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Vinda International Holdings Limited
維達國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3331)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

HIGHLIGHTS

- **Strong performance in all regions despite challenging environment**
 - Total revenue increased by 3.7% (at constant exchange rate)
 - Strong Q4 performance with organic growth¹ in revenue achieving 12.7%
 - Continued increasing contribution from premium tissue portfolio
 - Good underlying momentum in personal care business
 - Absolute leading market position on e-commerce channels
- **Significant profitability improvement attributable to continuous product mix enhancement and lower raw material costs**
 - Gross profit increased by 24.8% to HK\$6,223 million, with the gross margin increasing by 6.7 percentage points (“ppts”) to 37.7%
 - Operating profit rose by 56.3% to HK\$2,453 million while the operating margin was up by 5.1 ppts to 14.9%
 - Net profit grew by 64.7% to HK\$1,874 million and net margin increased by 4.3 ppts to 11.4%
- **Net gearing ratio² dropped by 5.1 ppts to 35.9% (2019: 41.0%)**
- **Basic earnings per share grew by 64.2% to 156.5 HK cents (2019: 95.3 HK cents)**
- **Total dividend per share for the Year increased to 47 HK cents (2019: 28 HK cents)**

The Board of Directors (the “**Board**”) of Vinda International Holdings Limited (“**Vinda**” or the “**Company**”) is pleased to present the audited annual results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2020 (the “**Year**”).

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

The outbreak of the COVID-19 pandemic in 2020 created an abnormally volatile operating environment along with increasingly fierce market competition. However, the resilient nature of our business, coupled with continuous innovation, optimized portfolio mix, and softening wood pulp price, resulted in the Group’s significantly improved profitability in terms of both gross margin and net margin, which recorded strong growth.

Financial Highlights

Total revenue increased by 2.7% (growth at a constant exchange rate: 3.7%) to HK\$16,512 million.

In terms of business segments, our tissue and personal care segments contributed 82% and 18% of total revenue respectively. Looking at sales channels, our traditional distributors, key account managed supermarkets and hypermarkets, B2B corporate customers, and e-commerce business accounted for 27%, 24%, 13% and 36%, respectively. With the outbreak of the pandemic, channel sales gradually shifted from offline to online platforms with e-commerce continuing to achieve outstanding performance, recording 29.0% organic growth.

Gross profit rose by 24.8% to HK\$6,223 million. Industry competition remained intense, but continued low wood pulp price and an enhanced portfolio mix helped increase the gross margin by 6.7 ppts to 37.7%.

EBITDA grew by 34.5% to HK\$3,601 million. EBITDA margin increased by 5.1 ppts to 21.8%, reflecting the Group’s sustainable ability to generate cash.

RMB against the USD and HKD continued to fluctuate during the Year. Total foreign exchange gain for the Year was HK\$52.8 million (2019: HK\$34.7 million loss), of which HK\$51.1 million gain came from operating activities (2019: HK\$37.2 million loss), and HK\$1.7 million gain was due to financing activities (2019: HK\$2.5 million gain).

Operating profit surged by 56.3% to HK\$2,453 million. Faced with increasingly fierce industry competition, our selling and marketing cost and administrative costs as a percentage of sales increased by 1.9 ppts and 0.4 ppt, respectively. The operating margin expanded by 5.1 ppts to 14.9%.

Interest expenses fell by 31.8% to HK\$145 million due primarily to lower cost of borrowings during the Year. The effective interest rate was 3.2%, down by 0.9 ppt compared to last year. Net gearing ratio declined by 5.1 ppts to 35.9%.

The effective tax rate increased by 2.4 ppts to 19.4%.

Net profit grew significantly by 64.7% to HK\$1,874 million. The net margin was 11.4%, increased by 4.3 ppts compared to last year.

Basic earnings per share was 156.5 HK cents (2019: 95.3 HK cents).

The Board recommends the payment of a final dividend per share of 37 HK cents. Together with the interim dividend, total dividends per share for the Year come to 47 HK cents (2019: 28 HK cents).

Business Review

Tissue Segment

Revenue from the tissue segment increased by 2.7% to HK\$13,608 million, representing growth of 3.6% at a constant exchange rate. This accounted for 82% of the Group's total revenue (2019: 82%).

During the Year, our growing momentum of premium portfolio continued, which helped us maintain a leading market position³ in the mainland China tissue segment. The gross margin and segment result margin⁴ of the tissue segment of the Group successfully expanded by 6.9 ppts and 4.9 ppts to 38.3% and 16.5%, respectively.

In order to provide consumers with various product experiences, *Vinda* initiated a dual spokesperson strategy, launching promotions that feature the “Tough Mom” Sun Li, and the “New Sunshine Generation” Song Weilong, in order to expand communication channels between our brand and various target consumer groups while building a premium, quality and young brand image. Both the online live streaming and offline interactive promotions became the talk of the town and successfully drove sales. During the Year, *Vinda’s Natural Soft Tissue* produced with an innovative and unique 4D embossing technology that results in a soft, skin-friendly texture, was widely hailed by consumers.

Moreover, *Tempo* invited Kris Wu, a famous artist in mainland China, to serve as the new spokesperson to further enhance the brand’s modern image among consumers. A series of online and offline activities as well as hankies were launched in collaboration with Kris Wu, which effectively drove strong consumer sales. In order to enhance consumer loyalty toward the *Tempo* brand and increase market share, a new soft pack line was unveiled during the Year, available in three scents: sakura limited edition, peach limited edition and regular neutral edition. Comprehensive marketing activities, including online video, outdoor advertising, print advertising and social media, coupled with *Tempo’s* well established “high quality and premium” image, successfully won over new customer groups while also receiving very positive feedback. Consumer demand for hygiene and virus prevention products increased as a result of the COVID-19 pandemic. In order to satisfy the needs of different consumers, we introduced wet wipes in mini pack as well as family pack sizes, together with new wet toilet tissue products. *Tempo* has been essential in helping to maintain proper safeguards for consumers everywhere during the pandemic, providing the strongest protection.

Despite the unique circumstance of the pandemic, which put B2B channels under pressure, *Tork* cooperated with several airports and hotels in mainland China to provide washroom hygiene solutions throughout the Year. We expect that consumers will soon return to their pre-pandemic lifestyles when the pandemic is under further control. This will provide enormous growth opportunities for B2B channels, driving our medium-to-long term development.

We succeeded in introducing *Vinda Deluxe* into the Malaysian market, generating encouraging market response and a significant increase in market share, which has laid a solid foundation for the Group’s tissue business expansion plans throughout the country.

Personal Care Segment

Revenue from the personal care segment increased by 3.0% to HK\$2,904 million, representing a growth of 4.3% at a constant exchange rate, accounting for 18% of the Group's total revenue (2019: 18%).

Gross margin and segment result margin for the personal care segment were 34.7% and 10.6%, respectively. The segment result margin reflected that the personal care business in mainland China has been improving.

Our incontinence care business maintained growth momentum across mainland China, driven primarily by continuous improvements in our brand image and brand awareness as well as a greater recognition of *TENA*. Moreover, our ongoing dissemination of professional content via live streaming and other social media platforms has attracted a wide array of new consumers. Furthermore, our newly launched *ProSkin* product series, which incorporates a unique FeelDry Advanced technology that quickly absorbs liquid away from the skin surface, offers triple protection against dryness, providing incontinence sufferers and their family caregivers a much better nursing care experience. In addition, we also helped to raise the industry standard for incontinence care, urging more people to pay greater attention to people with incontinence problems as well as their skin health and we received positive market response.

With regard to feminine care, renowned Chinese actress Zhou Dongyu was named *Libresse* brand ambassador for mainland China, which greatly improved overall brand recognition and helped us build a distinctive brand image. Marketed under the theme of “Menstruation is Nothing to Hide”, *Libresse* has gained continued attention from mainland China's consumers resulting in strong growth momentum there. Moreover, *Libresse* has maintained its leading market position⁵ in Malaysia with the new brand campaign – “Know Your V”, which has been warmly received in the market for successfully associating the brand with modern women, thus facilitating continuous business development.

Southeast Asia has always been the key market for developing our baby care business. In the Malaysian market, *Drypers* continued to drive business growth and solidify its leading market position⁶. *Drypers* and Pink Fong, the creative team behind the children song “Baby Shark”, cooperated closely, which attracted parents' attention through the new marketing strategies in social media and other e-commerce platforms.

Production Capacity Plan

During the Year, the total annual designed production capacity for tissue paper remained at 1,250,000 tons. We expanded the production capacity of wet wipes in southern and northern China, and expected to complete our tissue production capacity expansion plan in southern, eastern and central China in 2021. In addition, the first phase of our regional headquarters in Malaysia is expected to be completed in 2021, when the warehouse will also be operational. The second phase of our manufacturing facilities and innovation center are progressing apace as planned. Upon completion, we are confident that these facilities will further improve our overall efficiency and productivity while lowering costs. This will help to drive long-term business development for the Group in emerging markets.

Sustainability

Human Resources Management

Employees are the most valuable contributors to Vinda's sustainable development. With this in mind, we strive to offer equal opportunities to all qualified candidates regardless of age, nationality, race, religion, sexual orientation and gender. We also offer fair and reasonable remunerations and a performance incentive mechanism along with on-going career advancement training programs for our staff. For our human resource efforts, Vinda was awarded the "2020 Human Resources Management Excellence Award" (二零二零年人力資源管理傑出獎) by JOBS (前程無憂) in mainland China.

During the Year, a total of 858,087 hours of training were conducted for a total of 10,243 participants.

As of 31 December 2020, we had a total of 11,347 employees.

Health & Safety Performance

We attach great importance to occupational health and safety with our goal of achieving "zero accidents". Lost-time accidents ("LTA") before 2020 that had an impact in 2020 totaled 10 cases (2019: 7 cases). Lost days due to related accidents ("DLA") reached 1,560 days (2019: 869 days).

In 2020, LTA was 14 cases (2019: 17 cases), and DLA was 808 days (2019: 1,613 days).

Green Production

We continued to devote unstinting efforts to reduce our carbon footprint in 2020. In mainland China, the average overall energy consumption (ton of standard coal) per ton of paper was 0.32, far below the strictest level for household paper of 0.42 ton of standard coal for every ton of paper, based on the GB31825-2015 The Norm of Energy Consumption per Unit Product of Pulp and Paper (《製漿造紙單位產品能源消耗限額》). The water recycling rate was over 95% while the Group's total carbon dioxide emissions totaled 1,146,394 tons with total emission intensity reaching 0.69 ton/HK\$10,000 of sales. Additionally, we aim to source all wood pulp certified by the forest certification system (including the Forest Stewardship Council (“FSC™”), the Program for the Endorsement of Forest Certification (“PEFC”), or the China Forest Certification Council (“CFCC”).

Vinda is honored to be the first company in Asia to receive a loan from Standard Chartered Bank to combat the COVID-19 pandemic in an attempt to meet the demand for pandemic-prevention products in mainland China and other regions. We are also the first fast-moving consumer goods company in Hong Kong to obtain the “Green Finance Pre-Issuance Stage Certificate” issued by the Hong Kong Quality Assurance Agency to raise a green loan, which is used for eligible green projects, including those for raising energy efficiency, as well as the prevention and control of pollution, resource conservation and recycling. In addition, Vinda was awarded the “Outstanding Award for Green Loan Issuer — Largest Single Green Loan (Fast Moving Consumer Goods Industry)” at the Hong Kong Sustainable Finance Awards 2020 organized by the Hong Kong Quality Assurance Agency in recognition of our commitment to environmental protection and contributions to sustainable development.

Meanwhile, the Group received the Gold Award in “The Asset ESG Corporate Awards 2020” organized by the internationally renowned financial magazine, The Asset. It is a recognition to the Group's outstanding performance in the areas of corporate governance, social responsibility and environmental protection.

For details, please refer to the Environmental, Social and Governance (ESG) Report 2020, which will be published with the Annual Report 2020 in due course.

Inclusion in Indices

The Group has been included in a number of leading market reference indices in 2020 for outstanding business performance, including the MSCI Global Standard Indexes and the China All Shares Index, the Hang Seng Composite Index and Hang Seng Stock Connect Greater Bay Area Composite Index. This is a testament to the recognition the Group has received from international capital markets, which will further broaden our shareholder base and enhance the Group's share liquidity.

Outlook

Market expects that the pandemic will gradually be brought under control and economic activities will eventually recover, but uncertainties still remain for the near-term business environment. We will continue to focus on implementing our premiumization strategy while promoting innovation and expanding market share amidst the complex and volatile economic environment.

Heightened hygiene awareness due to the pandemic has stimulated public demand for hygiene products. At the same time, we expect to see a growing trend of seeking premium product mix driven by rising customer demands. Reaping the benefits from consumers' desire for quality and tapping the promising growth potential of mainland China's household paper market, we will continue to seize the opportunities to upgrade our portfolio mix, increase market penetration of our premium portfolio, and consolidate our market-leading position in order to further enhance the Group's profitability.

We see tremendous opportunities in the elderly market in mainland China. While the silver economy drives the incontinence care business expansion, enhanced consumers' awareness of incontinence care products due to the pandemic also further accelerates the development of the incontinence care business. The increasing female purchasing power across mainland China in recent years has sparked the launch of premium feminine care products there. In addition, pandemic has also changed consumption patterns and habits, highlighting the rising importance of e-commerce channels. In response, the Group capitalizes on the leading advantages in e-commerce platforms to promote our business development. We strongly believe that the tissue and personal care product industry is moving towards healthy and prosperous development.

We will maintain our focus on the following development strategies:

1. We will continue to focus on product innovation and strive to distinguish ourselves from our peers by optimizing the Group's portfolio mix to enhance our brand competitiveness and profit margin;
2. We will continue to develop our sizable personal care business in mainland China;
3. We will leverage a comprehensive network of channels and our competitive edge in e-commerce to secure every potential opportunity through our superior sales execution capabilities;
4. We will rigorously control costs and make the best use of our resources to optimize cost-effectiveness;
5. We will continue to improve the efficiency of our production and operations in order to support sustainable business growth; and
6. We will bolster our financial position with a strong operating cash flow and careful management of working capital.

Remarks

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

² *Net gearing ratio: Net debt divided by total shareholders' equity*

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

³ *Source: Kantar Worldpanel, sales value year-to-date at 4 December 2020*

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

⁵ *Source: Kantar Worldpanel, sales value year-to-date at 6 December 2020*

⁶ *Source: Kantar Worldpanel, sales value year-to-date at 6 December 2020*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		For the year ended 31 December	
		2020	2019
	<i>Note</i>	HK\$	HK\$
Revenue	4	16,511,676,772	16,074,288,277
Cost of sales	5	(10,288,905,938)	(11,089,036,453)
Gross profit		6,222,770,834	4,985,251,824
Selling and marketing costs	5	(2,960,719,996)	(2,575,268,219)
Administrative expenses	5	(952,159,970)	(856,145,835)
Net impairment losses on financial assets	5, 12	1,032,625	(1,540,148)
Other income and losses – net		141,770,328	17,291,041
Operating profit		2,452,693,821	1,569,588,663
Finance income and costs – net	6	(126,180,098)	(198,620,467)
Share of post-tax loss of an associate		(177,842)	(208,240)
Profit before income tax		2,326,335,881	1,370,759,956
Income tax expense	7	(452,006,637)	(232,443,563)
Profit attributable to equity holders of the Company		1,874,329,244	1,138,316,393
Other comprehensive income:			
<i>Item that may be reclassified to profit or loss</i>			
– Currency translation differences		647,626,892	(157,128,714)
<i>Item that will not be reclassified subsequently to profit or loss</i>			
– Remeasurements of post-employment benefit obligations		679,492	(222,560)
Total comprehensive income attributable to equity holders of the Company		2,522,635,628	980,965,119
Earnings per share for profit attributable to equity holders of the Company			
– basic	8(a)	1.565	0.953
– diluted	8(b)	1.562	0.952

CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2020	2019
	Note	HK\$	HK\$
ASSETS			
Non-current assets			
Property, plant and equipment	10	10,117,404,823	8,858,171,961
Right-of-use assets	11	1,366,419,837	1,250,456,963
Intangible assets	10	2,746,074,511	2,780,086,369
Deferred income tax assets		515,206,860	456,674,351
Investment property		3,167,484	4,039,119
Investment in an associate		2,347,777	2,525,619
		<u>14,750,621,292</u>	<u>13,351,954,382</u>
Current assets			
Inventories		4,773,880,408	3,223,321,363
Trade and notes receivables	12	2,435,038,930	1,916,318,675
Other receivables	12	302,577,542	237,999,919
Prepayments	12	71,020,270	59,439,391
Due from related parties		39,063,829	32,065,779
Cash and cash equivalents		749,399,329	460,387,446
		<u>8,370,980,308</u>	<u>5,929,532,573</u>
Total assets		<u>23,121,601,600</u>	<u>19,281,486,955</u>
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	14	119,947,437	119,510,337
Share premium	14	4,428,374,681	4,356,240,018
Other reserves		7,119,034,916	4,987,460,947
Total equity		<u>11,667,357,034</u>	<u>9,463,211,302</u>

CONSOLIDATED BALANCE SHEET (CONTINUED)

		As at 31 December	
		2020	2019
	<i>Note</i>	<i>HK\$</i>	<i>HK\$</i>
LIABILITIES			
Non-current liabilities			
Borrowings	15	2,890,391,162	2,297,063,820
Loans from a related party	15	96,080,272	1,274,928,072
Lease liabilities	11	129,563,570	119,942,991
Deferred government grants		284,876,449	266,342,534
Deferred income tax liabilities		200,344,900	193,616,342
Post-employment benefits		15,983,243	26,952,299
Other non-current liabilities	16	2,253,625	29,214,726
		<u>3,619,493,221</u>	<u>4,208,060,784</u>
Current liabilities			
Trade payables, other payables and accrued expenses	13, 16	5,639,927,445	4,603,848,772
Contract liabilities		147,155,300	122,842,206
Borrowings	15	1,445,419,389	584,195,903
Loans from a related party	15	300,000,000	–
Lease liabilities	11	72,363,875	62,796,875
Due to related parties		14,669,217	15,813,259
Current income tax liabilities		215,216,119	220,717,854
		<u>7,834,751,345</u>	<u>5,610,214,869</u>
Total liabilities		<u>11,454,244,566</u>	<u>9,818,275,653</u>
Total equity and liabilities		<u>23,121,601,600</u>	<u>19,281,486,955</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Attributable to equity holders of the Company			Total HK\$
		Share capital HK\$	Share premium HK\$	Other reserves HK\$	
Balance at 1 January 2019		119,485,237	4,351,781,230	4,258,649,944	8,729,916,411
Profit for the year		–	–	1,138,316,393	1,138,316,393
Other comprehensive income					
– Currency translation differences		–	–	(157,128,714)	(157,128,714)
– Remeasurements of post-employment benefit obligations		–	–	(222,560)	(222,560)
Total comprehensive income for 2019		<u>–</u>	<u>–</u>	<u>980,965,119</u>	<u>980,965,119</u>
Transaction with owners					
Employees share option scheme					
– Exercise of share options	14	25,100	4,458,788	(1,198,368)	3,285,520
Dividends	9	–	–	(250,955,748)	(250,955,748)
Transaction with owners		<u>25,100</u>	<u>4,458,788</u>	<u>(252,154,116)</u>	<u>(247,670,228)</u>
Balance at 31 December 2019		<u>119,510,337</u>	<u>4,356,240,018</u>	<u>4,987,460,947</u>	<u>9,463,211,302</u>
Balance at 1 January 2020		119,510,337	4,356,240,018	4,987,460,947	9,463,211,302
Profit for the year		–	–	1,874,329,244	1,874,329,244
Other comprehensive income					
– Currency translation differences		–	–	647,626,892	647,626,892
– Remeasurements of post-employment benefit obligations		–	–	679,492	679,492
Total comprehensive income for 2020		<u>–</u>	<u>–</u>	<u>2,522,635,628</u>	<u>2,522,635,628</u>
Transaction with owners					
Employees share option scheme					
– Exercise of share options	14	437,100	72,134,663	(19,458,983)	53,112,780
Dividends	9	–	–	(371,602,676)	(371,602,676)
Transaction with owners		<u>437,100</u>	<u>72,134,663</u>	<u>(391,061,659)</u>	<u>(318,489,896)</u>
Balance at 31 December 2020		<u>119,947,437</u>	<u>4,428,374,681</u>	<u>7,119,034,916</u>	<u>11,667,357,034</u>

CONSOLIDATED STATEMENT OF CASH FLOWS

	For the year ended 31 December	
	2020	2019
<i>Note</i>	<i>HK\$</i>	<i>HK\$</i>
Cash flows generated from operating activities:		
– cash generated from operations	2,660,011,591	2,895,611,722
– interest paid	(157,994,209)	(209,313,343)
– income tax paid	(497,950,753)	(172,660,522)
	<u>2,004,066,629</u>	<u>2,513,637,857</u>
Net cash generated from operating activities		
Cash flows used in investing activities:		
– purchase of property, plant and equipment	(1,696,960,144)	(1,247,300,455)
– proceeds from disposal of property, plant and equipment and investment property	20,115,253	23,366,422
– proceeds from government grants	23,898,265	75,991,232
– payment for land use rights	(55,812,366)	(68,370,529)
– purchase of intangible assets	(33,743,898)	(65,177,411)
– interest received	6 17,254,406	11,548,073
– payment for investment in an associate	–	(2,727,301)
	<u>(1,725,248,484)</u>	<u>(1,272,669,969)</u>
Net cash used in investing activities		
Cash flows used in financing activities:		
– proceeds from shares issued	53,112,780	3,285,520
– proceeds from borrowings	3,825,330,674	5,906,787,752
– proceeds from loans from a related party	–	394,643,979
– repayments of borrowings	(2,581,214,577)	(6,991,933,690)
– repayments of loans from a related party	(880,116,846)	(337,782,170)
– dividends paid	9 (371,602,676)	(250,955,748)
– lease payments for right-of-use assets excluding land use rights	(76,598,409)	(71,341,650)
	<u>(31,089,054)</u>	<u>(1,347,296,007)</u>
Net cash used in financing activities		
Net increase/(decrease) in cash and cash equivalents		
	247,729,091	(106,328,119)
Effect of foreign exchange rate changes	41,282,792	(7,749,589)
Cash and cash equivalents, beginning of the year	<u>460,387,446</u>	<u>574,465,154</u>
Cash and cash equivalents, end of the year	<u><u>749,399,329</u></u>	<u><u>460,387,446</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

1 GENERAL INFORMATION

Vinda International Holdings Limited (the “Company”) was incorporated on 17 August 1999 in the Cayman Islands with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

The Company acts as an investment holding company and provides management as well as financial support services to its subsidiaries. The Company and its subsidiaries are collectively referred to as the “Group”. The principal activities of the Group are manufacturing and sale of household paper products and personal care products.

The Company’s shares have been listed on The Stock Exchange of Hong Kong Limited since 10 July 2007.

Essity Aktiebolag (publ) (“Essity”) is the ultimate holding company of the Group.

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

These consolidated financial statements are presented in Hong Kong dollar (“HK\$”) unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 26 January 2021.

2 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRS”). 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 measured at fair value.

3 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

(a) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period. The Group did not change its accounting policies or make retrospective adjustments as a result of adopting these standards.

		Effective for annual periods beginning on or after
HKAS 1 and HKAS 8 (Amendments)	Definition of Material	1 January 2020
HKFRS 3 (Amendments)	Definition of a Business	1 January 2020
Revised Conceptual Framework	Revised Conceptual Framework for Financial Reporting	1 January 2020
HKFRS 9, HKAS 39 and HKFRS 7 (Amendments)	Interest Rate Benchmark Reform	1 January 2020
HKFRS 16 (Amendments)	Covid-19-related Rent Concessions	1 June 2020

(b) Certain new accounting standards and interpretations have been published that are not mandatory for the year ended 31 December 2020 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 2022
HKAS 16 (Amendments)	Property, Plant and Equipment: Proceeds before intended use	1 January 2022
HKAS 37 (Amendments)	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
HKFRS 3 (Amendments)	Reference to the Conceptual Framework	1 January 2022
HKFRS 17	Insurance contracts	1 January 2023
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
Annual Improvements to HKFRS Standards 2018–2020		1 January 2022

4 SEGMENT INFORMATION

(a) Description of segments and principal activities

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

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

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

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

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

4 SEGMENT INFORMATION (Continued)

(b) Segment profit and loss

	For the year ended 31 December 2020		
	Household paper products HK\$	Personal care products HK\$	Total HK\$
Year ended 31 December 2020			
Segment revenue	<u>13,608,165,710</u>	<u>2,903,511,062</u>	<u>16,511,676,772</u>
Segment results	2,245,662,719	308,875,706	2,554,538,425
Amortisation of trademarks, licences and contractual customer relationships	<u>(10,862,821)</u>	<u>(56,328,537)</u>	<u>(67,191,358)</u>
Segment profit	<u>2,234,799,898</u>	<u>252,547,169</u>	<u>2,487,347,067</u>
Other income and losses – net			141,770,328
Unallocated costs			<u>(176,423,574)</u>
Operating profit			<u>2,452,693,821</u>
Finance income and costs – net			(126,180,098)
Share of post-tax loss of an associate			<u>(177,842)</u>
Profit before income tax			2,326,335,881
Income tax expense			<u>(452,006,637)</u>
Profit for the year			<u>1,874,329,244</u>
Other segment items included in the income statement			
Depreciation of property, plant and equipment	(808,646,143)	(125,843,725)	(934,489,868)
Depreciation of right-of-use assets	(68,221,345)	(30,343,873)	(98,565,218)
Amortisation of investment property and intangible assets other than trademarks, licences and contractual customer relationships	<u>(41,944,123)</u>	<u>(6,247,045)</u>	<u>(48,191,168)</u>
Additions to non-current assets	<u>1,463,932,264</u>	<u>418,600,831</u>	<u>1,882,533,095</u>

4 SEGMENT INFORMATION (Continued)

(b) Segment profit and loss (Continued)

	For the year ended 31 December 2019		
	Household paper products HK\$	Personal care products HK\$	Total HK\$
Year ended 31 December 2019			
Segment revenue	<u>13,254,016,770</u>	<u>2,820,271,507</u>	<u>16,074,288,277</u>
Segment results	1,536,784,453	185,698,921	1,722,483,374
Amortisation of trademarks, licences and contractual customer relationships	<u>(10,874,093)</u>	<u>(57,154,408)</u>	<u>(68,028,501)</u>
Segment profit	<u>1,525,910,360</u>	<u>128,544,513</u>	<u>1,654,454,873</u>
Other income and losses – net			17,291,041
Unallocated costs			<u>(102,157,251)</u>
Operating profit			<u>1,569,588,663</u>
Finance income and costs – net			(198,620,467)
Share of post-tax loss of an associate			<u>(208,240)</u>
Profit before income tax			1,370,759,956
Income tax expense			<u>(232,443,563)</u>
Profit for the year			<u>1,138,316,393</u>
Other segment items included in the income statement			
Depreciation of property, plant and equipment	(789,546,023)	(119,102,200)	(908,648,223)
Depreciation of right-of-use assets	(60,263,379)	(32,287,633)	(92,551,012)
Amortisation of investment property and intangible assets other than trademarks, licences and contractual customer relationships	<u>(36,056,384)</u>	<u>(3,725,982)</u>	<u>(39,782,366)</u>
Additions to non-current assets	<u>841,152,200</u>	<u>336,227,490</u>	<u>1,177,379,690</u>

4 SEGMENT INFORMATION (Continued)

(c) Segment assets and liabilities

	As at 31 December 2020		
	Household paper products <i>HK\$</i>	Personal care products <i>HK\$</i>	Total <i>HK\$</i>
As at 31 December 2020			
Segment assets	<u>18,057,332,014</u>	<u>4,542,129,604</u>	22,599,461,618
Deferred income tax assets			515,206,860
Investment in an associate			2,347,777
Prepaid income tax recoverable			<u>4,585,345</u>
Total assets			<u>23,121,601,600</u>
Segment liabilities	<u>9,903,485,454</u>	<u>1,135,198,093</u>	11,038,683,547
Deferred income tax liabilities			200,344,900
Current income tax liabilities			<u>215,216,119</u>
Total liabilities			<u>11,454,244,566</u>
	As at 31 December 2019		
	Household paper products <i>HK\$</i>	Personal care products <i>HK\$</i>	Total <i>HK\$</i>
As at 31 December 2019			
Segment assets	<u>14,766,367,163</u>	<u>4,053,847,319</u>	18,820,214,482
Deferred income tax assets			456,674,351
Investment in an associate			2,525,619
Prepaid income tax recoverable			<u>2,072,503</u>
Total assets			<u>19,281,486,955</u>
Segment liabilities	<u>8,404,133,627</u>	<u>999,807,830</u>	9,403,941,457
Deferred income tax liabilities			193,616,342
Current income tax liabilities			<u>220,717,854</u>
Total liabilities			<u>9,818,275,653</u>

5 EXPENSES BY NATURE

	For the year ended 31 December	
	2020	2019
	<i>HK\$</i>	<i>HK\$</i>
Raw materials and trading merchandise consumed	7,443,506,707	8,337,067,269
Staff costs	1,827,946,573	1,664,144,387
Promotion expenses	1,058,175,666	814,727,940
Depreciation of property, plant and equipment (<i>Note 10</i>)	934,489,868	908,648,223
Utilities	885,322,610	966,813,383
Transportation expenses	841,663,431	714,948,860
Spare parts, repair and maintenance	282,137,014	215,408,001
Advertising costs	147,406,222	136,630,105
Amortisation of intangible assets (<i>Note 10</i>)	115,201,935	107,555,465
Depreciation of right-of-use assets (<i>Note 11</i>)	98,565,218	92,551,012
Impairment charge on property, plant and equipment (<i>Note 10</i>)	70,193,435	60,416,357
Short-term and low-value lease expenses (<i>Note 11</i>)	69,250,038	59,951,101
Contracted processing expense	65,293,522	34,953,559
Travel and office expenses	59,897,517	75,322,351
Real estate tax, stamp duty and other taxes	47,945,970	48,420,801
Auditor's remuneration	8,330,727	8,355,683
Bank charges	4,833,798	4,792,638
(Reversal of)/provision for impairment of receivables (<i>Note 12</i>)	(1,032,625)	1,540,148
(Reversal of)/provision for write-down of inventories	(25,513,626)	788,804
Other expenses	267,139,279	268,954,568
	<hr/>	<hr/>
Total cost of sales, selling and marketing costs, administrative expenses and net impairment losses on financial assets	<u>14,200,753,279</u>	<u>14,521,990,655</u>

6 FINANCE INCOME AND COSTS – NET

	For the year ended 31 December	
	2020	2019
	HK\$	HK\$
Interest expense		
– borrowings (a)	(137,684,599)	(204,440,082)
– lease liabilities (<i>Note 11</i>)	(7,429,390)	(8,249,058)
Foreign exchange gain – net	1,679,485	2,520,600
Interest income		
– bank deposits	17,254,406	11,548,073
Net finance costs	<u>(126,180,098)</u>	<u>(198,620,467)</u>

- (a) During the year, the Group has capitalised borrowing costs amounting to HK\$15,801,296 (2019: HK\$5,419,428) on qualifying assets. Borrowing costs were capitalised at the weighted average rate of its general borrowings of 3.46% (2019: 4.27%).

7 INCOME TAX EXPENSE

The applicable corporate income tax rates for Hong Kong, Malaysia and 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 may additionally deduct 75% of qualified research and development expenses when calculating the taxable income.

	For the year ended 31 December	
	2020	2019
	HK\$	HK\$
Current income tax		
– Hong Kong and overseas profits tax	170,100,577	175,834,960
– Mainland China income tax	302,656,655	138,306,491
– Tax filing difference for prior year	1,784,324	(8,841,110)
Deferred income tax	(27,607,890)	(77,099,228)
Withholding tax	5,072,971	4,242,450
	<u>452,006,637</u>	<u>232,443,563</u>

8 EARNINGS PER SHARE

(a) Basic

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

	For the year ended 31 December	
	2020	2019
Profit attributable to equity holders of the Company (<i>HK\$</i>)	<u>1,874,329,244</u>	<u>1,138,316,393</u>
Weighted average number of ordinary shares issued	<u>1,197,868,874</u>	<u>1,195,019,702</u>
Basic earnings per share (<i>HK\$ per share</i>)	<u><u>1.565</u></u>	<u><u>0.953</u></u>

(b) Diluted

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

	For the year ended 31 December	
	2020	2019
Profit attributable to equity holders of the Company (<i>HK\$</i>)	<u>1,874,329,244</u>	<u>1,138,316,393</u>
Weighted average number of ordinary shares issued	<u>1,197,868,874</u>	<u>1,195,019,702</u>
Adjustments for share options	<u>2,370,139</u>	<u>897,964</u>
Weighted average number of ordinary shares for diluted earnings per share	<u>1,200,239,013</u>	<u>1,195,917,666</u>
Diluted earnings per share (<i>HK\$ per share</i>)	<u><u>1.562</u></u>	<u><u>0.952</u></u>

9 DIVIDENDS

	2020	2019
	HK\$	HK\$
Interim dividend paid of HK\$0.10 (2019: HK\$0.07) per ordinary share	119,918,437	83,656,116
Proposed final dividend of HK\$0.37 (2019: HK\$0.21) per ordinary share	<u>443,805,518</u>	<u>250,971,708</u>
	<u>563,723,955</u>	<u>334,627,824</u>

On 26 January 2021, the Board of Directors proposed a final dividend in respect of the year ended 31 December 2020 of HK\$443,805,518, representing HK\$0.37 per ordinary share. Such dividend is to be approved by the shareholders at the Annual General Meeting of the Company. These financial statements do not reflect this dividend payable.

The actual final dividends paid for the year ended 31 December 2019 was HK\$251,684,239 based on the 1,198,496,373 issued shares outstanding at that time.

The interim dividends actually paid in 2020 were HK\$119,918,437 based on the number of issued shares outstanding at that time.

10 PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

	Property, plant and equipment	Intangible assets
	<i>HK\$</i>	<i>HK\$</i>
Year ended 31 December 2019		
Opening net book amount	8,997,273,418	2,823,114,342
Additions	1,000,989,553	64,403,500
Disposals	(3,010,718)	–
Depreciation and amortisation (<i>Note 5</i>)	(908,648,223)	(107,555,465)
Impairment charges (<i>Note 5</i>)	(60,416,357)	–
Exchange differences	(168,015,712)	123,992
	<u>8,858,171,961</u>	<u>2,780,086,369</u>
Closing net book amount	<u>8,858,171,961</u>	<u>2,780,086,369</u>
Year ended 31 December 2020		
Opening net book amount	8,858,171,961	2,780,086,369
Additions	1,708,087,672	33,743,898
Disposals	(4,410,585)	–
Depreciation and amortisation (<i>Note 5</i>)	(934,489,868)	(115,201,935)
Impairment charges (<i>Note 5</i>)	(70,193,435)	–
Exchange differences	560,239,078	47,446,179
	<u>10,117,404,823</u>	<u>2,746,074,511</u>
Closing net book amount	<u>10,117,404,823</u>	<u>2,746,074,511</u>

During the year, the Group has capitalised borrowing costs amounting to HK\$15,801,296 (2019: HK\$5,419,428) on qualifying assets. Borrowing costs were capitalised at the weighted average rate of its general borrowings of 3.46% (2019: 4.27%).

During the year ended 31 December 2020, the Group assessed the value in use and estimated market value of certain idle machineries with impairment indicators. Management then provided impairment amounting to HK\$70,193,435 (2019: HK\$60,416,357) to these assets.

11 LEASES

	As at 31 December	
	2020	2019
	<i>HK\$</i>	<i>HK\$</i>
Right-of-use assets		
– Land use rights	1,170,098,019	1,070,176,115
– Buildings	194,343,371	177,110,717
– Equipments and others	<u>1,978,447</u>	<u>3,170,131</u>
Total right-of-use assets	<u><u>1,366,419,837</u></u>	<u><u>1,250,456,963</u></u>
Lease liabilities		
– Current	72,363,875	62,796,875
– Non-current	<u>129,563,570</u>	<u>119,942,991</u>
Total lease liabilities	<u><u>201,927,445</u></u>	<u><u>182,739,866</u></u>

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

	For the year ended 31 December	
	2020	2019
	<i>HK\$</i>	<i>HK\$</i>
Depreciation of right-of-use assets (Note 5)		
– Land use rights	26,383,198	25,184,989
– Buildings	70,620,374	66,008,325
– Equipment and others	<u>1,561,646</u>	<u>1,357,698</u>
	<u><u>98,565,218</u></u>	<u><u>92,551,012</u></u>
Interest expense (Note 6)	7,429,390	8,249,058
Expenses relating to short-term leases	68,273,794	58,058,839
Expenses relating to leases of low-value assets	976,244	1,892,262

The cash payments for land use rights, short-term leases, leases of low-value assets and right-of-use assets excluding land use right were HK\$55,812,366, HK\$68,273,794, HK\$976,244 and HK\$76,598,409 respectively, totaling HK\$201,660,813 for the year ended 31 December 2020 (2019:HK\$199,663,280).

12 TRADE, NOTES AND OTHER RECEIVABLES AND PREPAYMENTS

	As at 31 December	
	2020	2019
	<i>HK\$</i>	<i>HK\$</i>
Trade receivables	2,451,066,933	1,937,867,729
Less: Provision for impairment of trade receivables	<u>(25,495,088)</u>	<u>(25,773,859)</u>
	2,425,571,845	1,912,093,870
Notes receivable	<u>9,467,085</u>	<u>4,224,805</u>
Trade and notes receivables	<u>2,435,038,930</u>	<u>1,916,318,675</u>
Other receivables		
– creditable input VAT	215,439,637	137,516,178
– prepaid income tax recoverable	4,585,345	2,072,503
– purchase rebates	2,286,851	9,964,231
– deposits and others	<u>80,265,709</u>	<u>88,447,007</u>
	<u>302,577,542</u>	<u>237,999,919</u>
Prepayments		
– purchase of raw materials	1,063,545	1,894,150
– prepaid expenses	28,969,526	20,214,628
– prepayments of utility fee	5,301,126	6,913,902
– others	<u>35,686,073</u>	<u>30,416,711</u>
	<u>71,020,270</u>	<u>59,439,391</u>
	<u>2,808,636,742</u>	<u>2,213,757,985</u>

12 TRADE, NOTES AND OTHER RECEIVABLES AND PREPAYMENTS (Continued)

Customers who are given credit are generally granted with credit terms ranging from 60 to 90 days. Ageing analysis of trade receivables of the Group based on invoice date as at 31 December 2020 and 2019 is as below:

	As at 31 December	
	2020	2019
	HK\$	HK\$
Within 3 months	2,342,880,739	1,839,881,135
4 months to 6 months	72,105,420	64,165,114
7 months to 12 months	18,447,948	13,779,084
Over 1 year	17,632,826	20,042,396
	<u>2,451,066,933</u>	<u>1,937,867,729</u>

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

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

	2020	2019
	HK\$	HK\$
Opening loss allowance as at 1 January	25,773,859	25,987,508
(Reversal)/recognition of loss allowance in profit or loss during the year	(1,032,625)	1,540,148
Receivables written off during the year as uncollectible	(772,749)	(1,187,694)
Exchange differences	1,526,603	(566,103)
Closing loss allowance as at 31 December	<u>25,495,088</u>	<u>25,773,859</u>

13 TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES

	As at 31 December	
	2020	2019
	HK\$	HK\$
Trade payables	2,644,138,756	2,323,041,560
Notes payable	327,554,663	298,347,336
Other payables		
– salaries payable	376,170,393	295,730,649
– taxes payable other than income tax	100,376,721	77,563,577
– payables for property, plant and equipment	298,051,881	286,186,841
– long term incentive plans – current portion	19,148,310	—
– others	201,192,190	153,531,960
Accrued expenses		
– promotion fees	1,146,590,974	760,067,036
– utility charges	54,789,857	43,934,440
– transportation fees	235,600,904	179,169,147
– advertising fee	63,470,086	52,053,644
– accrued interest	7,639,064	6,307,114
– professional services	7,358,637	3,234,654
– others	157,845,009	124,680,814
	<u>5,639,927,445</u>	<u>4,603,848,772</u>

As at 31 December 2020 and 2019, the carrying amounts of the Group's trade payables, notes payable and other payables approximated their fair values.

The credit period granted by the creditors generally ranged from 30 to 90 days. Ageing analysis of trade and notes payable as at 31 December 2020 and 2019 based on invoice date is as follows:

	As at 31 December	
	2020	2019
	HK\$	HK\$
Within 3 months	2,000,184,795	1,944,893,219
4 months to 6 months	967,550,442	675,345,534
7 months to 12 months	3,796,354	918,340
Over 1 year	161,828	231,803
	<u>2,971,693,419</u>	<u>2,621,388,896</u>

14 SHARE CAPITAL AND SHARE PREMIUM

	Number of authorized shares	Number of issued and fully paid shares	Amount		
			Ordinary shares HK\$	Share premium HK\$	Total HK\$
At 1 January 2019	80,000,000,000	1,194,852,373	119,485,237	4,351,781,230	4,471,266,467
Employee share option scheme – Exercise of share options	–	251,000	25,100	4,458,788	4,483,888
At 31 December 2019	80,000,000,000	1,195,103,373	119,510,337	4,356,240,018	4,475,750,355
Employee share option scheme – Exercise of share options	–	4,371,000	437,100	72,134,663	72,571,763
At 31 December 2020	80,000,000,000	1,199,474,373	119,947,437	4,428,374,681	4,548,322,118

15 BORROWINGS

	As at 31 December	
	2020 HK\$	2019 HK\$
Non-current		
Unsecured bank borrowings	2,890,391,162	2,297,063,820
Loans from a related party	96,080,272	1,274,928,072
Total non-current borrowings	2,986,471,434	3,571,991,892
Current		
Portion of loans from banks due for repayment within one year		
– Unsecured	1,445,419,389	584,195,903
Portion of loans from a related party due for repayment within one year		
– Unsecured	300,000,000	–
Total current borrowings	1,745,419,389	584,195,903
Total borrowings	4,731,890,823	4,156,187,795

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

15 BORROWINGS (Continued)

(a) The maturity of borrowings is as follows:

	Bank borrowings		Loans from a related party	
	As at 31 December		As at 31 December	
	2020	2019	2020	2019
	HK\$	HK\$	HK\$	HK\$
Portion of loans due for repayment				
within 1 year	1,445,419,389	584,195,903	300,000,000	–
Loans due for repayment after 1 year:				
Between 1 and 2 years	1,755,149,835	744,701,210	–	1,180,116,846
Between 2 and 5 years	1,135,241,327	1,552,362,610	96,080,272	94,811,226
	<u>4,335,810,551</u>	<u>2,881,259,723</u>	<u>396,080,272</u>	<u>1,274,928,072</u>

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

	Bank borrowings		Loans from a related party	
	2020	2019	2020	2019
HK\$	0.81%~6.83%	1.32%~6.83%	1.26%~3.51%	2.63%~3.54%
US\$	0.96%~2.53%	2.31%~3.40%	–	–
RMB	1.85%~4.95%	3.81%~6.60%	–	–
KRW	1.20%~2.65%	1.88%~2.98%	–	–
MYR	3.10%~4.65%	3.57%~4.65%	3.04%~4.44%	4.44%

15 BORROWINGS (Continued)

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

	Borrowings	
	As at 31 December	
	2020	2019
HK\$	2.54%	3.19%
US\$	1.35%	2.99%
RMB	3.56%	4.55%
KRW	1.79%	2.51%
MYR	3.67%	3.91%

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

	As at 31 December	
	2020	2019
	HK\$	HK\$
RMB	3,481,635,663	2,494,121,870
HK\$	600,000,000	1,488,927,432
US\$	383,604,450	–
MYR	230,592,652	132,735,716
KRW	36,058,058	40,402,777
	<u>4,731,890,823</u>	<u>4,156,187,795</u>

16 LONG TERM INCENTIVE PLANS

	As at 31 December	
	2020	2019
	HK\$	HK\$
Other non-current liabilities		
Long term incentive plans	2,253,625	29,214,726
Current liabilities		
Long term incentive plans – current portion	<u>19,148,310</u>	–
Total long term incentive plans (i)(ii)	<u>21,401,935</u>	<u>29,214,726</u>

16 LONG TERM INCENTIVE PLANS (Continued)

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

Long term incentive plan for Executive Directors and CFO

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

Long term incentive program for selected senior management and specific employees

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

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

As at 31 December 2020, the payables for selected senior management and specific employees amounting to HK\$19,148,310 were reclassified to “other payables” for due within one year.

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

A total of 12,624,000 OEUs were granted to selected management, senior management and Directors at a nominal price of HK\$21.83. The exercise price of an OEU will be the stock price at the time of exercise. The exercise price of an OEU is capped at HK\$43.66. The vesting period is from 30 October 2020 to 30 October 2023.

As at 31 December 2020, the fair value of OEU granted was determined by using the Binomial Model. The fair value of OEU in management's plan was HK\$3.1085 and the fair value of OEU in Directors and senior management's plan was HK\$3.2225.

The significant inputs into the model were share price at the valuation date, the grant price, volatility of 35.74%, dividend yield of 1.15%, and annual risk-free interest rate of 0.34%. 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 related employee benefit expenses of HK\$2.3 million for the 2 months vesting period have been recorded for the year.

Foreign Exchange and Fair Value Interest Rate Risk

The majority of the Group's assets and sales business are located in the PRC, Hong Kong, Malaysia, 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 2020, the Group's bank and cash balances amounted to HK\$749,399,329 (31 December 2019: HK\$460,387,446), and short-term and long-term loans amounted to HK\$4,731,890,823 (31 December 2019: HK\$4,156,187,795), including the loans from a related party amounting to HK\$396,080,272 (31 December 2019: HK\$1,274,928,072). 63.1% of the borrowings are medium- to long-term (31 December 2019: 85.9%). The annual interest rates of bank loans ranged from 0.8% to 6.8%.

As at 31 December 2020, 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 35.9% (31 December 2019: 41.0%).

As at 31 December 2020, unutilized credit facilities amounted to approximately HK\$7.45 billion (31 December 2019: HK\$7.66 billion).

Charges on Group Assets

As at 31 December 2020, the Group did not have any charges on assets (31 December 2019: nil).

Contingent Liabilities

As at 31 December 2020, the Group had no material contingent liabilities (31 December 2019: nil).

Final Dividend

The Board has resolved to propose to shareholders of the Company the distribution of a final dividend for the Year at 37 HK cents (2019: 21 HK cents) per share totaling HK\$443,805,518 subject to approval by shareholders at the annual general meeting of the Company (the “AGM”) to be held on 12 May 2021. If so approved by shareholders, it is expected that the final dividend will be paid on or about 31 May 2021 to shareholders of the Company whose names appear on the register of member of the Company on 21 May 2021.

Closure of Register of Members

The register of members of the Company will be closed from 7 May 2021 to 12 May 2021, both dates inclusive, during which period no transfer of shares will be registered. In order to ascertain shareholders’ eligibility to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar, Computershare Hong Kong Investor Services Limited (the “**Share Registrar**”), at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 6 May 2021.

In addition, the register of members of the Company will be closed from 18 May 2021 to 21 May 2021, both dates inclusive, during which period no transfer of shares will be registered. In order to ascertain shareholders’ entitlement to the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 17 May 2021.

Purchase, Sale or Redemption of the Securities

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s shares during the Year.

Corporate Governance

The Company is committed to maintaining a high standard of corporate governance practices by emphasizing a quality Board, sound internal control, transparency and accountability to all the shareholders of the Company. As disclosed in the announcement of the Company dated 12 September 2020, following the resignation of Mr. CHIA Yen On, the Company had only three Independent Non-Executive Directors, which resulted in (i) the number of Independent Non-executive Directors falling below the minimum number as required under Rule 3.10A of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”); (ii) the Company did not meet the composition requirements for the nomination committee of the Company (the “**Nomination Committee**”) as required under Code Provision A.5.1 of the Corporate Governance Code set out in Appendix 14 of the Listing Rules (the “**Corporate Governance Code**”) and the terms of reference of the Nomination Committee; and (iii) the Company did not meet the composition requirements for the remuneration committee of the Company (the “**Remuneration Committee**”) as required under Rule 3.25 of the Listing Rules and the terms of reference of the Remuneration Committee. Following the appointment of Mr. LAW Hong Ping, Lawrence on 1 November 2020, the Company has fulfilled (i) the requirement of the Independent Non-executive Directors representing at least one-third of the Board under Rule 3.10A of the Listing Rules; (ii) the requirement that the Nomination Committee shall comprise a majority of Independent Non-executive Directors under Code Provision A.5.1 of the Corporate Governance Code and the terms of reference of the Nomination Committee; and (iii) the requirement that the Remuneration Committee shall comprise a majority of Independent Non-executive Directors under Rule 3.25 of the Listing Rules and the terms of reference of the Remuneration Committee. Save for the above, the Company has complied with all the code provisions set out in the Corporate Governance Code for the Year.

Internal Control

Vinda is committed to maintaining high standards of corporate governance. All employees are required to comply with Vinda’s code of conduct. We regularly review and update our internal control policies, handling procedures and guidelines to align with the latest external regulatory and internal control requirements. 99% of our employees have been trained on the code of conduct. While the heads of all functional departments and business units are responsible for identifying, handling and reporting major risks and inadequacies in internal control, the internal audit department is responsible for conducting internal audits, receiving reports on misconduct, reporting cases to the senior management and advising solutions for cases. The head of the internal audit department reports to the chairman of the audit committee of the Company (“**Audit Committee**”).

Directors' Securities Transactions

The Company has adopted a code for securities transactions by Directors (the “**Code of Conduct**”) on terms no less exacting than the required standard of the Model Code for Securities Transaction by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 of the Listing Rules. Having made specific enquiry with all the Directors, all of them confirmed that they have complied with the required standard set out in the Model Code and the Code of Conduct regarding securities transactions by the Directors during the Year.

Audit Committee

The Audit Committee has four members comprising three Independent Non-Executive Directors, namely, Mr. TSUI King Fai, Mr. WONG Kwai Huen, Albert and Mr. LAW Hong Ping, Lawrence (appointed on 1 November 2020) and a Non-Executive Director, Mr. Carl Fredrik Stenson RYSTEDT. The chairman of the Audit Committee is Mr. TSUI King Fai. The Audit Committee is accountable to the Board and the principal duties of the Audit Committee include the review and supervision of the financial reporting process. It also reviews the effectiveness of internal audit, internal controls and risk evaluation and the interim and annual results of the Group.

The annual results of the Group for the Year have been reviewed by the Audit Committee.

Remuneration Committee

The Remuneration Committee has five members comprising three Independent Non-Executive Directors, namely Mr. TSUI King Fai, Ms. LEE Hsiao-yun Ann and Mr. LAW Hong Ping, Lawrence (appointed on 1 November 2020), and two Non-Executive Directors, namely Mr. Jan Christer JOHANSSON and Mr. Johann Christoph MICHALSKI (appointed on 1 October 2020). The chairman of the Remuneration Committee is Mr. TSUI King Fai. The Remuneration Committee is responsible for formulating and making recommendation to the Board on the Group's remuneration policy, the determination of specific remuneration packages of all Executive Directors and senior management and making recommendations to the Board on the remuneration of Non-Executive Directors. It takes into consideration factors such as salaries paid by comparable companies, time commitment and responsibilities of Directors and senior management, employment conditions elsewhere in the Group and desirability of performance-based remuneration.

Nomination Committee

The Nomination Committee has five members comprising three Independent Non-Executive Directors, namely, Ms. LEE Hsiao-yun Ann, Mr. WONG Kwai Huen, Albert and Mr. LAW Hong Ping, Lawrence (appointed on 1 November 2020), an Executive Director, Mr. LI Chao Wang and a Non-Executive Director, Mr. Jan Christer JOHANSSON. The chairman of the Nomination Committee is Mr. LI Chao Wang. The principal duties of the Nomination Committee are to consider and recommend to the Board suitably qualified persons to become Directors and to be responsible for reviewing the structure, size, diversity and composition of the Board on a regular basis.

Risk Management Committee

The Company's risk management committee (the "**Risk Management Committee**") has five members comprising two Executive Directors, Ms. LI Jielin (appointed on 1 October 2020) and Ms. YU Yi Fang, two Non-Executive Directors, namely, Mr. Jan Christer JOHANSSON and Mr. Carl Fredrik Stenson RYSTEDT, and an Independent Non-Executive Director, Mr. TSUI King Fai. The chairman of the Risk Management Committee is Mr. Jan Christer JOHANSSON. The principal duties of the Risk Management Committee are 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.

Executive Committee

The Company's executive committee (the "**Executive Committee**") comprises four members and is chaired by Mr. LI Chao Wang, an Executive Director. The other three members are all Executive Directors, namely Ms. YU Yi Fang, Mr. DONG Yi Ping and Ms. LI Jielin. The duties of the Executive Committee include to develop and make recommendations to the Board on the Company's annual budgets, CAPEX budget, material business plans, and to review and approve proposals for restructuring and major asset disposal as well as annual salaries for senior management and senior executives of the Group within the annual budget approved by the Remuneration Committee.

Strategic Development Committee

The Company's strategic development committee (the "**Strategic Development Committee**") comprises four members and is chaired by Mr. Jan Christer JOHANSSON, a Non-Executive Director. The other three members are two Executive Directors, namely Mr. DONG Yi Ping and Ms. LI Jielin and a Non-Executive Director, Mr. Johann Christoph MICHALSKI. The principal duties of the Strategic Development Committee are (a) to advise on strategy of the Group, namely to review and advise the mid to long term strategic positioning, business plans, brand strategies, investment decisions and mergers and acquisitions of the Group and make recommendations to the Board/Executive Committee; and (b) to monitor, review and advise the implementations of strategic plans.

Publication of Results Announcement and Annual Report

This announcement is published on the websites of the Company (www.vinda.com) and the Stock Exchange (www.hkexnews.hk). The 2020 annual report of the Company will be dispatched to the shareholders of the Company and available on the same websites in due course.

Acknowledgement

On behalf of the Board, I extend my gratitude to all our staff for their hard work and dedication.

By Order of the Board
Vinda International Holdings Limited
LI Chao Wang
Chairman

Hong Kong, 26 January 2021

As at the date of this announcement, the Board comprises:

Executive Directors

Mr. LI Chao Wang
Ms. YU Yi Fang
Ms. LI Jielin
Mr. DONG Yi Ping

Non-Executive Directors

Mr. Jan Christer JOHANSSON
Mr. Carl Magnus GROTH
Mr. Carl Fredrik Stenson RYSTEDT
Mr. Johann Christoph MICHALSKI

Independent Non-Executive Directors

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

Alternate Directors

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