373	120,327,537	4,497,368,699	4,617,696,236
Employee share option scheme (Note 16)					
– Exercise of share options	–	10,000	1,000	141,130	142,130
At 31 December 2023	**80,000,000,000**	**1,203,285,373**	**120,328,537**	**4,497,509,829**	**4,617,838,366**

(i) 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.

16 Share-based payment

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

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

(a) The first tranche of 5,313,000 options are exercisable during the period from 2 May 2012 to 1 May 2022.

(b) The second tranche of 5,729,000 options are exercisable during the period from 2 May 2013 to 1 May 2022.

(c) The third tranche of 5,729,000 options are exercisable during the period from 2 May 2014 to 1 May 2022.

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

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

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

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

16 Share-based payment *(continued)*

Movements in the number of share options outstanding and their related weighted average exercise prices for the years ended 31 December 2023 and 2022 were as follows:

	For the year ended 31 December			
	2023		2022	
	Weighted average exercise price in HK$	**Number of options**	Weighted average exercise price in HK$	Number of options
At 1 January	**10.34**	**10,000**	14.04	2,170,000
Exercised (Note (a))	**10.34**	**(10,000)**	14.06	(2,010,000)
Lapsed	**–**	**–**	14.06	(150,000)
At 31 December	**–**	**–**	10.34	10,000

(a) Options exercised during the year ended 31 December 2023 resulted in 10,000 shares (2022: 2,010,000 shares) being issued with proceeds of HK$103,400 (2022: HK$28,260,600). The related weighted average share price at the time of exercise was HK$20.55 (2022: HK$19.82) per share.

17 Other reserves

	Statutory reserves (Note (a)) HK$	Retained earnings HK$	Translation reserve HK$	Other reserves HK$	Total HK$
At 1 January 2022	1,019,468,155	6,661,601,542	737,294,710	21,209,320	8,439,573,727
Employee share options scheme:					
– Exercise of options	–	–	–	(10,347,480)	(10,347,480)
Profit for the year	–	706,039,502	–	–	706,039,502
Appropriation of reserves	33,247,589	(33,247,589)	–	–	–
Dividends	–	(601,637,686)	–	–	(601,637,686)
Currency translation differences	–	–	(1,152,993,589)	–	(1,152,993,589)
Remeasurement on post-employment benefit obligation (Note 25)	–	–	–	1,954,733	1,954,733
At 31 December 2022	1,052,715,744	6,732,755,769	(415,698,879)	12,816,573	7,382,589,207

	Statutory reserves (Note (a)) HK$	**Retained earnings HK$**	**Translation reserve HK$**	**Other reserves HK$**	**Total HK$**
At 1 January 2023	**1,052,715,744**	**6,732,755,769**	**(415,698,879)**	**12,816,573**	**7,382,589,207**
Employee share options scheme:					
– Exercise of options	**–**	**6,786,765**	**–**	**(6,825,495)**	**(38,730)**
Profit for the year	**–**	**253,151,520**	**–**	**–**	**253,151,520**
Appropriation of reserves	**59,399,754**	**(59,399,754)**	**–**	**–**	**–**
Dividends	**–**	**(481,314,149)**	**–**	**–**	**(481,314,149)**
Currency translation differences	**–**	**–**	**(240,767,945)**	**–**	**(240,767,945)**
Remeasurement on post-employment benefit obligation (Note 25)	**–**	**–**	**–**	**(412,294)**	**(412,294)**
At 31 December 2023	**1,112,115,498**	**6,451,980,151**	**(656,466,824)**	**5,578,784**	**6,913,207,609**

17 Other reserves *(continued)*

(a) Statutory reserves

In accordance with the "Foreign Investment Law of the People's Republic of China" and the Articles of Association of those subsidiaries of the Group, which are wholly foreign owned enterprises with limited liability within PRC, an appropriation to the Statutory Reserve from the statutory net profit after offsetting accumulated losses of previous years should be made prior to profit distribution to the shareholders. The appropriation for the Reserve Fund is no less than 10% of the statutory net profit and it can cease to accrue when the accumulated appropriation exceeds 50% of the registered capital. For the year ended 31 December 2023, the appropriation for the Reserve Fund is 15% (2022:15%) of the statutory net profits of the year for the subsidiaries in the PRC.

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

18 Trade payables, other payables and accrued expenses

	As at 31 December	
	2023	2022
	HK$	HK$
Trade payables	**2,657,881,438**	4,500,445,917
Notes payable	**315,924,035**	321,486,143
Other payables		
– salaries and bonus payable	**305,704,185**	267,250,667
– taxes payable other than income tax	**45,418,441**	49,099,461
– payables for property, plant and equipment	**270,456,894**	423,299,710
– others	**223,832,071**	254,887,853
Long-term incentive plans – current portion (Note 22)	**53,162,200**	46,047,386
Accrued expenses		
– promotion fees	**1,111,981,772**	1,145,631,290
– utility charges	**69,978,633**	74,441,783
– transportation fees	**252,316,876**	282,952,240
– advertising fee	**36,001,594**	38,321,232
– accrued interest	**5,078,656**	7,974,158
– professional services	**38,720,447**	4,472,525
– others	**155,684,656**	132,661,755
	5,542,141,898	7,548,972,120

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

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

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

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

19 Borrowings

	As at 31 December	
	2023	2022
	HK$	HK$
Non-current		
Unsecured bank borrowings	**3,839,479,423**	2,800,715,036
Loans from a related party (Note 32(c))	**–**	88,282,378
Total non-current borrowings	**3,839,479,423**	2,888,997,414
Current		
Portion of loans from banks due for repayment within one year		
– Unsecured	**331,660,083**	299,246,812
Portion of loans from a related party due for repayment within one year (Note 32(c))		
– Unsecured	**85,051,091**	700,000,000
Total current borrowings	**416,711,174**	999,246,812
Total borrowings	**4,256,190,597**	3,888,244,226

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

19 Borrowings *(continued)*

(a) The maturity of borrowings is as follows:

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

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

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

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

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

19 Borrowings *(continued)*

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

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

20 Deferred income tax

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

	As at 31 December	
	2023	2022
	HK$	HK$
Deferred income tax assets		
– Deferred income tax assets to be recovered after 12 months	**120,612,305**	104,223,914
– Deferred income tax assets to be recovered within 12 months	**660,282,430**	525,527,531
	780,894,735	629,751,445
Set-off of deferred tax liabilities pursuant to set-off provisions	**(29,166,208)**	–
	751,728,527	629,751,445
Deferred income tax liabilities		
– Deferred income tax liabilities to be settled after 12 months	**(212,368,870)**	(200,437,400)
– Deferred income tax liabilities to be settled within 12 months	**(26,136,289)**	(14,855,679)
	(238,505,159)	(215,293,079)
Set-off of deferred tax liabilities pursuant to set-off provisions	**29,166,208**	–
	(209,338,951)	(215,293,079)
Deferred income tax assets, net	**542,389,576**	414,458,366

20 Deferred income tax *(continued)*

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

	For the year ended 31 December 2023 HK$	2022 HK$
Beginning of the year	**414,458,366**	369,990,286
Credited to the consolidated statement of comprehensive income	**134,803,145**	83,979,041
Exchange differences	**(6,871,935)**	(39,510,961)
End of the year	**542,389,576**	414,458,366

The movement of the deferred tax assets is as follows:

	Impairment of assets HK$	Deferred government grants HK$	Unrealised profits – inter-company sales of inventories HK$	Unrealised profits – inter-company sales of property, plant and equipment HK$	Accrued expenses HK$	Taxable loss carried forward HK$	Share option expenses HK$	Retirement benefit obligation HK$	Accelerated depreciation HK$	Capital reinvestment allowance HK$	Lease liabilities HK$	Total HK$
At 31 December 2021 and 1 January 2022	47,934,165	58,773,430	25,425,856	24,438,508	260,345,453	118,687,774	1,667,184	994,315	29,914,566	–	–	568,181,251
Credited/(charged) to the consolidated statement of comprehensive income	(703,810)	(92,437)	6,364,586	(1,982,927)	64,013,810	24,224,830	(1,667,184)	(27,693)	8,859,518	12,377,568	–	111,366,261
Exchange differences	(3,972,954)	(4,975,616)	(2,371,041)	(2,002,551)	(22,807,293)	(10,665,253)	–	(94,887)	(2,836,422)	(70,050)	–	(49,796,067)
At 31 December 2022	43,257,401	53,705,377	29,419,401	20,453,030	301,551,970	132,247,351	–	871,735	35,937,662	12,307,518	–	629,751,445
At 31 December 2022 and 1 January 2023	**43,257,401**	**53,705,377**	**29,419,401**	**20,453,030**	**301,551,970**	**132,247,351**	**-**	**871,735**	**35,937,662**	**12,307,518**	**-**	**629,751,445**
Credited/(charged) to the consolidated statement of comprehensive income	**1,235,149**	**1,572,419**	**(15,311,154)**	**(3,197,977)**	**(55,754,849)**	**208,343,685**	**-**	**(521)**	**5,717,229**	**(11,974,027)**	**31,167,574**	**161,797,528**
Exchange differences	**(640,018)**	**(776,354)**	**(333,766)**	**(274,180)**	**(4,471,006)**	**(3,085,626)**	**-**	**3,038**	**(545,906)**	**(333,491)**	**(196,929)**	**(10,654,238)**
At 31 December 2023	**43,852,532**	**54,501,442**	**13,774,481**	**16,980,873**	**241,326,115**	**337,505,410**	**-**	**874,252**	**41,108,985**	**-**	**30,970,645**	**780,894,735**

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$23,164,139 (2022: HK$21,659,670) in respect of losses amounting to HK$94,497,326 (2022: HK$87,468,654), which are not subject to expiration, that can be carried forward against future taxable income.

20 Deferred income tax *(continued)*

The movement of the deferred tax liabilities is as follows:

	Interest capitalised HK$	Fair value gains through business combination HK$	Decelerated capital expenditure HK$	Actuarial gains on defined benefit plans HK$	Unrealised foreign exchange loss HK$	Right of use assets HK$	Total HK$
At 31 December 2021 and 1 January 2022	36,968,116	122,636,896	36,758,730	594,425	1,232,798	–	198,190,965
Charged/(credited) to the consolidated statement of comprehensive income	3,746,988	(10,071,239)	32,113,171	217,461	1,380,839	–	27,387,220
Exchange differences	(3,171,786)	(4,796,213)	(2,178,708)	(63,553)	(74,846)	–	(10,285,106)
At 31 December 2022	37,543,318	107,769,444	66,693,193	748,333	2,538,791	–	215,293,079
At 31 December 2022 and 1 January 2023	**37,543,318**	**107,769,444**	**66,693,193**	**748,333**	**2,538,791**	**–**	**215,293,079**
Charged/(credited) to the consolidated statement of comprehensive income	**(968,234)**	**(10,201,162)**	**8,757,519**	**97,681**	**(40,662)**	**29,349,241**	**26,994,383**
Exchange differences	**(593,563)**	**(393,135)**	**(2,523,519)**	**3,474**	**(92,527)**	**(183,033)**	**(3,782,303)**
At 31 December 2023	**35,981,521**	**97,175,147**	**72,927,193**	**849,488**	**2,405,602**	**29,166,208**	**238,505,159**

Deferred income tax liabilities of HK$311,728,970 (2022: HK$302,629,429) 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$6,234,579,395 as at 31 December 2023 (2022: HK$6,013,765,103).

21 Deferred government grants

	HK$
At 1 January 2022	
Cost	404,682,671
Accumulated amortisation	(129,258,954)
Net book amount	275,423,717
Year ended 31 December 2022	
Opening net book amount	275,423,717
Additions	22,939,702
Amortisation (Note 23)	(27,216,106)
Exchange differences	(23,185,553)
Closing net book amount	247,961,760
At 31 December 2022	
Cost	392,558,411
Accumulated amortisation	(144,596,651)
Net book amount	247,961,760
Year ended 31 December 2023	
Opening net book amount	**247,961,760**
Additions	**44,425,653**
Amortisation (Note 23)	**(30,146,656)**
Exchange differences	**(3,624,205)**
Closing net book amount	**258,616,552**
At 31 December 2023	
Cost	**431,122,964**
Accumulated amortisation	**(172,506,412)**
Net book amount	**258,616,552**

In 2023, certain subsidiaries of the Group received government grants with total amount of RMB40,031,600 (2022: RMB19,792,100). The government grant was recorded as deferred government grants and credited to the consolidated statement of comprehensive income on a straight-line basis over the expected useful lives of the corresponding property, plant and equipment or land use right.

22 Long-term incentive plans

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

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

A total of 11,684,000 Option Equivalent Units ("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 2023, the fair value of OEU granted was HK$4.55 determined by using the Binomial Model.

The significant inputs into the model were share price at the valuation date, the grant price, volatility of 41%, dividend yield of 1.96%, and annual risk-free interest rate of 3.11%. The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices of the Company over relevant period matching the life of the incentive plan.

(ii) On 20 July 2022, the Board of Directors approved a cash settled long term incentive plan for specific employees.

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

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

The significant inputs into the model were share price at the valuation date, the grant price, volatility of 41%, dividend yield of 1.74%, and annual risk-free interest rate of 2.92%. The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices of the Company over relevant period matching the life of the incentive plan.

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

23 Other income and losses – net

	For the year ended 31 December	
	2023	2022
	HK$	HK$
Subsidy income received from local government	**116,847,970**	117,643,982
Amortisation of deferred government grants (Note 21)	**30,146,656**	27,216,106
Gain on disposal of property, plant and equipment	**794,737**	1,063,611
Foreign exchange loss – net	**(37,005,707)**	(75,525,885)
Rental income	**1,440,438**	1,005,189
Depreciation of investment properties (Note 9)	**(1,232,557)**	(715,993)
Others	**14,534,827**	6,058,513
	125,526,364	76,745,523

24 Expenses by nature

	For the year ended 31 December	
	2023	2022
	HK$	HK$
Raw materials and trading merchandise consumed	**11,087,278,772**	10,300,989,656
Staff costs (Note 25)	**2,121,523,243**	1,985,346,018
Promotion expenses	**1,456,200,293**	1,439,798,011
Transportation expenses	**1,332,883,136**	1,377,938,361
Utilities	**1,328,954,205**	1,364,743,920
Depreciation of property, plant and equipment (Note 6)	**1,146,998,418**	1,086,204,500
Spare parts, repair and maintenance	**320,445,254**	285,752,757
Advertising costs	**128,386,536**	144,051,988
Amortisation of intangible assets (Note 8)	**104,386,395**	111,540,728
Depreciation of right-of-use assets (Note 7)	**91,978,332**	98,647,774
Travel and office expenses	**75,328,755**	57,517,322
Real estate tax, stamp duty and other taxes	**68,147,501**	54,501,012
Contracted processing expenses	**42,534,631**	50,430,349
Short-term and low-value lease expenses (Note 7)	**20,430,620**	31,636,407
Auditor's remuneration – Audit services	**8,512,266**	8,786,403
Bank charges	**3,704,391**	2,983,071
Auditor's remuneration – Non-audit services	**1,899,625**	1,584,879
Provision/(reversal of provision) for write-down of inventories (Note 11)	**1,464,938**	(4,065,034)
Other expenses	**335,466,989**	284,951,429
Total cost of sales, selling and marketing costs and administrative expenses	**19,676,524,300**	18,683,339,551

25 Employee benefit expenses

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

	For the year ended 31 December	
	2023	2022
	HK$	HK$
Wages, salaries and bonus	**1,671,779,225**	1,544,713,139
Social security and benefits for the PRC employees	**301,967,175**	279,955,312
Staff welfare	**82,253,123**	89,080,686
Defined contribution for overseas employees	**32,876,031**	32,616,923
Long-term incentive plans	**28,384,995**	34,202,350
Defined contribution for HKSAR employees – MPF	**2,832,519**	3,282,664
Defined benefits for overseas employees	**1,430,175**	1,494,944
	2,121,523,243	1,985,346,018

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2023 include 3 directors and 2 senior management (2022: 2 directors and 3 senior management) whose emoluments are reflected in the analysis disclosed in Notes 32 and 34. The emoluments payable to non-director individuals amongst five highest paid individuals during the year are as follows:

	For the year ended 31 December	
	2023	2022
	HK$	HK$
– Basic salaries, housing allowances, other allowances and benefits-in-kind	**11,832,836**	16,342,181
– Long-term incentive plans	**3,659,806**	3,308,500
– Others	**108,556**	158,888
	15,601,198	19,809,569

(b) Employee benefits

(i) 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.

25 Employee benefit expenses *(continued)*

(b) Employee benefits *(continued)*

(i) Post-employment benefits *(continued)*

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.

(ii) Defined contribution plan

In accordance with the rules and regulations in 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.

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.

(iii) Defined benefit obligation

The abolition of the use of the accrued benefits derived from employers' "mandatory" contributions to MPF to offset the LSP and severance payment (the "Amendment") accrued from the transition date (no later than 2025) was enacted on 17 June 2022. As the LSP is a defined benefit plan, the Amendment changes the employer's legal obligation which is considered as a plan amendment under HKAS 19.

The long service payment liabilities are discounted to determine the present value and reduced by entitlements accrued under the Company's pension scheme that is attributable to contributions made by the Company. Gains and losses arising from experience adjustments and changes in assumptions are credited or charged to other comprehensive income in the year which they arise, respectively. Past service costs are recognised as an expense on a straight-line basis over the average period until the benefit become vested.

25 Employee benefit expenses *(continued)*

(b) Employee benefits *(continued)*

(iv) 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.

(v) 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.

26 Finance income and costs – net

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

27 Taxation

(a) Income tax expense

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

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

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	
	2023	2022
	HK$	HK$
Profit before income tax	**287,610,597**	746,866,956
Tax calculated at applicable tax rate	**23,310,221**	138,441,263
HNTE and R&D tax benefits	**(34,883,046)**	(101,152,399)
Income not subject to tax	**(2,358,039)**	(5,430,987)
Expenses not deductible for tax purposes	**29,624,798**	14,073,176
Unrecognised tax losses	**1,199,727**	4,362,960
Utilisation of previously unrecognised tax losses	**(172,175)**	(118,442)
Expiry of recognised tax losses	**11,097,646**	–
Tax filing difference for prior year	**1,977,188**	1,168,537
Withholding tax	**6,166,061**	6,577,510
Capital reinvestment allowance	**(1,503,304)**	(17,094,164)
Income tax expense	**34,459,077**	40,827,454

27 Taxation *(continued)*

(a) Income tax expense *(continued)*

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

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

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

(b) VAT

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

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

28 Earnings per share

(a) Basic

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

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

28 Earnings per share *(continued)*

(b) Diluted

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

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

29 Dividends

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

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

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

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

30 Cash flow information

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

	For the year ended 31 December	
	2023	2022
	HK$	HK$
Profit before income tax	**287,610,597**	746,866,956
Adjustments for:		
– Depreciation of property, plant and equipment (Note 6)	**1,146,998,418**	1,086,204,500
– Depreciation of investment properties (Note 9)	**1,232,557**	715,993
– Amortisation of intangible assets (Note 8)	**104,386,395**	111,540,728
– Depreciation of right-of-use assets (Note 7)	**91,978,332**	98,647,774
– Amortisation of deferred government grants (Note 21)	**(30,146,656)**	(27,216,106)
– Gain on disposals of property, plant and equipment (Note 23)	**(794,737)**	(1,063,611)
– (Gain)/loss on disposal of right-of-use assets	**(282,677)**	166,213
– Provision for impairment of receivables (Note 3.1)	**24,090,933**	4,448,991
– Provision/(reversal of provision) for write-down of inventories (Note 24)	**1,464,938**	(4,065,034)
– Share of post-tax loss of an associate	**1,513**	49,301
– Net finance costs and exchange losses	**173,405,047**	135,126,172
	1,799,944,660	2,151,421,877
Changes in working capital (excluding the effect of exchange differences on consolidation):		
– Decrease/(increase) in inventories	**2,287,243,519**	(1,918,655,030)
– Decrease/(increase) in trade, notes, and other receivables, and prepayments	**21,436,763**	(224,316,272)
– Decrease in due from related parties	**11,458,894**	2,186,672
– (Decrease)/increase in trade payables, other payables and accrued expenses and contract liabilities	**(1,843,819,736)**	2,388,935,336
– Decrease in due to related parties	**(3,939,473)**	(200,661)
Cash generated from operations	**2,272,324,627**	2,399,371,922

30 Cash flow information *(continued)*

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

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

	For the year ended 31 December 2023 HK$	2022 HK$
Net book amount of property, plant and equipment (Note 6)	**1,631,377**	3,349,338
Gain on disposal of property, plant and equipment (Note 23)	**794,737**	1,063,611
Net book amount of intangible assets (Note 8)	**142,403**	–
Proceeds from disposal of property, plant and equipment and intangible assets	**2,568,517**	4,412,949

(c) Reconciliation of liabilities arising from financing activities

	Leases HK$	Bank borrowings HK$	Loans from a related party HK$	Total HK$
As at 1 January 2022	205,193,159	3,802,747,944	993,358,611	5,001,299,714
Cash flows				
– Inflow from financing activities	–	4,711,269,760	–	4,711,269,760
– Outflow from financing activities	(74,480,171)	(5,202,906,642)	(200,000,000)	(5,477,386,813)
Recognition of right-of-use assets	34,866,233	–	–	34,866,233
Currency translations	(10,609,077)	(211,149,214)	(5,076,233)	(226,834,524)
As at 31 December 2022	154,970,144	3,099,961,848	788,282,378	4,043,214,370
Cash flows				
– Inflow from financing activities	**–**	**4,074,955,423**	**–**	**4,074,955,423**
– Outflow from financing activities	**(69,837,382)**	**(2,949,414,411)**	**(700,000,000)**	**(3,719,251,793)**
Recognition of right-of-use assets	**47,042,237**	**–**	**–**	**47,042,237**
Currency translations	**728,015**	**(54,363,354)**	**(3,231,287)**	**(56,866,626)**
As at 31 December 2023	**132,903,014**	**4,171,139,506**	**85,051,091**	**4,389,093,611**

31 Capital commitments

	As at 31 December	
	2023	2022
	HK$	HK$
Property, plant and equipment and intangible assets	**270,924,607**	550,351,953

32 Related party transactions

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

Name of related party	Relationship
Uni-Charm Mölnlycke KK ("Uni-Charm")	Subsidiary of Essity Aktiebolag (publ)
Essity Australasia Pte Ltd (formerly known as Asaleo Care Fiji Limited)	Subsidiary of Essity Aktiebolag (publ)
Essity Australasia Limited (formerly known as Asaleo Care New Zealand Ltd)	Subsidiary of Essity Aktiebolag (publ)
Essity Hygiene and Health AB ("Essity HH")	Subsidiary of Essity Aktiebolag (publ)
Essity Australasia Pty Ltd (formerly known as 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)
Productos Familia, S.A., Colombia	Subsidiary of Essity Aktiebolag (publ)
Essity Canada Inc.	Subsidiary of Essity Aktiebolag (publ)
Essity Operations Gennep B.V. ("Essity OG B.V.")	Subsidiary of Essity Aktiebolag (publ)
Essity Operations Hoogezand B.V. ("Essity Hoogezand B.V.")	Subsidiary of Essity Aktiebolag (publ)
Essity Netherlands B.V.	Subsidiary of Essity Aktiebolag (publ)
Essity Poland Sp.z o.o.	Subsidiary of Essity Aktiebolag (publ)
Essity Operations Mainz-Kostheim GmbH ("Essity Kostheim")	Subsidiary of Essity Aktiebolag (publ)
Essity Italy SpA	Subsidiary of Essity Aktiebolag (publ)
Essity Turkey Hijyen Urunleri Sanayi Ve Ticaret A. S. ("Essity Turkey")	Subsidiary of Essity Aktiebolag (publ)
Essity Operations Le Theil	Subsidiary of Essity Aktiebolag (publ)
Essity Slovakia s.r.o.	Subsidiary of Essity Aktiebolag (publ)
Essity Operations France	Subsidiary of Essity Aktiebolag (publ)
Essity Treasury AB	Subsidiary of Essity Aktiebolag (publ)
Vinda Health (Guangdong) Ltd. (i)	Associate of the Group
Essity GmbH	Subsidiary of Essity Aktiebolag (publ)

(i) Due to the acquisition of Vinda Health (Guangdong) Ltd., this company ceased to be related party of the Group from June 2023.

32 Related party transactions *(continued)*

(b) Significant related party transactions

In the opinion of the Company's directors, the related party transactions were conducted in the ordinary course of business and based on terms mutually agreed by the underlying parties. Significant related party transactions of the Group during the year ended 31 December 2023 include:

(1) Sales of products to related parties:

	For the year ended 31 December	
	2023	2022
	HK$	HK$
– Uni-Charm	**76,609,081**	120,519,638
– Essity Australasia Pte Ltd	**26,649,587**	25,625,407
– Essity Australasia Limited	**17,307,737**	22,034,310
– Essity HH	**15,687,498**	3,003
– Essity Australasia Pty Ltd	**15,537,307**	18,062,275
– Essity Mexico	**4,688,963**	11,948,723
– Productos Familia, S.A., Colombia	**2,018,125**	8,918,013
– Essity Canada Inc.	**991,895**	1,554,497
– Essity OG B.V.	**325,128**	1,610,081
– Essity Hoogezand B.V.	**–**	840,241
	159,815,321	211,116,188

32 Related party transactions *(continued)*

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

(2) Purchase of products from related parties:

	For the year ended 31 December	
	2023	2022
	HK$	HK$
– Essity Netherlands B.V.	**50,466,185**	56,360,665
– Essity HH	**24,713,483**	31,414,378
– Essity OG B.V.	**24,336,850**	17,959,789
– Essity Poland Sp.z o.o.	**23,443,786**	29,254,234
– Essity Kostheim	**22,281,251**	34,554,944
– Productos Familia, S.A., Colombia	**9,727,594**	27,496,642
– Essity Italy SpA	**4,553,109**	–
– Essity Mexico	**4,211,818**	9,853,648
– Essity Turkey	**2,413,313**	2,028,065
– Essity Operations Le Theil	**480,611**	–
– Essity Slovakia s.r.o.	**451,776**	–
– Essity Operations France	**315,081**	1,715,902
	167,394,857	210,638,267

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

	For the year ended 31 December	
	2023	2022
	HK$	HK$
– Essity HH	**17,844,946**	17,614,671

(4) IT costs charged by a related party:

	For the year ended 31 December	
	2023	2022
	HK$	HK$
– Essity HH	**474,463**	446,144

32 Related party transactions *(continued)*

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

(5) Loans repaid to a related party:

	For the year ended 31 December	
	2023	2022
	HK$	HK$
– Essity Treasury AB	**700,000,000**	200,000,000

The Group made three loan repayments with principal amounts of HK$100,000,000, HK$300,000,000 and HK$300,000,000. These loan's maturity dates are 10 March 2023, 10 May 2023 and 8 November 2023 respectively. The weighted average interest rate is 4.53%.

(6) Interest expenses accrued to a related party:

	For the year ended 31 December	
	2023	2022
	HK$	HK$
– Essity Treasury AB	**21,350,371**	20,574,199

(7) Interest expenses paid to a related party:

	For the year ended 31 December	
	2023	2022
	HK$	HK$
– Essity Treasury AB	**25,903,456**	16,765,308

32 Related party transactions *(continued)*

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

(8) Key management compensation:

	For the year ended 31 December	
	2023	2022
	HK$	HK$
Directors		
– Basic salaries, housing allowances, other allowances, benefits-in-kind, pensions and other benefits	**29,968,017**	37,245,697
– Long-term incentive plans	**15,171,178**	9,612,554
Senior management		
– Basic salaries, housing allowances, other allowances, benefits-in-kind, pensions and other benefits	**32,174,242**	53,800,451
– Long-term incentive plans	**10,104,583**	7,397,050
	87,418,020	108,055,752

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

	Number of individuals	
	2023	2022
– HK$1,500,000 to HK$2,000,000	**1**	1
– Above HK$2,000,000	**9**	9

No emoluments have been paid to directors and senior management as an inducement to join or upon joining the Group or as compensation for loss of office for the years ended 31 December 2023 and 2022.

32 Related party transactions *(continued)*

(c) Year-end balances with related parties

	As at 31 December	
	2023	2022
	HK$	HK$
(1) Trade and other receivables from related parties:		
– Essity HH	**7,962,968**	4,787,186
– Uni-Charm	**7,243,370**	22,885,915
– Essity Australasia Pte Ltd	**5,540,777**	2,001,561
– Essity Australasia Pty Ltd	**3,047,696**	3,460,413
– Essity Mexico	**1,850,670**	2,683,869
– Essity Australasia Limited	**1,112,064**	3,491,752
– Productos Familia, S.A., Colombia	**824,682**	549,618
– Essity Canada Inc.	**658,817**	157,093
– Vinda Health (Guangdong) Ltd.	**–**	225,171
	28,241,044	40,242,578

All the above receivables are aged within 3 months based on invoice date as at 31 December 2023 and 31 December 2022.

32 Related party transactions *(continued)*

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

	As at 31 December	
	2023	2022
	HK$	HK$
(2) Trade and other payables to related parties		
– Essity Poland Sp.z o.o.	**3,480,181**	2,770,089
– Essity HH	**2,873,094**	2,336,119
– Essity Netherlands B.V.	**2,809,245**	4,762,182
– Essity OG B.V.	**1,348,957**	2,378,823
– Productos Familia, S.A., Colombia	**1,268,268**	1,661,113
– Essity Mexico	**615,543**	178,368
– Essity Kostheim	**933,546**	3,038,110
– Essity Operations Le Theil	**172,924**	–
– Essity Italy SpA	**128,006**	–
– Essity GmbH	**3,816**	–
– Uni-Charm	**2,867**	5,827
– Essity Operations France	**–**	437,383
– Essity Turkey	**–**	235,351
	13,636,447	17,803,365

All the above payables are aged within 3 months based on invoice date as at 31 December 2023 and 31 December 2022.

	As at 31 December	
	2023	2022
	HK$	HK$
(3) Loans from a related party		
– Essity Treasury AB	**85,051,091**	788,282,378
(4) Interest payable to a related party		
– Essity Treasury AB	**147,523**	4,705,798

(a) Due to repayment of loans in 2023 with principal amount of HK$700,000,000, loans from a related party as at 31 December 2023 represented the remaining loans with principal of MYR50,000,000 (HK$85,051,091). The weighted average interest rate is 4.67%. This loans is due on 18 December 2024.

33 Balance sheet and reserve movement of the Company

	As at 31 December	
	2023	2022
	HK$	HK$
ASSETS		
Non-current assets		
Investments in and balances with subsidiaries	**3,628,151,665**	3,680,750,056
Current assets		
Prepayments	**8,008,380**	10,624,139
Dividends receivable	**150,000,000**	480,000,000
Due from subsidiaries	**580,188,764**	186,479,784
Cash and cash equivalents	**224,841**	449,112
	738,421,985	677,553,035
Total assets	**4,366,573,650**	4,358,303,091
EQUITY		
Capital and reserves attributable to the Company's equity holders		
Share capital	**120,328,537**	120,327,537
Share premium	**4,497,509,829**	4,497,368,699
Other reserves (Note (a))	**(881,585,071)**	(502,886,945)
Total equity	**3,736,253,295**	4,114,809,291
LIABILITIES		
Current liabilities		
Other payables and accrued expenses	**33,278,813**	972,657
Due to subsidiaries	**597,041,542**	242,521,143
	630,320,355	243,493,800
Total liabilities	**630,320,355**	243,493,800
Total equity and liabilities	**4,366,573,650**	4,358,303,091

The balance sheet of the Company was approved by the Board of Directors on 24 January 2024 and were signed on its behalf.

LI Chao Wang
Director

LI Jielin
Director

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

Note(a) Reserve movement of the Company

	Translation reserve HK$	Retained earnings HK$	Employee option reserve HK$	Total HK$
At 1 January 2022	(497,901,664)	525,872,700	17,172,975	45,144,011
Employee share options scheme:				
– Exercise of options	–	–	(10,347,480)	(10,347,480)
Dividends	–	(601,637,686)	–	(601,637,686)
Profit for the year	–	452,696,122	–	452,696,122
Currency translation differences	(388,741,912)	–	–	(388,741,912)
At 31 December 2022	(886,643,576)	376,931,136	6,825,495	(502,886,945)
At 1 January 2023	**(886,643,576)**	**376,931,136**	**6,825,495**	**(502,886,945)**
Employee share options scheme:				
– Exercise of options	**–**	**6,786,765**	**(6,825,495)**	**(38,730)**
Dividends	**–**	**(481,314,149)**	**–**	**(481,314,149)**
Profit for the year	**–**	**127,551,781**	**–**	**127,551,781**
Currency translation differences	**(24,897,028)**	**–**	**–**	**(24,897,028)**
At 31 December 2023	**(911,540,604)**	**29,955,533**	**–**	**(881,585,071)**

34 Benefits and interests of directors

(a) Directors' emoluments

	For the year ended 31 December	
	2023 HK$	2022 HK$
Directors		
– Basic salaries, housing allowances, other allowances and benefits-in-kind	**29,085,882**	36,363,502
– Long-term incentive plans	**15,171,178**	9,612,554
– Others	**882,135**	882,195
	45,139,195	46,858,251

34 Benefits and interests of directors *(continued)*

(a) Directors' emoluments *(continued)*

The remuneration of every director is set out below:

For the year ended 31 December 2023

	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	–	5,127,980	1,304,558	60,388	256,399	4,621,472	11,370,797
Executive directors							
– Ms. YU Yi Fang	–	3,327,350	846,478	51,000	166,368	2,964,117	7,355,313
– Ms. LI Jielin	–	5,500,000	1,399,200	406,320	293,000	4,621,472	12,219,992
– Mr. DONG Yi Ping	–	3,327,350	846,478	32,344	166,368	2,964,117	7,336,657
Non-executive directors							
– Mr. Jan Christer JOHANSSON	3,180,692	–	–	–	–	–	3,180,692
– Mr. Carl Magnus GROTH	–	–	–	–	–	–	–
– Mr. Carl Fredrik Stenson RYSTEDT	–	–	–	–	–	–	–
– Mr. Johann Christoph MICHALSKI	–	1,984,500	–	–	–	–	1,984,500
Independent non-executive directors							
– Mr. Cao Zhenlei	370,311	–	–	–	–	–	370,311
– Mr. WONG Kwai Huen, Albert	470,311	–	–	–	–	–	470,311
– Mr. TSUI King Fai	420,311	–	–	–	–	–	420,311
– Mr. LAW Hong Ping, Lawrence	430,311	–	–	–	–	–	430,311
Alternate directors							
– Mr. Gert Mikael SCHMIDT	–	–	–	–	–	–	–
– Mr. Dominique Michel Jean DESCHAMPS	–	–	–	–	–	–	–
	4,871,936	19,267,180	4,396,714	550,052	882,135	15,171,178	45,139,195

34 Benefits and interests of directors *(continued)*

(a) Directors' emoluments *(continued)*

For the year ended 31 December 2022

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

Notes:

(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) For the year ended 31 December 2023 and 2022, 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.

34 Benefits and interests of directors *(continued)*

(b) Directors' termination benefits

There were no termination benefits paid to any director at any time during the year ended 31 December 2023 and 2022.

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

During the year ended 31 December 2023 and 2022, 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.

35 Summary of other potentially material accounting policies

35.1 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. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred and fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

35 Summary of other potentially material accounting policies *(continued)*

35.1 Subsidiaries *(continued)*

The excess of the consideration transferred and acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

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.

35.2 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.

35.3 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'.

35 Summary of other potentially material accounting policies *(continued)*

35.3 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.

35.4 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.

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 35.8).

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.

35 Summary of other potentially material accounting policies *(continued)*

35.5 Intangible assets

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).

35.6 Investment properties

Investment properties are initially measured at cost, including related transaction costs and where applicable borrowing costs. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses.

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

35.7 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.

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

35 Summary of other potentially material accounting policies *(continued)*

35.7 Leases *(continued)*

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.

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.

35.8 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.

35 Summary of other potentially material accounting policies *(continued)*

35.9 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.

35.10 Financial assets

35.10.1 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.

35.10.2 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.

35 Summary of other potentially material accounting policies *(continued)*

35.10 Financial assets *(continued)*

35.10.3 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.

35.10.4 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.

35.11 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.

35 Summary of other potentially material accounting policies *(continued)*

35.12 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 35.10 for further information about the Group's accounting for trade, notes and other receivables and impairment policies.

35.13 Cash and cash equivalents

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

35.14 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.

35.15 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.

35.16 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.

35 Summary of other potentially material accounting policies *(continued)*

35.16 Borrowings and borrowing costs *(continued)*

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.

35.17 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.

35 Summary of other potentially material accounting policies *(continued)*

35.17 Share-based payments *(continued)*

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 based on the estimated number of rights that are expected to vest. The liabilities are presented as employee benefit obligations and remeasured to fair value at each reporting date, with any measurement changes recognised in profit or loss as employee benefit expense. In estimating the fair value, market conditions and non-vesting conditions are taken into account. Where share appreciation rights are forfeited due to a failure by the employee to satisfy the service conditions, the liability is derecognised and expenses previously recognised are reversed.

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.

35.18 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.

35 Summary of other potentially material accounting policies *(continued)*

35.19 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.

35.20 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.

35.21 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.

35 Summary of other potentially material accounting policies *(continued)*

35.21 Current and deferred income tax *(continued)*

(b) Deferred income tax *(continued)*

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.

35.22 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.

35.23 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.

Consolidated Statement of Comprehensive Income

	For the year ended 31 December				
	2019 HK$	2020 HK$	2021 HK$	2022 HK$	**2023** **HK$**
Revenue	16,074,288,277	16,511,676,772	18,675,739,458	19,417,559,563	**19,999,100,319**
Cost of sales	(11,089,036,453)	(10,288,905,938)	(12,079,392,782)	(13,934,355,595)	**(14,747,699,693)**
Gross profit	4,985,251,824	6,222,770,834	6,596,346,676	5,483,203,968	**5,251,400,626**
Selling and marketing costs	(2,575,268,219)	(2,960,719,996)	(3,672,134,223)	(3,837,322,482)	**(3,890,392,804)**
Administrative expenses	(856,145,835)	(952,159,970)	(957,701,901)	(911,661,474)	**(1,038,431,803)**
Net impairment losses on financial assets	(1,540,148)	1,032,625	(24,720,800)	(4,448,991)	**(24,090,933)**
Other income and losses – net	17,291,041	141,770,328	101,696,044	76,745,523	**125,526,364**
Operating profit	1,569,588,663	2,452,693,821	2,043,485,796	806,516,544	**424,011,450**
Finance income and costs – net	(198,620,467)	(126,180,098)	(93,686,208)	(59,600,287)	**(136,399,340)**
Share of post-tax loss of an associate	(208,240)	(177,842)	(225,086)	(49,301)	**(1,513)**
Profit before income tax	1,370,759,956	2,326,335,881	1,949,574,502	746,866,956	**287,610,597**
Income tax expense	(232,443,563)	(452,006,637)	(311,209,930)	(40,827,454)	**(34,459,077)**
Profit attributable to equity holders of the Company	1,138,316,393	1,874,329,244	1,638,364,572	706,039,502	**253,151,520**
Other comprehensive income:					
Item that may be reclassified to profit or loss					
Currency translation differences	(157,128,714)	647,626,892	253,638,907	(1,152,993,589)	**(240,767,945)**
Item that will not be reclassified subsequently to profit or loss					
Remeasurements of post-employment benefit obligations	(222,560)	679,492	965,695	1,954,733	**(412,294)**
Total comprehensive income attributable to equity holders of the Company	980,965,119	2,522,635,628	1,892,969,174	(444,999,354)	**11,971,281**

Consolidated Balance Sheet

	As at 31 December				
	2019	2020	2021	2022	**2023**
	HK$	HK$	HK$	HK$	**HK$**
ASSETS					
Property, plant and equipment	8,858,171,961	10,117,404,823	11,225,685,513	10,353,535,314	**10,045,005,752**
Right-of-use assets	1,250,456,963	1,366,419,837	1,375,505,525	1,221,438,469	**1,135,354,163**
Leasehold land and land use rights	–	–	–	–	**–**
Intangible assets	2,780,086,369	2,746,074,511	2,646,685,234	2,456,705,131	**2,341,634,862**
Deferred income tax assets	456,674,351	515,206,860	568,181,251	629,751,445	**751,728,527**
Investment properties	4,039,119	3,167,484	2,421,930	40,173,068	**1,910,231**
Investment in an associate	2,525,619	2,347,777	2,122,690	2,030,636	**–**
Inventories	3,223,321,363	4,773,880,408	4,426,626,084	6,014,823,036	**3,662,494,791**
Trade and notes receivables	1,916,318,675	2,435,038,930	2,364,447,931	2,339,665,339	**1,983,893,729**
Other receivables	237,999,919	302,577,542	408,932,536	483,237,455	**633,764,209**
Prepayments	59,439,391	71,020,270	91,065,446	100,093,982	**188,482,232**
Due from related parties	32,065,779	39,063,829	43,969,461	40,242,578	**28,241,044**
Cash and cash equivalents	460,387,446	749,399,329	1,025,327,689	606,947,407	**1,375,581,365**
Total Assets	19,281,486,955	23,121,601,600	24,180,971,290	24,288,643,860	**22,148,090,905**
EQUITY					
Capital and reserves attributable to the Company's equity holders					
Share capital	119,510,337	119,947,437	120,126,537	120,327,537	**120,328,537**
Share premium	4,356,240,018	4,428,374,681	4,458,961,619	4,497,368,699	**4,497,509,829**
Other reserves	4,987,460,947	7,119,034,916	8,439,573,727	7,382,589,207	**6,913,207,609**
Total equity	9,463,211,302	11,667,357,034	13,018,661,883	12,000,285,443	**11,531,045,975**
LIABILITIES					
Long-term borrowings	2,297,063,820	2,890,391,162	2,936,090,168	2,800,715,036	**3,839,479,423**
Long-term loans from a related party	1,274,928,072	96,080,272	993,358,611	88,282,378	**–**
Long-term lease liabilities	119,942,991	129,563,570	135,989,954	99,385,024	**83,616,575**
Deferred government grants	266,342,534	284,876,449	275,423,717	247,961,760	**258,616,552**
Deferred income tax liabilities	193,616,342	200,344,900	198,190,965	215,293,079	**209,338,951**
Post-employment benefits	26,952,299	15,983,243	9,372,989	6,960,500	**7,949,472**
Other non-current liabilities	29,214,726	2,253,625	15,848,793	3,200,341	**24,171,116**
Other current liabilities	5,610,214,869	7,834,751,345	6,598,034,210	8,826,560,299	**6,193,872,841**
Total Liabilities	9,818,275,653	11,454,244,566	11,162,309,407	12,288,358,417	**10,617,044,930**
Total equity and liabilities	19,281,486,955	23,121,601,600	24,180,971,290	24,288,643,860	**22,148,090,905**