Vinda

Vinda International Holdings Limited

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

Annual Report 2016

Healthy Lifestyle
Starts with Vinda

To Become a Leading Hygiene Company in Asia

Contents

Corporate Information

Directors

Executive Directors

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

Non-Executive Directors

Mr. Jan Christer JOHANSSON (Vice Chairman)
Mr. Carl Magnus GROTH
Mr. Ulf Olof Lennart SODERSTROM

Independent Non-Executive Directors

Mr. CHIA Yen On
Mr. KAM Robert
Mr. TSUI King Fai
Mr. WONG Kwai Huen, Albert

Alternate Directors

Mr. Carl Fredrik Stenson RYSTEDT
(alternate to Mr. SODERSTROM)
(appointed on 18 April 2016)
Mr. CHIU Bun (alternate to Mr. MICHALSKI and
Mr. SODERSTROM) (resigned on 18 April 2016)
Mr. Gert Mikael SCHMIDT (alternate to
Mr. JOHANSSON and Mr. GROTH)

Audit Committee

Mr. KAM Robert (Committee Chairman)
Mr. TSUI King Fai
Mr. Ulf Olof Lennart SODERSTROM
Mr. WONG Kwai Huen, Albert

Remuneration Committee

Mr. TSUI King Fai (Committee Chairman)
Mr. Johann Christoph MICHALSKI
Ms. LI Jielin
Mr. CHIA Yen On
Mr. KAM Robert

Nomination Committee

Mr. LI Chao Wang (Committee Chairman)
Mr. Jan Christer JOHANSSON
Mr. CHIA Yen On
Mr. KAM Robert
Mr. WONG Kwai Huen, Albert

Risk Management Committee

Mr. Jan Christer JOHANSSON (Committee Chairman)
Ms. YU Yi Fang
Mr. Johann Christoph MICHALSKI
Mr. Ulf Olof Lennart SODERSTROM
Mr. TSUI King Fai

Executive Committee

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

Strategic Development Committee

Mr. Jan Christer JOHANSSON (Committee Chairman)
Mr. Johann Christoph MICHALSKI
Ms. LI Jielin
Mr. DONG Yi Ping
Mr. CHIA Yen On (appointed on 18 April 2016)

Authorised Representatives

Ms. LI Jielin
Ms. TAN Yi Yi

Company Secretary

Ms. TAN Yi Yi, FCCA

Auditors

PricewaterhouseCoopers

Legal Advisers to the Company

Stevenson, Wong & Co. (as to Hong Kong law)
White & Case (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

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

Place of Listing and Stock Code

The Stock Exchange of Hong Kong Limited
Stock Code: 3331

Principal Share Registrar and Transfer Office

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

Hong Kong 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

Australia and New Zealand Banking Group Limited
China Construction Bank Corporation
Citibank N.A.
Industrial and Commercial Bank of China Limited
The Hong Kong and Shanghai Banking Corporation Limited
Standard Chartered Bank (Hong Kong) Limited
Skandinaviska Enskilda Banken AB
Svenska Handelsbanken AB (publ)

Company Website

http://www.vinda.com

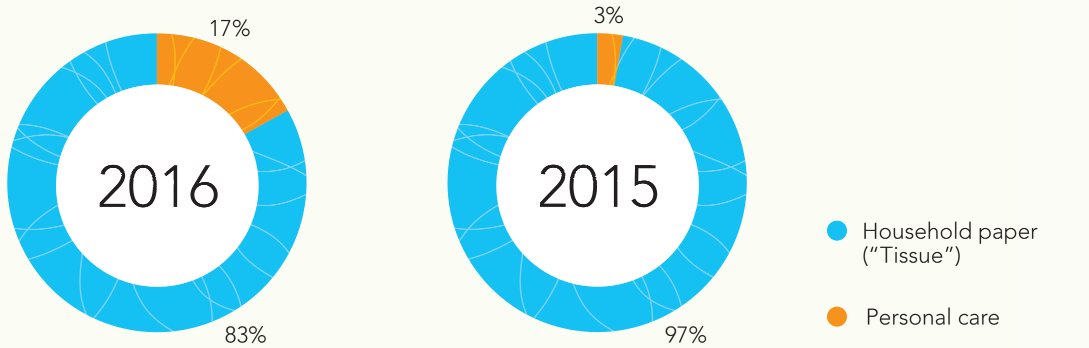
Financial Highlights

	2016	2015
Revenue (HK$ million)	12,057	9,696
Gross profit (HK$ million)	3,817	2,959
EBITDA (HK$ million)	1,683	1,223
Operating profit (HK$ million)	1,008	753
Gross margin (%)	31.7%	30.5%
Operating margin (%)	8.4%	7.8%
EBITDA margin	14.0%	12.6%
Earnings per share (HK$) — basic	59.8 cents	31.5 cents
Dividend per share (HK$)	17.0 cents	10.0 cents
— interim dividend (paid) (HK$)	5.0 cents	5.0 cents
— final dividend (proposed) (HK$)	12.0 cents	5.0 cents
Finished goods turnover	40 days	43 days
Debtors turnover	43 days	43 days
Creditors turnover	70 days	79 days
Current ratio (times)	1.0	1.1
Net debt to EBITDA ratio (times)	2.4	3.6
Net gearing ratio (%)[1]	59%	88%

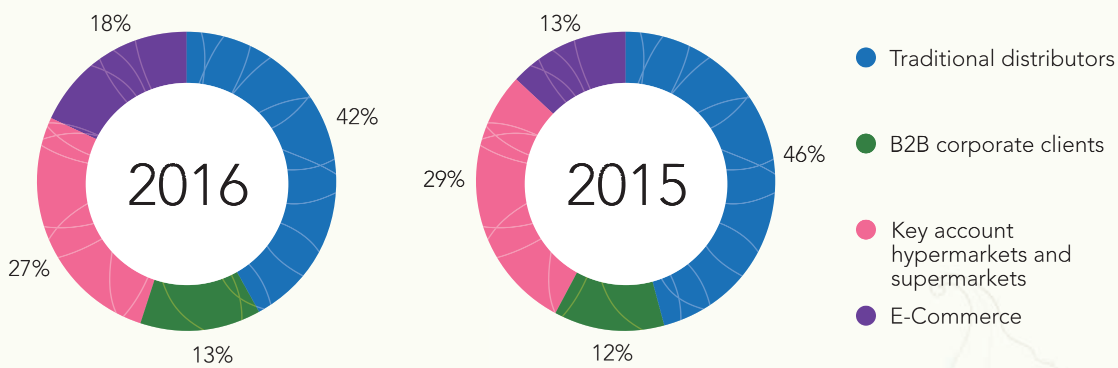
Notes:

1. Calculated on the basis of the amount of total borrowings less bank balances and cash as a percentage of the total shareholders' equity.

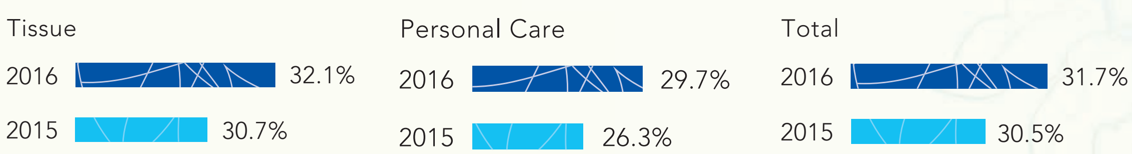
Revenue by Business Segment



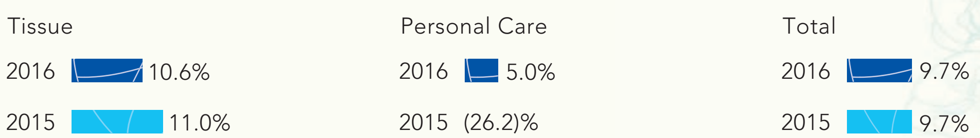
Revenue by Sales Channels



Gross Profit Margin



Segment Result Margin



Chairman's Statement

"Our ambition is clear and distinctive, that is to become a leading hygiene company in Asia by securing the forefront position in the tissue market and speeding up the expansion of our personal care business."

Chairman's Statement

On behalf of the board of directors of Vinda International Holdings Limited, I am pleased to present Vinda's annual report for the year ended 31 December 2016.

We embarked on our new Five-Year journey in 2016. Our ambition is clear and distinctive, that is to become a leading hygiene company in Asia by securing the forefront position in the tissue market and speeding up the expansion of our personal care business. Faced with unprecedented uncertainty in the macro economy and keen market competition last year, Vinda continued to gain recognition and support from consumers on the back of our commitment in quality and focus on innovation as we steered our business forward. We also achieved a notable milestone in going international with the acquisition of Svenska Cellulosa Aktiebolaget (SCA)'s business operations in Southeast Asia, Taiwan and South Korea. Opened to new opportunity with foothold extended to the Asian markets, we now aspire to expand the population coverage of our markets from 1.4 billion to 2.0 billion in the three decades to come.

Looking at China's FMCG market, fierce competition remains among domestic and international brands. Booming online shopping also brings about fundamental changes to the conventional marketing model. Given the imbalance in supply and demand in the tissue market, Vinda has refrained from banking on price cuts. Instead, we have strived unswervingly to meet consumption upgrade needs through better quality and branding, innovative and precise marketing strategies based on scientific research, and the strengthened development of e-commerce and enhancement of tissue mix. All of these measures have kept us a strong organic growth as we rose to more challenges. In spite of our leading position in the tissue market, we are an infant facing the enormous personal care market. To capture new opportunities in the incontinence care market boosted by the aging population in China, we believe it is vital to unleash the market potential while banking on the supportive policies put forward by local governments. Therefore, Vinda joined hands with the Jiangmen municipal government to map out a sustainable elderly care model during the year, which is expected to be adopted in other provinces in the future. In the flourishing feminine and baby care markets, consumers are eager to try new quality brands as their primary concern shifts from price to value. We are well aware that building a position in the personal care market cannot be done overnight. Yet, we are fortunate enough to have a wide range of prestigious global brands in incontinence, feminine and baby care products. We will prioritise our efforts and penetrate into the Chinese market in phases to attract consumers with products of high quality and value.

Looking ahead, we see the year 2017 as a year of uncertainty in the broader environment, featured by changes in the global political landscape, a strengthening US dollar and significant swings in the environment. As the Chinese economy has entered a "New Normal", there is no dispute that the emphasis of consumption growth is placed on quality. The hygiene industry in China holds a bright future in the longer run. Increasing household disposable income resulted from urbanisation and consumers' quest for quality hygiene products form an ideal backdrop for hygiene business. Our new business in Asia is mature and promising. The continuous professionalism our Asian team demonstrated has enabled the business to further flourish. Following the integration, we are encouraged by the closer communication and sharing between the China team and the Asian team. The interchange of ideas provides new impetus for the rapid development of Vinda as a whole.

Larger business scale comes with greater social responsibility. As a hygiene company with four business categories and ten famous brands in Asia, Vinda will continue to underscore our commitment to environmental protection, corporate governance and social contribution while pursuing profit growth. During the year, Vinda made every effort to maintain a green supply chain and low-carbon production, and updated the "Code of Conduct" for our staff. As Chairman of the Group, I am especially proud that Vinda has claimed the honour of "Directors of The Year Award" from the Hong Kong Institute of Directors. This is an endorsement to our commitment to high standard of corporate governance.

The year 2017 marks the 10th anniversary of our listing on The Stock Exchange of Hong Kong Limited, and embarks our transformation into an international and multi-category hygiene company. We, as always, will work in concert relentlessly to ensure Vinda grow and bring sustainable returns as we move forward.

LI Chao Wang
Chairman
Hong Kong
25 January 2017

CEO Report

> "For the first time personal care business in our history, accounting for a significant percentage of our total annual sales, 17%. This progress has given us much confidence that we are on the right track to becoming a leading hygiene company in Asia."

Chief Executive Officer's Report

2016 has been another remarkable year for Vinda. We continued to demonstrate our strength and ability to grow amid competitive landscape and economic headwinds. With the successful acquisition of SCA Asia business in April, we took a bold step to reshape the business portfolio from single tissue category to multi-categories. For the first time personal care business in our history, accounted for a significant percentage of our total annual sales, 17%. This progress has given us much confidence that we are on the right track to becoming a leading hygiene company in Asia.

Despite the challenging market conditions, I am pleased that our performance in 2016 broadly met our targets, with every region and category contributing. We achieved 13.7% organic growth in revenue and expanded the gross profit margin through active portfolio optimisation. We reduced the foreign exchange loss substantially in a weakening Renminbi trend, and improved the working capital management that led to a strengthening operating cash flow. We put the new production capacity into operation as planned. It is worth mentioning that we kept up the momentum for high growth in our e-commerce sales. E-commerce gained ground as a critical marketing channel for engaging young families, reinforcing our first-mover advantage and leading position in online sales.

Our brands' market shares in China also increased across the board. *Vinda* and *Tempo*, in particular, yielded significant results with our innovations, more marketing initiatives and sales channel strategy. Our incontinence care made satisfactory progress in opening up the retail trade and cementing the relationships with local government. We also step up the sales at feminine care with the excellent execution of the *VIA* branding strategy. Meanwhile, our baby care has also improved its profitability after having shifted its focus from open-diapers to pants.

Our integration of SCA Asia business has been completed since April. In the last three quarters, the Asia team remained dedicated to delivering the business plan and upgraded the products of feminine care and baby care. The continuous exchange of knowledge between the teams in China and Asia will benefit the Group's development.

Looking ahead to 2017, we anticipate continuous challenges: moderate growth in market demand; intensifying competition; uncertainty of currency exchange rates and slowdown in offline trade. To respond to these challenges, we will increasingly sharpen our strategies on building brands, and extending our routes to markets to build a stronger sales base. Top priority remains to develop our people at all levels to secure a strong talent pool. We will also improve our cost efficiency in the supply chain to ensure our sustainable competitiveness. We have set clear objectives of enhancing financial metrics: to drive top-line growth as the main driver of long-term value creation; to broaden the gross margin through better portfolio management; to maintain operating margin and to improve the return on capital employed. Our market priorities have not changed:

1. To drive Tissue business in China

2. To broaden the presence of Personal Care business in China

3. To drive the growth of Personal Care business in Asia and roll out Tissue business to the region

4. To build up B2B business

While remaining cautious about the short-term macro-economic outlook, I am confident that, with continued focus, passion and team spirit, Vinda can meet the challenges in the year ahead.

Christoph MICHALSKI
Chief Executive Officer
25 January 2017

Management Discussion and Analysis

Overview

2016 was a difficult year with a slowing macro-economic development in key Asian markets, the ongoing devaluation of the Chinese Renminbi and Malaysian Ringgit against the US Dollar and Hong Kong Dollar and a continued softening in the physical off-line retail sector. Competition has continued to be aggressive, in particular in the Chinese tissue and baby products markets, but we have also seen some positive highlights with a strong development of the e-commerce sector in China and a favourable raw material prices development across all categories.

Vinda managed to deliver a solid top-line growth and broadened its profitability in terms of gross profit, EBITDA and net profit. Our business development was in line with our strategic priorities, namely growth in tissue and personal care in China and the expansion in other Asian markets. The e-commerce channel has again performed well and we maintained the No.1 market position on a number of platforms. These positive results were primarily driven by consistent brand building, innovation, trading up through an enhanced product mix, a relentless quality focus and a continuous improvement in operational efficiency.

These good operational results, together with the careful management of working capital throughout the Year and tightly managed level of capital expenditure (including the slower timing of some projects) have enabled Vinda to deliver a strong free cash flow and resulted in a reduction of the net gearing level[1].

Furthermore, despite the ongoing devaluation of the RMB versus the HKD, we were able to reduce our exposure to foreign exchange losses by refinancing a significant part of our debt with RMB borrowings.

Vinda completed the acquisition and integration of the SCA Asia business during the Year. As such, this is the first financial year for us to report segment information for Tissue and Personal Care separately.

Financial Highlights

Total revenue increased by 24.3% year on year to HK$12,057 million, with 83% and 17% coming from the Tissue business and the Personal Care business respectively. Organic revenue growth, which excludes acquisition and exchange rate effects, was 13.7%. Both tissue and personal care contributed to the strong organic growth. When looking at sales channels, the traditional distributors remain the largest revenue contributor, contributing to 42% of the total sales, while key account managed supermarkets and hypermarkets, B2B corporate customers and e-commerce accounted for 27%, 13% and 18% respectively.

Gross profit rose by 29.0% year on year to HK$3,817 million, contributed by a lower wood pulp cost, active portfolio optimisation and higher fixed cost coverage. The overall gross profit margin expanded by 1.2 percentage points ("pps") to 31.7%.

Total selling and marketing costs as a percentage of sales reached 17.2%, up by 1.1 pps. The increase related to several factors, including an increased level of market activities and an increased logistic cost due to the shift to e-commerce. It also includes the higher amortisation expense arising from acquired intangible assets. Total administrative costs stood at 6.0% as a percentage of sales.

Operating profit grew by 33.9% year on year to HK$1,008 million. Operating margin increased 0.6 pps to 8.4%. EBITDA grew by 37.6% and EBITDA margin expanded 1.4 pps to 14.0%, reflecting the strong cash generation from the business.

The RMB has depreciated by 6.8% against the HKD in 2016. To mitigate foreign exchange risk, we have gradually increased the proportion of RMB borrowings to 69%. In addition, Hong Kong-based subsidiaries have used the HKD as a functional currency since the start of the second quarter, following the acquisition of the SCA business in Asia. As a result, total foreign exchange losses were significantly reduced to HK$45 million (2015: HK$309 million), of which HK$25 million was reported in operating items (2015: HK$108 million), and HK$20 million in financial items (2015: HK$201 million).

The increase of HK$58 million in interest expenses was mainly due to the slightly increased level of debt through the year and the higher cost of borrowings in RMB compared with those in HKD and USD. The net gearing ratio[1], however, reduced to 59% (2015: 88%).

The effective tax rate was 19.1% (2015: 29.9%). The lower effective tax rate was mainly attributable to the substantial reduction of non-tax deductible foreign exchange losses and the approval of certain tax deductible items in Malaysia and Hong Kong.

Net profit rose 107.8% to HK$654 million. Basic earnings per share amounted to 59.8 HK cents (2015: 31.5 HK cents).

The Board recommends the payment of a final dividend of 12 HK cents per share for the year ended 31 December 2016. Together with the interim dividend, total dividend for 2016 would be 17 HK cents (2015: 10 HK cents).

Business Review

Tissue Segment

The top priority for Vinda is to continue to build its core Tissue business. With two well-known brands *Vinda* and *Tempo* we have a significant opportunity to build a strong leading brand and a super-premium brand respectively. Consumer insight, continuous innovation and online and offline marketing activities are critical for this development. The revenue from the Tissue segment increased to HK$10,023 million, accounting for 83% of the Group's total sales. Significant increases in sales of higher-margin tissue products, such as softpack and wet wipe products, also sustained Tissue's profitability in a very competitive market. Gross profit margin and segment result margin of the Tissue segment were 32.1% and 10.6% respectively for the Year.

The *Vinda* brand again came first in brand share in the Tissue category for 2016[2]. During the Year, we launched new products such as embossed toilet rolls and a limited edition collection of Disney Pixar's Finding Dory tissue products. The upgraded anti-germ wet wipes, kitchen towels and Ultra Strong tissue series under *Vinda* have also contributed. Furthermore, *Tempo*'s sales coverage has been extended to more provincial cities, beyond key cities in the Pearl River Delta and Yangtze River Delta.

Personal Care Segment

Revenue of the Personal Care segment reached HK$2,034 million for the Year, accounting for 17% of the Group's total sales. The increased contribution primarily came from the new income stream from SCA Asia business, which has been consolidated into the Vinda results since 1 April 2016. The gross profit margin and segment result margin of the Personal Care segment were 29.7% and 5.0% respectively, with the lower segment result margin reflecting the investment strategy in personal care in China.

In incontinence care, we have strengthened the development in the retail trade and increased the penetration in professional channels, which effectively elevated sales. The key success factors for delivering a sustainable incontinence business in the long term are the engagement with multiple partners building elderly care infrastructure, services and increasing awareness around the challenges and providing appropriate solutions for people living with incontinence.

In feminine care, *VIA* in China recorded strong sales growth riding on the success of product packaging upgrades and creative online marketing initiatives. *Libresse* in Malaysia launched a new product range called *Confidence ON-The-Go*.

The majority of our baby care business is in Southeast Asia. In 2016, *Drypers* reinforced its No. 1 and No. 3 market positions respectively in Malaysia and Singapore. *Drypers Touch* has been voted by consumers in Malaysia as the best new Product of the Year in 2016/2017 in the disposable baby diapers category. In China, we have enhanced our product portfolio by offering imported products under the *Libero* brand which saw impressive sales during the November e-commerce festival.

Production Capacity Plan

Vinda's annual designed production capacity for tissue paper amounted to 1,040,000 tons as at 31 December 2016. We expect to add 60,000 tons in our existing Zhejiang factory in the second half of 2017, thereby bringing the annual designed tissue paper capacity to 1,100,000 tons by the end of 2017. We will also continue to upgrade our converting technology and environmental protection facilities.

We also expect to close the previously approved and announced Sanjiang Property transaction around the end of first quarter. This will reduce the rental costs for our biggest production base.

As for Personal Care, we have completed the installation and commissioning of new incontinence production lines in China in 2016. We have also secured three additional production bases (two in Malaysia and one in Taiwan) through the acquisition of SCA Asian operations. These plants will continue to provide strong support for our Personal Care business development.

Internal Control and Human Resources Management

In April 2016, Vinda started the roll-out of a new Code of Conduct to all employees. This Code of Conduct summarises all key internal policies into a simple to understand and comprehensive guide covering Manner of Operations, Health and Safety, Relationship with Staff, Individual Rights and Nature and Community. By December 2016, 98% of our employees have been trained. Vinda's human resource department and internal audit department are the guardians of this Code.

Vinda's internal audit function formulates, reviews and updates the internal control system and guidelines with reference to national and local laws and regulations that Vinda has to comply with. The internal control unit is also responsible for combating frauds and formulating the procedures for reporting misconduct. Its specific duties include receiving reports on misconduct, investigating, reporting the cases to the senior management and advising on how to handle the cases. The head of the internal audit function reports to the chairman of the Audit Committee.

We earned the "Directors of the Year 2016 Awards" under two categories, namely "Listed Companies (SEHK – Non-Hang Seng Indexes Constituents) Boards" and "Excellence in Board Diversity". Such awards were presented by the Hong Kong Institute of Directors in recognition of our high standard of compliance, sound internal control as well as the diversity of culture, knowledge and experience among the directors.

Vinda believes that employees are our most valuable contributors to our success. We strive to offer equal opportunities for all qualified candidates regardless of working age, nationality, race, religion, sexual orientation, gender, marital status, disability or political stance. We also offer fair and reasonable remuneration, performance incentives and a career advancement mechanism. Furthermore, we ensure that our employees continuously develop their skills and capabilities by offering a range of training and learning opportunities. Following the acquisition of the SCA Asia business in April 2016, we have refined our organisation structure, and upgraded our human resource information platform.

As at 31 December 2016, we had a total of 11,257 employees.

Outlook

Looking ahead to 2017, we expect the global economy to remain slow due to the ongoing political, policy, and economic uncertainties worldwide. We anticipate the operating environment of our home markets in 2017 will face the same adverse factors as in 2016. The overall business outlook therefore remains challenging. We believe our growth will be impacted somewhat by weaker market growth. The benefit from a better portfolio mix is likely to be partially offset by intensifying market competition and increasing pulp prices.

Notwithstanding the challenges, the markets where we are present remain promising in the medium and long term. With the continuous urbanization in China, consumers will increasingly trade up to new, niche and high quality products, especially those offering benefits to their quality of life. Similarly, disposable income growth will help shape a bigger middle class in Asia, driving up discretionary purchases. Other factors, such as the boom of e-commerce, the aging population and stringent environmental regulations, will stimulate the demand for quality hygiene products.

With the above challenges and potentials in mind, we are cautiously optimistic on the outlook of 2017. We will remain focused on customers and consumers. We will ride on the back of our strengths in brand value, innovation, distribution capability and operational efficiency to drive growth following the priorities below:

1. To drive Tissue business in China

2. To broaden the presence of Personal Care business in China

3. To drive the growth of Personal Care business in Asia and roll out Tissue business to the region

4. To build up B2B business

1. Net gearing level: Total borrowing less bank balances and cash/total shareholders' equity

2. Source: Kantar Worldpanel, based on sales value for the period 1-12 ended 2 December 2016

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, HKD, 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, HKD or USD.

Liquidity, Financial Resources and Bank Loans

The Group's financial position remained healthy. As at 31 December 2016, the Group's bank and cash balances amounted to HK$1,015,254,277 (31 December 2015: HK$393,247,986), and short-term and long-term loans amounted to HK$5,016,746,026 (31 December 2015: HK$4,738,538,802), including the loans from a related party amounting to HK$915,499,741 (31 December 2015: HK$1,308,080,688). 75.6% of the borrowings are medium- to long-term (31 December 2015: 73.6%). The annual interest rates of bank loans ranged from 0.80% to 9.80%.

As at 31 December 2016, the net gearing ratio, which was calculated on the basis of the amount of total borrowings less cash and cash equivalents and restricted bank deposits as a percentage of the total shareholders' equity, was 59% (31 December 2015: 88%).

As at 31 December 2016, unutilized credit facilities amounted to approximately HK$4.03 billion (31 December 2015: HK$7.80 billion).

Charges on Group Assets

As at 31 December 2016, the Group did not have any charges on assets (31 December 2015: nil).

Material Acquisition

The Company as purchaser and SCA Group Holding BV as vendor had entered into a sale and purchase agreement (the "APAC Sale and Purchase Agreement") in relation to the acquisition (the "APAC Acquisition") by the Company from SCA Group Holding BV of the entire issued share capital (the "Sale Shares") of each of SCA Hygiene Korea Co. Ltd., SCA Hygiene Malaysia Sdn. Bhd. and SCA Taiwan Ltd. (collectively, the "Target Companies") dated 28 October 2015 (as amended and supplemented by an amendment agreement on 27 December 2015). Pursuant to the APAC Sale and Purchase Agreement, the initial purchase price for the Sale Shares is the sum of HK$2,800,000,000 less the Estimated Net Debt, payable in the following manner: (i) as to the sum of HK$1,204,334,136, by allotting and issuing to SCA Group Holding BV 75,897,034 new shares of the Company, free from any Encumbrance; (ii) as to the sum of HK$502,058,018, by issuing the Convertible Note to SCA Group Holding BV; and (iii) as to the sum of HK$1,093,607,847 less the Estimated Net Debt, in cash by way of directing AB SCA Finans (publ) to pay such amount out of the proceeds of the Commercial Loan from Shareholder to SCA Group Holding. The initial purchase price for the Sale Shares was subject to post-completion adjustments in accordance with the terms set out in the APAC Sale and Purchase Agreement.

The Acquisition was completed on 1 April 2016. Upon completion of the APAC Acquisition, the Target Companies became indirect wholly-owned subsidiaries of the Company. The final purchase price for the Sale Shares and the settlement details are set out in Note 32 to the consolidated financial statements. Details of the APAC Acquisition, including the terms of the APAC Sale and Purchase Agreement and the definitions of Estimated Net Debt, Encumbrance, Convertible Note and Commercial Loan from Shareholder were set out in 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.

Contingent Liabilities

As at 31 December 2016, the Group had no material contingent liabilities (31 December 2015: nil).

Capital Commitment

	As at 31 December	
	2016	**2015**
	HK$	HK$
Property, plant and equipment and intangible assets	770,104,565	436,773,776

Final Dividend

The Board has resolved to propose to shareholders the distribution of a final dividend for the year ended 31 December 2016 at HK12.0 cents (2015: HK5.0 cents) per share totaling HK$136,489,485, subject to approval by shareholders at the annual general meeting (the "AGM") on 7 April 2017. If so approved by shareholders, it is expected that the final dividend will be paid on or about 16 May 2017 to shareholders whose names appear on the register of members of the Company on 28 April 2017.

Closure of Register of Members

The register of members of the Company will be closed from 5 April 2017 to 7 April 2017, 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 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 3 April 2017. In addition, the register of members of the Company will be closed from 26 April 2017 to 28 April 2017, 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 Company's 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 25 April 2017.

Environmental, Social and Governance (ESG) Report 2016

商界展關懷
caringcompany 2013-17
Awarded by The Hong Kong Council of Social Service
香港社會服務聯會頒發

Preface

By embracing the Company motto "Healthy Lifestyle Starts with Vinda", Vinda is committed to providing every family with quality hygiene products and services under our core principles of "Sustainability, Innovation, Professionalism and Integrity". We believe the Company's sustainability is closely tied with the environment, society and corporate governance, we uphold our principles by enhancing environmental protection, employee relationships, community involvement and corporate governance in order to balance the interests of all our stakeholders.

Concepts and Principles

This Environmental, Social and Governance (ESG) report discloses the environmental, social and governance initiatives and performance of our nine production bases in Mainland China (in seven legal entities[1]) for the year ended on 31 December 2016 in reference to the ESG Reporting Guide issued by The Stock Exchange of Hong Kong Limited. Operation of the acquired business in Asia, which was only completed in April 2016, is not covered in this report.

The figures disclosed in this report are from our documents and records. To ensure data accuracy, we commissioned Intertek Testing Services Ltd. (Intertek), an international third-party certification issuer, to provide auditing and statistical analysis services on the environmental data.

2016 Performance

(I) Embracing eco-friendly operations

Vinda understands businesses should grow in harmony with nature. We support the energy saving initiatives of international environmental organisations to minimise our impact on nature. We impose stringent controls on procurement, production and distribution. We also develop challenging but feasible emission and waste reduction plans, such as upgrading equipment, installing natural gas boilers as well as tracking our carbon footprint.

[1] The seven legal entities are Vinda Paper (China) Company Limited (including three subsidiaries in Guangdong, Jiangmen, Xinhui), Vinda Paper (Zhejiang) Company Limited, Vinda Paper (Sichuan) Company Limited, Vinda Paper (Shandong) Company Limited, Vinda Paper (Liaoning) Company Limited, Vinda North Paper (Beijing) Company Limited, and Vinda Personal Care (China) Company Limited.

- **Enhancing energy efficiency**

  Policies and measures

  The Standard GB31825-2015 "The Norm of Energy Consumption per Unit Product of Pulp and Paper" which came into effect in July 2016 was drafted by the China National Pulp & Paper Research Institute and the China Standardisation Technical Committee of Paper Making Industry and published by the Standardisation Administration of China. It proposes specific energy-saving management recommendations, requiring companies to assess their energy use periodically and apply assessment indicators in production units to establish a comprehensive accountability system. Before Standard GB31825-2015 came into effect, the Group had already put in place specific plans to implement energy management and carbon emission control systems, monitor waste water discharge and set up paper-making water reuse projects in our factories in Mainland China.

  At present, we use natural gas and coal as the main sources of energy to supply electricity and heat. Vinda selects the energy source for each of its factories based on the availability and feasibility of the natural resources and infrastructure. For instance, the plants in Sichuan, Beijing and Guangdong have been using natural gas as the infrastructure there makes it feasible. Vinda uses central-heating systems and central effluent treatment facilities in its plants in Jiangmen, Zhejiang and Liaoning by leveraging the economies of scale of the industrial parks where these plants are located. In factories where in-plant heating facilities are in place, such as those in Hubei and Shandong, Vinda reduces emissions through technological adaptations and upgrades, such as replacing the iron dryers of the paper machines with steel dryers, and upgrading the steam pipes for more efficient heat supply.

Energy consumption and carbon emissions	**2016**	**2015**	**Change (%)**	**Upper limits of national benchmarks**
Average overall energy consumption for every ton of paper (ton of standard coal)	0.38	0.39	-2.6 %	0.42
Steam (10,000 tons)	65.02	65.34	-0.5%	N/A
Coal (10,000 tons of standard coal)	14.96	14.94	+0.1%	N/A
Electricity (10,000 kilowatt-hours)	62,122	56,382	+10.2%	N/A
Natural Gas (10,000 cubic metres)	2,042	1,438	+42%	N/A

In 2016, all plants met the national standards of energy use. The average overall energy consumption for every ton of paper was 0.38 tons of standard coal, representing a decrease from 0.39 tons of standard coal in 2015, lower than the upper limit of the national benchmark, 0.42 tons of standard coal for every ton of paper under "The Norm of Energy Consumption per Unit Product of Pulp and Paper."

In terms of energy consumption, although our designed production capacity increased by 90,000 tons during the year, consumption of steam decreased by 0.5% year-on-year, consumption of coal slightly increased by 0.1%, while the consumption of electricity was still within a reasonable range. This indicated that the Group used energy more efficiently. The consumption of natural gas increased significantly, primarily due to the Group's gradual replacement of coal-fired boilers with natural-gas boilers. Vinda will closely monitor our energy consumption in all production lines, and collect and analyse the data from machines in operation or in idle mode to formulate specific energy-saving schemes.

Treatment of waste gas and solid waste

Emissions from production base	Types of pollutants	Amount of discharge per 10,000 tons of products (tons) 2016	2015	Change	Emission ceiling
Waste gas	Sulfur dioxide (SO_2)	1.54	2.35	-34.5%	Ceiling as determined by local environmental authorities

All plants employed advanced de-sulfurisation and de-nitrification technologies for waste gas treatment to reduce the amount of sulfur and nitrogen compounds in our waste gas. A three-tier monitoring management system is used to monitor the operations of our plants. We also regularly check the waste gas emissions to ensure that the emissions must be lower than national emission standards such as GB13271-2001 Emission Standard of Air Pollutants for Coal-burning Oil-burning Gas-fired Boilers and GB3095-2012 Ambient Air Quality Standards. In 2016, sulfur dioxide emissions per 10,000 tons of product decreased by 34.5% to 1.54 tons (2015: 2.35 tons), and the emission concentration was maintained at below 80% of the benchmark levels determined by local environmental authorities.

Carbon dioxide emissions per 10,000 tons of product reached 14,378 tons (2015: 10,160 tons). This substantial increase over the last year was mainly due to an extended coverage method used in assessing greenhouse gas emissions during the year, which includes the calculation of direct greenhouse gas emissions ("Area I") and energy indirect greenhouse gas emissions ("Area II"), while the report for last year only covered the data of Area I. In addition, Intertek adopted an alternative electricity conversion coefficient for the calculation of coal emissions from various regions. This method is more accurate than the Group's previous calculation method of adopting the electricity conversion coefficient of Beijing.

Regarding solid waste treatment, we aim to avoid secondary pollution by regulating and outlining the handling procedures of both hazardous and non-hazardous waste. Hazardous waste is handled by professional contractors licensed by the environmental authorities, while non-hazardous waste is handled by eligible contractors selected through tendering.

- **Save Water**
  Vinda aims to reduce water use in all production processes and minimise the waste water discharge. Water recycling systems and devices for shallow air flotation, fiber ball and disc filtration systems have been installed in all our production bases to recycle the filtered water used in production. After waste water undergoes oxygenation, anaerobic treatment and stratified filtration, it is either used for greening, cleaning, or is discharged through the municipal sewer system.

	2016	**2015**	**Change**	**Upper limits of national benchmarks**
Average water consumption for every ton of paper (ton)	8.28	8.78	-5.7%	30
Water recycling rate (estimates)	over 95%	over 95%	–	N/A

In 2016, the average water consumption for every ton of paper was 8.28 tons, a drop of 5.7% from the previous year's 8.78 tons. This is significantly lower than the national quota of 30 tons of water consumption for every ton of product, as stipulated in GB/T18916.5 "Water Consumption Quota — Part 5: Paper-making". The water recycling rate was maintained at over 95%.

Proper sewage treatment
We make every effort to improve effluent treatment. All production bases are equipped with three-tier effluent treatment facilities, including those for shallow air flotation and oxygen-consuming anaerobic biochemical treatment.

1st stage
Monitor the emission through the round-the-clock monitoring system installed at discharge points to which local eco-authorities have access

2nd stage
Set up an environmental division in each production base to collect data of indicators such as SS, COD, BOD, and pH by regularly examining the amount of discharged effluent and waste gas

3rd stage
Regular inspections on the condition of production bases by local environmental authorities

Pollutant concentration of production bases

Discharge from production	Types of pollutants	Average annual concentration (milligrams per litre) 2016	2015	Change	National benchmarks
Effluent	Suspended solids (SS)	15.33	18.60	-17.6%	50
Effluent	Chemical oxygen demand (COD)	65.86	69.61	-5.4%	80
Effluent	Biochemical oxygen demand (BOD)	10.88	13.56	-19.8%	50

Remark: All figures above are calculated based upon real-time data.

In 2016, all the pollutant concentration indicators in the effluent discharged met Discharge Standard of Water Pollutants for Pulp and Paper Industry as well as the corresponding standards set by local environmental authorities. The concentration of suspended solids (SS) in effluent decreased by 17.6% year-on-year to 15.33 milligrams per litre (mg/L); that of chemical oxygen demand (COD) dropped by 5.4% year-on-year to 65.86 mg/L; and that of biochemical oxygen demand (BOD) declined by 19.8% year-on-year to 10.88 mg/L.

(II) Building an excellent team

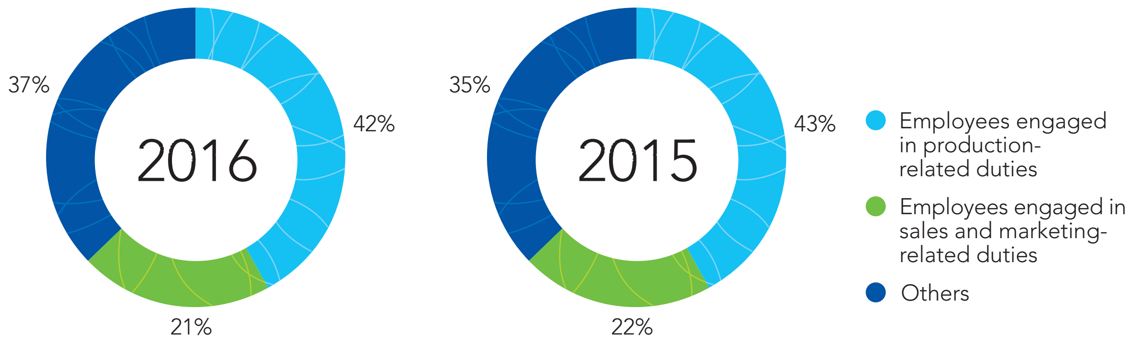
People are the core driver of an enterprise's development. We fully comply with the national laws and regulations regarding recruitment, protection of employees' rights and the workplace. We promise to provide fair and equal opportunities in employment and development. Throughout the year, Vinda received various awards such as the "2016 Best Employer of Guangdong Province", the "Home of Model Workers in Hubei Province", the "Model Enterprise of Harmonious Employment Relations in Laiwu" and the "Enterprise of Harmonious Employment Relations in Quzhou". Vinda was also awarded the Caring Company Logo by The Hong Kong Council of Social Service for four consecutive years.

Vinda Group	2016	2015
Number of employees in Mainland China, Hong Kong and other regions in Asia	11,257	8,327
Turnover rate	16.0%	19.0%

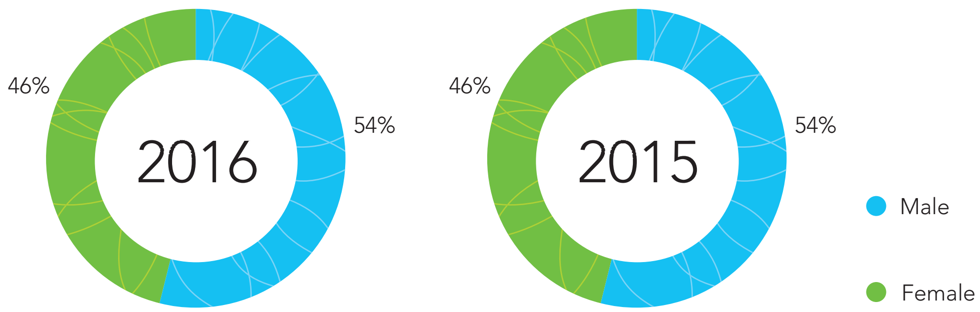
Remark

- The substantial increase in the total number of employees was mainly due to the Group's acquisition in the Asia-Pacific region in April 2016.

Employee Composition by Nature of Work



Employee Composition by Gender



- **Employment**

  Fair recruitment

  We recruit staff based on a fair, open and impartial principle to ensure the recruitment and selection process is objective and consistent. We only take into account an individual's competence, regardless of the age (no recruitment of minors under the age of 16), nationality, race, religion, gender, sexual orientation, marital status, pregnancy, disability or political stance. This process avoids any employment discrimination and offers equal employment opportunities to all candidates.

  Employment and benefits

  We stringently comply with all national and local laws, such as the Labor Law, Labor Contract Law and Employment Promotion Law of the People's Republic of China. We legally abide by labour policies and eliminate any malpractice such as the use of child labour or forced-labour workers.

We have developed various rules and regulations such as management systems for remuneration, performance and benefits. These serve to set a standard for payroll, leave, social insurance, housing provident fund, accident insurance and distribution of benefits.

Furthermore, we fully comply with the Law on the Protection of Women's Rights and the Rules on the Labor Protection of Female Employees. Along with prenatal leave, breast-feeding leave, annual gynecological examinations, we also organise activities including outings or feasts on International Women's Day and Mother's Day, and career planning for interested employees.

Corporate culture

Vinda believes that a harmonious and loving work environment is vital to creating a sense of belonging and enhancing work performance. Employees have access to gymnasiums, dance studios and libraries all within the workplace. Recreational activities such as sports days, birthday parties, festival gala and parenting recreation days are held on a regular basis. We even pay for home visits and offer living subsidies to employees in need.

- **Safety first**

  Vinda strives to eliminate potential health and safety hazards by placing an emphasis on occupational safety. With our "zero-accidents" goal, we regularly review the compliance of safety measures in reference to Work Safety Law of the People's Republic of China and Administrative Measures for Work Safety Training and improve the Occupation Health and Safety Management Systems and the Safety Feedback Mechanisms. An external technical advisory body has also been engaged to advise the company on the environment, health and safety (EHS) policies.

Safe production

We have set up production safety committees to periodically perform inspections. We also have a work safety evaluation mechanism to assess performance and review the effectiveness of measures. In 2016, we carried out a total of 323 safety inspections.

Employee safety and health

We strengthened the safety management by identifying potential risks, offering training in operational safety and providing protection equipment. Workshop workers were provided with safety earplugs, dust masks, dust-proof work uniforms, insulated shoes and gloves. Noise-reduction and dust-removal devices were also installed on the main equipment. Training was held regularly to ensure employees operate machines properly and safely. Furthermore, regular body checks were carried out and safety-related incidents were investigated thoroughly.

In 2016, 83 safety seminars were held with a total of 34,373 participants. No fatal industrial incidents occurred during the year and the number of industrial injuries due to production dropped by 38.5%.

- **Development and training**

  Vinda offers employees target-oriented and systematic training. All employees are able to develop their skills via face-to-face tutoring, self-learning and reading, on-the-job practice and e-learning.

  We offer training for new recruits including mentoring and a rotating internship programme. We also raise our employees' understanding of and competence in various departments and positions through various events such as the Spark Scheme and Capability Rebalancing Project. Our employees can also update their expertise via our e-learning platform.

  In 2016, 103,201 hours of training in total were provided to 54,585 participants of the Group. Employees received 15.4 hours of training on average during the year, an increase of 4.4 hours compared with 11 hours last year.

(III) Managing accountability in a comprehensive way

- **Code of conduct**

  During the year, Vinda strengthened corporate governance by introducing a new Code of Conduct applicable to all employees. The code summarises all key internal policies in a simple and straightforward way and provides a comprehensive guide to our mode of operations, occupational health and safety, employment relationship, individual rights, environmental protection and community. As of the end of December 2016, 98% of the employees had received training in the new code.

- **Green supply chain**

  A sound supply chain management system helps ensure product quality and safety, which is crucial to safeguarding the reputation of an enterprise. We engage and manage suppliers and carry out green production in strict compliance with the Measures Governing Contracts, Guidelines on Internal Control and Measures Governing Tender Invitations.

  Wood-pulp procurement

  The wood pulp used by Vinda is mainly sourced from northern Europe, South and North America. We uphold the principle of equity in selecting suppliers and give priority to sourcing raw materials which have obtained the Forest Stewardship Council (FSC®) certification or have been recognized by the Programme for the Endorsement of Forest Certification (PEFC). In 2016, all the wood pulp we sourced was environmentally certified. All production bases in Mainland China obtained the internationally accredited FSC® Chain of Custody Certification which enables tracing the origin of the wood pulp it uses to FSC® certified forests.

  Chemicals procurement

  Vinda prefers chemicals suppliers who can provide the Material Safety Data Sheet (MSDS). MSDS is a comprehensive legal document provided by chemicals producers or sales enterprises to customers as required by law. It primarily contains 16 items covering the features of chemicals, properties of blasting, hazards to health, safe use and storage, disposal of spills, emergency measures as well as relevant laws and regulations. Vinda is able to ensure that all chemical additives provided by our suppliers are in compliance with the GB9685 "Hygienic Standards for Uses of Additives in Food Containers and Packaging Materials" so as to ensure the product quality. In 2016, all our chemicals suppliers obtained MSDS certificates.

- **Improvement of product and service quality**

  Quality first

  All production bases have obtained the ISO14001 Environmental Management System, ISO9001 Quality Management System and ISO22000 Food Safety Management System certifications. Our subsidiaries, Vinda Paper (China) Company Limited, Vinda Paper (Shandong) Company Limited and Vinda North Paper (Beijing) Company Limited have obtained ISO50001 Energy Management System certifications, while the other remaining factories will be gradually acquiring energy management system certifications.

  We enforce the 6S management measures (Sorting, Straightening, Shining, Sanitising, Sustaining and Safety) to monitor the hygiene conditions in each plant. We have developed a three-tier quality monitoring mechanism, which covers the procedures for managing the inspection of incoming goods, the procedures for managing process inspection and the procedures for managing final checks. For example, after wood pulp is delivered to our plants, it undergoes tests for moisture content and yellowing index. In the production process, the values of the quantity, stiffness, softness and whiteness of the rolled paper are measured. Finally, the external packaging quality, microbiological content and fluorescence level are tested before the finished products are stored in warehouses.

In 2016, our products passed the sampling inspections by local and national authorities, maintaining a 100% passing rate for 15 consecutive years.

Product recall and complaint handling
To improve the quality and efficiency of our after-sales customer service, we have developed customer complaint handling procedures, including procedures for handling customers' comments, compensation and returned products.

Upon receiving any complaint from customers, we investigate and identify the cause and take remedial measures. If the product is to be recalled due to special circumstances, we will promptly make a recall announcement for the defective product in accordance with the "Notice and Recall Control Procedures". No recall actions due to safety and health issues were taken by the Group in 2016.

A total of 507 complaints (2015: 592) were received, primarily about the packaging of our products. The complaint rate for dry tissue paper products, calculated based on the number of complaints received for every 1,000 tons of tissue products sold, was 0.50 (2015: 0.67).

- **Corporate Governance and Anti-corruption**
  Vinda adopts a zero-tolerance attitude towards corrupt business practices. Our internal control unit formulates, reviews and regularly updates the internal control system, code of conduct and guidelines in reference to national and local laws and regulations as well as the rules and regulations of both the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and guidelines issued by the Securities and Futures Commission. We regularly update the Management Measures on Contracts, Management Measures on Tendering, Management Measures on Anti-Corruption, Management System on Confidentiality, Code of Conduct for Staff, Guidelines on Internal Control and Mechanism for Information Disclosure which govern various aspects of its operation to combat malpractices including fraud, corruption, breach of confidentiality and insider trading. The internal control unit is also responsible for combating fraud and formulating the procedures for reporting malpractice. Its tasks include receiving reports on malpractice, investigation of and reporting on the cases and making recommendations on how to handle such cases.

Apart from formulating internal codes, the internal control unit conducts internal audits and risk assessments regularly on operating units and monitors the business operations of the Group to ensure sound corporate governance and prevent any behaviour that may harm the business.

During the year, we revised and improved the Measures Governing Anti-Corruption by setting up a report hotline and mail box. We also provide our staff with training in anti-corruption and occupational ethics and periodically update the internal management policies, procedures and guidelines for enhancing risk management.

We received the Directors of the Year Awards 2016 under the categories of "Listed Companies (SEHK – Non-Hang Seng Indexes Constituents) Boards" and "Excellence in Board Diversity" in recognition of Vinda's notable corporate governance and sound internal control as well as the diversity in culture, knowledge and experience of our Directors.

- **Privacy protection**
  Our code of conduct clearly stipulates our practices on handling personal information of our customers, employees and third parties. Personal information is collected and handled in accordance with privacy laws and by fair and lawful means to ensure they are not accidentally accessed, processed, erased, lost or used without authorization. The confidential information of our employees is kept safe and may not be revealed to any personnel unless required by law.

(IV) Contributing to society

Vinda supports charitable causes and plays an active role in fulfilling our responsibilities as a corporate citizen. We also encourage and support all employees to participate in community services and charitable activities as contributions to society.

- **Conducting studies on family relationships**
  For three consecutive years, we have conducted studies on the theme of family situations, partnering with the Chinese Academy of Social Sciences Institute of Population and Labor Economics and website Baby Tree. In October 2016 we published the "Vinda 2016 Report on the Parent-child Relationship of National Families", which is the first report about "two-child families" in China that examines the changes in and features of Chinese family dynamics since the implementation of the two-child policy.

- **Charitable causes**

  Vinda supports and encourages our employees to participate in volunteer activities. The Vinda Volunteer Team is one way to contribute to the society with practical action. Vinda's "Service Charter for Young Volunteers" regulates volunteer activities, under which volunteers are encouraged to participate in community services and charitable activities. During the year, 3,888 hours of community service were provided by the team, an increase of 479 hours from 2015 (3,409 hours). A total of 771 participants attended the activities during the year, an increase of 268 participants from 503 participants in 2015.

  A total of 135 voluntary workers also participated in three charity sales events in 2016. All the raised funds were used in education aid activities. For four consecutive years, the team has hosted activities including Shopping Fun in Supermarket, Celebration of Children's Day on 1st June, and Barbecue with Fun at the welfare home for children in Xinhui.

  The team has been providing support services at Xinhui Railway Station on statutory holidays since 2013 to ease passenger traffic and assist those in need at the Xinhui Railway Station, Jiangmen. This activity was awarded the 2016 Best Volunteer Project in Guangdong Province.

  We offer assistance to underprivileged students, the elderly and critically ill patients through the Vinda Charity Foundation. The foundation has helped to improve the living environment of senior care centres through the donation of supplies and money. Our volunteer projects included cleaning services, party gatherings, performance activities and film shows. We also built six new service centres in Xinhui to provide whole day free meals to the elderly under the Five-Guarantees System or with low guarantees. During the year, approximately 104,198 meals were served in total. In terms of education aids, the foundation has provided finance assistance to 39 university students for three consecutive years as well as 15 high school students during the year, two of whom are orphans, eight are from families receiving the minimum living guarantee, and five are from families in severe poverty. Vinda continued the "Save the Heart" programme to offer assistance to congenital or rheumatic heart disease patients from families with financial difficulties, along with insurance coverage for cervical or breast cancer for women from single-parent families or families receiving the minimum living guarantee.

Vision for 2017

In the past year, Vinda fulfilled its responsibilities as a corporate citizen in accountable management, green production and contribution to society. We promise to uphold the direction towards sustainable development and strike a balance between enterprise development and environmental protection.

For environmental protection, Vinda will continue to reduce the impact of the manufacturing process on the environment through a rigorous monitoring system, and look forward to reducing waste generation by improving our production process progressively. We also plan to step up the relevant initiatives in 2017. For example, the two cast-iron dryers used in the paper-making machines at the branch in Jiangmen are scheduled to be replaced by steel dryers to improve thermal transmission efficiency and reduce energy consumption. Meanwhile, we are finalising the details of a paper-making water recycling project to reduce the amount of clean water used for every ton of paper during paper-making process. In terms of social responsibilities and governance, we will continue to ensure all internal procedures, systems, guidelines and standards are lawful and compliant. We will devote more resources to creating and improving the work environment, safety facilities and energy conservation and environmental projects in order to offer the best protection to all our stakeholders.

A. Environmental

		KPI	
Aspect A1: Emissions			
Types of emissions and respective emissions data Greenhouse gas emissions in total	• Carbon dioxide emissions per 10,000 tons of product: 14,378 tons (2015: 10,160 tons) • Sulfur dioxide emissions per 10,000 tons of product: 1.54 tons (2015: 2.35 tons)	A1.1 A1.2	✔
Total hazardous and non-hazardous waste produced and intensity	• Concentration of suspended solids (SS) in effluent: 15.33 mg/L (2015: 18.60 mg/L) • Concentration of chemical oxygen demand (COD) in effluent: 65.86 mg/L (2015: 69.61 mg/L) • Concentration of biochemical oxygen demand (BOD) in effluent: 10.88 mg/L (2015: 13.56 mg/L)	A1.3 A1.4	✔
Measures to mitigate emissions and results achieved	• Employed de-sulfurisation and de-nitrification technologies for waste gas treatment • Set up carbon emissions control systems and three-tier monitoring management system, please refer to the section on Embracing eco-friendly operations • Sulfur dioxide emissions per 10,000 tons of product: 1.54 tons, decreased by 34.5% (2015: 2.35 tons) • The emission concentration was maintained at below 80% of the benchmark levels determined by local environmental authorities	A1.5	✔
Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	Handling of hazardous and non-hazardous wastes • Hazardous waste is handled by professional contractors licensed by the environmental authorities • Non-hazardous waste is handled by eligible contractors selected through tendering Reduction initiatives • Set up paper-marking water re-use projects • Installed water recycling systems in all our production bases • Equipped our bases with three-tier effluent treatment facilities • Please refer to the section on Embracing eco-friendly operations Result achieved • Concentration of suspended solids (SS), chemical oxygen demand (COD) and biochemical oxygen demand (BOD) in effluent dropped by 17.6%, 5.4% and 19.8% year-on-year respectively • All the pollutant concentration indicators in the effluent discharged met Discharge Standard of Water Pollutants for Pulp and Paper Industry as well as the corresponding standards set by local environmental authorities	A1.6	✔

		KPI	
Aspect A2: Use of Resources			
Direct and/or indirect energy consumption by type	• Average overall energy consumption for every ton of paper: 0.38 tons of standard coal (2015: 0.39 tons of standard coal) • Steam (10,000 tons): 65.02 (2015: 65.34) • Coal (10,000 tons of standard coal): 14.96 (2015: 14.94) • Electricity (10,000 kilowatt hours): 62,122 (2015: 56,382) • Natural gas (10,000 cubic metres): 2,042 (2015: 1,438)	A2.1	✔
Water consumption in total	• Average water consumption for every ton of paper: 8.28 tons (2015: 8.78 tons) • Water recycling rate (estimates): over 95% (2015: over 95%)	A2.2	✔
Energy use efficiency initiatives and results achieved Water efficiency improving initiatives and results achieved	For energy use efficiency initiatives • Selected the energy source for each of its factories based on the availability and feasibility of the natural resources and infrastructure by referring to The Norm of Energy Consumption per Unit Product of Pulp and Paper For relevant results achieved • All plants met the national standards of energy use • Consumption of steam decreased by 0.5% year-on-year For water efficiency improving initiatives • Installed water recycling systems and devices for shallow air flotation, fiber ball and disc filtration systems For relevant results achieved • The average water consumption for every ton of paper dropped by 5.7% year-on-year, significantly lower than the national quota of 30 tons of water consumption for every ton of product, as stipulated in GB/T18916.5 "Water Consumption Quota — Part 5: Paper-making" • The water recycling rate was maintained at over 95%	A2.3 A2.4	✔
Total packaging material used for finished products	The Group currently does not report on the volume of total packaging materials used. We plan to disclose this information in future reports	A.2.5	

		KPI	
Aspect A3: The Environment and Natural Resources			
The significant impacts of activities on the environment and natural resources and the actions taken to manage them	The Group has no significant impact on the environment and natural resources during the year	A3.1	✔

B. Social

Employment and Labour Practices		KPI	
Aspect B1: Employment			
Total workforce by gender, employment type, age group and geographical region	Number of employees of Vinda Group: 11,257 Workforce by nature of work • Percentage of employees engaged in production-related duties: 42% • Percentage of employees engaged in sales and marketing-related duties: 21% • Others: 37% Workforce by gender • Male: 54% • Female: 46%	B1.1	✔
Employee turnover rate	Turnover rate: 16%	B1.2	✔
Aspect B2: Health and Safety			
Relating to providing a safe working environment and protecting employees from occupational hazards	Number and rate of work-related fatalities • Number of occupational fatalities: 0 • Rate of occupational fatalities: 0 Occupational health and safety measures adopted, how they are implemented and monitored • Regularly review the compliance of safety measures in reference to Work Safety Law of the People's Republic of China and Administrative Measures for Work Safety Training and improve the Occupation Health and Safety Management System and the Safety Feedback Mechanisms • Appointed an external technical advisory body to advise the company on the environment, health and safety (EHS) policies • Set up production safety committees • Strengthened the safety management by identifying potential risks, providing protection equipment and offering training in operation safety	B2	✔

		KPI	
Aspect B3: Development and Training			
Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities	• Number of participants: 54,585 • Average training hours per staff: 15.4 hours	B3	✔
Aspect B4: Labour Standards			
Employment practices to avoid child and forced labour	• Stringently comply with all national and local laws, such as the Labor Law, Labor Contract Law and Employment Promotion Law of the People's Republic of China • Developed various rules and regulations such as management systems for remuneration, performance and benefits • Fully complied with the Law on the Protection of Women's Rights and the Rules on the Labor Protection of Female Employees	B4.1	✔
Steps taken to eliminate such practices when discovered	During the year, there was no non-compliance with regulations in the Group	B4.2	✔
Aspect B5: Supply Chain Management			
Policies on managing environmental and social risks of the supply chain	The wood pulp used by the Group is mainly sourced from northern Europe, South and North America • Engage and manage suppliers and carry out green production in strict compliance with the Measures Governing Contracts, Measures Governing Tender Invitations, and Guidelines on Internal Control • Sourced wood pulp have obtained the Forest Stewardship Council (FSC®) certification or have been recognized by the Programme for the Endorsement of Forest Certification (PEFC) • Ensured all our chemicals suppliers provided MSDS certificates	B5	✔

		KPI	
Aspect B6: Product Responsibility			
Percentage of total products sold or shipped subject to recalls for safety and health reasons	No recall actions due to safety and health issues were taken by the Group	B6.1	✔
Number of products and service related complaints received and how they are dealt with	• The group received 507 complaints in total. • Will investigate and identify the cause and take remedial measures upon receiving complaint from customers • Developed customer complaint handling procedures, including procedures for handling customer's comments, compensations and returned products	B6.2	✔
Practices relating to observing and protecting intellectual property rights	The Group did not receive any intellectual property-related cases during the year	B6.3	✔
Quality assurance process and recall procedures	For Quality assurance process • Developed a three-tier quality monitoring mechanism, which covers the procedures for managing the inspection of incoming goods, the procedures for managing process inspection and the procedures for managing final checks For recall procedures • Established the Notice and Recall Control Procedures	B6.4	✔
Consumer data protection and privacy policies, how they are implemented and monitored	• Code of conduct clearly stipulates our practices on collecting and handling personal information of our customers, employees and third parties in accordance with privacy laws and by fair and lawful means	B6.5	✔

		KPI	
Aspect B7: Anti-corruption			
Policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering	• Regularly updates the Guidelines on Internal Control, Management Measures on Contracts, Management system on Confidentiality, Management Measures on Tendering, Management Measures on Anti-Corruption, and Code of Conduct for Staff • Revised and improved the Measures Governing Anti-Corruption • Set up a report hotline and mail box • Organised training in anti-corruption and occupational ethics • Periodically updates the internal management policies, procedures and guidelines	B7	✔
Aspect B8: Community Investment			
Focus areas of contribution	• Published the "Vinda 2016 Report on the Parent-child Relationship of National Families", which is the first report about "two-child families" in China • Provided finance assistance to 39 university students for three consecutive years as well as 15 high school students through the Vinda Charity Foundation during the year • Continued the "Save the Heart" programme to offer assistance to congenital or rheumatic heart disease patients from families with financial difficulties, along with insurance coverage for cervical or breast cancer for women from single-parent families or families receiving minimum living guarantee	B8.1	✔
Resources contributed	• Total hours of community service provided: 3,888 hours • Number of volunteers participating: 771 participants • Number of meals provided by the six service centres in Xinhui: approximately 104,198 meals	B8.2	✔

TENA 添宁
如普通内裤般 方便舒适
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成人纸尿裤
全新升级
干爽亲肤
TENA 添宁
全新升级
包大人 Dr.P
基本型 成人纸尿裤

Biographies of Directors and Senior Management

Biographies of Directors

Executive Directors

1. **Mr. LI Chao Wang (李朝旺)**, aged 58, is a founder of the Group. He 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 almost 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 a member of Guangdong Political Consultative Committee, Vice President of the Household Paper Professional Committee of the China Paper Association, Consultant to China Paper Industry Chamber of Commerce, Vice President of Guangdong Federation of Industry & Commerce and 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 62, 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 almost 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. **Mr. Johann Christoph MICHALSKI**, aged 51, was appointed as Executive Director and Chief Executive Director of the Company on 1 October 2015. Before acting as an Executive Director and Chief Executive Officer of the Company, Mr. MICHALSKI had acted as a Non-Executive Director of the Company since 2008. 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. 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.

4. **Ms. LI Jielin (李潔琳)**, aged 31, was appointed as Executive Director and Deputy Chief Executive Officer of the Company on 1 October 2015. Currently, Ms. LI is also the Chief Human Resources Officer and President, North Asia. Ms. LI joined the Company in 2012 as the Managing Director of Vinda Household Paper (Australia) Limited and the Business Development Manager of the Company, has been responsible for overseas business development. She was the Group's Chief Strategy Officer and the managing director of Vinda Household Paper (Australia) Limited since November 2014. 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.

5. **Mr. DONG Yi Ping (董義平)**, aged 53, 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 20 years of experience in equipment operations and safety, quality control, and research and development. Prior to joining the Group, he held several positions in two other paper manufacturing companies. Mr. DONG graduated from the Paper Manufacturing program of Tianjin University of Science and Technology (previously Tianjin Institute of Light Industry) in 1991 with a master's degree in Engineering.

Biographies of Directors and Senior Management

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Non-Executive Directors

6. Mr. Jan Christer JOHANSSON, aged 62, 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 CEO of SCA from 2007 to February 2015. Prior to joining SCA, from 2001 to 2007, Mr. JOHANSSON was the President and CEO of Boliden AB, a metals company with core competence in the fields of exploration, mining, smelting and metals recycling. In 2001, Mr. JOHANSSON served as the President of Network Operations in Telia AB. From 1994 to 2000, Mr. JOHANSSON was the Executive Vice President of Vattenfall and, before that from 1990, the Business Area President of Svenska Shell. Mr. JOHANSSON has taken up professional roles like General Counsel in Shell International Petroleum, Svenska Shell and Lycksele and Sunne district courts from 1983 to 1990. Mr. JOHANSSON has a master's degree in Laws from Stockholm University, Sweden.

7. Mr. Carl Magnus GROTH, aged 53, was appointed as a Non-Executive Director of the Group on 1 July 2015. Mr. GROTH is the President and CEO of SCA. Mr. GROTH joined SCA in 2011 as President, SCA Consumer Goods Europe (a business unit of SCA) and has taken an active part in developing SCA into a global leading hygiene and forest products company with strong brands, fantastic employees and successful value creation for shareholders and other stakeholders. Mr. GROTH also has extensive experience among other things as CEO 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.

8. Mr. Ulf Olof Lennart SODERSTROM, aged 52, was appointed as a Non-Executive Director by the Board on 31 March 2011. Mr. SODERSTROM is Senior Vice President Strategic Projects of SCA and prior to that he was the President of SCA Asia Pacific based in Shanghai, China. Mr. SODERSTROM joined SCA in 2009 as a Senior Vice President, Business Development and Strategy, responsible for IT, acquisitions, business intelligence and sustainability. He has many years of experience in executive positions. Prior to joining SCA, he served Boliden (a leading European metals company) as the President of Business Area Market responsible for marketing and sales, strategy process, market analysis and corporate communication. His background also includes serving in senior positions at, among other companies, Scania and Forcenergy. Mr. SODERSTROM graduated from the department of economics at the University of Stockholm and received a master of Business Administration degree from Stockholm School of Economics.

Independent Non-Executive Directors

9. Mr. CHIA Yen On (謝鉉安), aged 66, was appointed as an Independent Non-Executive Director on 16 October 2015. Mr. CHIA was a Director of the Company from January 2001 to June 2007 and is the Chairman of STS Limited since 1992. He was the Investment Commissioner, Greater China to the Australian Consulate, Hong Kong from 1992 to 2003. Mr. CHIA has over 30 years experience in management and sales with major multinational corporations. He provided consulting service for the Australian Federal Government for 12 years and has experience in over 100 merger and acquisition deals. Mr. CHIA graduated from University of Sydney with Bachelor of Science degree and has a Master of Science degree from University of New South Wales.

10. Mr. KAM Robert (甘廷仲), aged 59, was appointed as an Independent Non-Executive Director on 19 June 2007. Mr. KAM started his career with one of the Big Four international accounting firms and is currently a partner of a chartered accountancy firm, Kam & Beadman, based in Sydney, Australia. He has many years of experience in providing audit, tax and accounting services, including public company statutory audits, information systems audits and internal audits. Mr. KAM is currently a Non-Executive Director of Jiashili Group Limited. Mr. KAM graduated with a bachelor's degree in Commerce from the University of Western Australia. Mr. KAM is a chartered accountant and a member of the Institute of Chartered Accountants in Australia, a Registered Auditor in New South Wales, Australia and a Registered Auditor of the Australian Securities and Investments Commission. Mr. KAM is also a Justice of the Peace in the State of New South Wales in Australia.

11. Mr. TSUI King Fai (徐景輝), aged 67, was appointed as an Independent Non-Executive Director on 19 June 2007. Mr. TSUI has over 30 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 Hong Kong and served in various public listed companies in Hong Kong in a senior capacity. Mr. TSUI is currently acting as an Independent Non-Executive Director of Lippo Limited, Lippo China Resources Limited, Hongkong Chinese Limited, China Aoyuan Property Group Limited and Newton Resources Ltd. He was a Director and Senior Consultant of WAG Worldsec Corporate Finance Limited, a registered financial services company in Hong Kong. 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 65, 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 Hong Kong, the United Kingdom, Australia and Singapore. He is a China-Appointed Attesting Officer. Mr. WONG is currently the independent non-executive director of China International Marine Containers (Group) Co., Ltd., PICC Asset Management Co., Ltd., Hua Hong Semiconductor Limited and China Oilfield Services Limited. 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 Hong Kong International Airport Authority, Hospital Authority, Hong Kong Mortgage Corporation and the Competition Committee. He is the Honorary Chairman of Hong Kong International Arbitration Centre. He is presently one of the deputy chairman of Hong Kong Inland Revenue Board of Review, 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 Director. He is the Honorary Adviser of the Financial Reporting Council and Hong Kong Business Accountants Associations 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, Hang Seng Management College and Hong Kong Shue Yan University.

Alternate Directors

13. Mr. Carl Fredrik Stenson RYSTEDT, aged 53, was appointed as the Alternate Director to Mr. SODERSTROM on 18 April 2016. Mr. RYSTEDT is the Executive Vice President and Chief Financial Officer of SCA. Mr. RYSTEDT joined SCA in 2014 and was the head of SCA's group function finance. 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 PLC. Mr. RYSTEDT was the Chief Financial Officer of Sapa UK Limited from 2000 to 2001 and was the head of business development of Sapa UK Limited from 1998 to 1999. Mr. RYSTEDT has a bachelor degree in Finance and Accounting from the Stockholm School of Economics.

14. Mr. Gert Mikael SCHMIDT, aged 56, 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 SCA. Before that, Mr. SCHMIDT was the Vice President and General Counsel of SCA Packaging in Belgium and SCA Forest Products in Sweden respectively from 1994 to 2012. Prior to that, Mr. SCHMIDT was the Assistant General Counsel of SCA from 1992 to 1994. 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.


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Biographies of Senior Management

15. Mr. ZHANG Jian (張健), aged 44, is the Deputy CEO of the Group and President – mainland China. He graduated from Wuyi University in Electronic Technology, and joined the Group in 1992. He has served as a Manager in the production, marketing, and procurement departments, and Deputy Manager, General Manager and Chief Operating Officer of the Company. Mr. ZHANG is the Vice President of Guangdong Paper Association.

16. Mr. Toby James LAWTON, aged 42, was appointed as the Chief Financial Officer of the Group on 15 September 2014. Mr. LAWTON joined SCA in 1995 and his most recent role was Chief Financial Officer for the Asia Pacific Business Group of SCA. He was nominated by SCA as the Chief Financial Officer of the Group and his appointment was approved by the nomination committee under the Board. Mr. LAWTON holds a master's degree in Physics from Oxford University in the United Kingdom and has over 20 years' experience in financial management. Mr. LAWTON is an associate member of the Association of Corporate Treasurers and passed the professional examinations for the Chartered Institute of Management Accountants.

17. Ms. TAN Yi Yi (譚奕怡), aged 35, 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.

18. Ms. WANG Bo (王波), aged 43, is the Chief Operating Officer - mainland China. Ms. WANG previously held the position of Chief Operating Officer of the Group. Ms. WANG joined the Group in 1997 and has served as the General Manager of the quality control and development division, Plant Manager and Regional Chief Operating Officer. She has extensive experience in production management. Ms. WANG holds a bachelor's degree in Chemical Processing of Forest Products from the Beijing Forestry University and a master's degree in Engineering from the South China University of Technology.

19. Mr. Richard SU (蘇洛夫), aged 60, is the Chief Procurement Officer of the Group, responsible for the centralized material procurement of the Group. Mr. SU obtained his bachelor's degree in Trade Economics from Renmin University of China in 1983. He joined the Group in 1999 as assistant to the CEO, the Director of Purchase and the Deputy Chief Operating Officer sequentially. He has over 25 years of experience in sourcing and trade management.

20. Mr. HU Yong Jin (胡永進), aged 43, is the President, Sales - mainland China. Mr. HU previously held the position of Chief Sales Officer of the Group. He joined the Group in October 1998 and served sequentially as a branch Manager as well as the Deputy General Manager and General Manager of the Group and the Executive Vice President (sales of southern region) and Senior Vice President of Sales & Marketing of the Group. Mr. HU graduated from Anhui Institute of Technology in 1996 as a bachelor majoring in Automobile Design and Manufacturing.

21. **Ms. SU Ting Nee (徐珍妮)**, aged 46, is President – South East Asia. 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 South East Asia in 2014, and has been instrumental in shaping the continued growth and development of the company's business in South East Asia over the last 16 years. Prior to SCA, Ms. SU worked for several years in production management. Ms. SU holds a master's degree in Industrial Engineering & Management, and bachelor's degree in Management Information Systems, both from the Oklahoma State University, United States.

22. **Mr. TANG Hai Tang (湯海棠)**, aged 45, is the President, Marketing- mainland China. Mr. TANG previously held the position of Chief Marketing Officer of the Group, responsible for the marketing management of the four major product categories, namely tissue, incontinence care, feminine care and baby care, as well as e-commerce divisions in mainland China. He joined the Group in August 1995 and served as branch Deputy General Manager, 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.

23. **Ms. ZHAO Xiao Yu (趙小妤)**, aged 40, is the Vice President of Human Resources of the Group. Ms. ZHAO graduated from Jinan University in Guangzhou in Statistics in 1999 and joined the Group in November of the same year. She has served as EVP of Human Resources and Deputy Head of Administration Department of the Group.

24. **Ms. ZHANG Cui Ling (張翠玲)**, aged 48, 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.


Ngam Ngam
Fit!
Libresse
CONFIDENCE ON-THE-GO
KEEPS ODOR AWAY WITH GREEN TEA
12 MAXI NIGHT WINGS 32CM
Libresse
ULTRA THIN
VIA
无湿感
VIA

Corporate Governance Report

Corporate Governance

Vinda International Holdings Limited (the "Company") is committed to maintaining a high standard of corporate governance practices by emphasizing a quality board of directors, sound internal control, transparency and accountability to all of the shareholders of the Company. For the year ended 31 December 2016, the Company has complied with all the code provisions set out in the Corporate Governance Code (the "CG Code"), as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Directors' Securities Transactions

The Company has adopted a code for securities transactions by directors of the Company (the "Code of Conduct") on terms no less exacting than the required standard of the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. Having made specific enquiry with all the directors of the Company (the "Directors" or individually the "Director"), 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 ended 31 December 2016.

Board of Directors

Composition

The board of directors (the "Board") of the Company comprises twelve Directors, five of which are Executive Directors, three are Non-Executive Directors and four are Independent Non-Executive Directors. The members of the Board as at the date of this annual report (i.e. 25 January 2017) are as follows:

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

Non-Executive Directors
Mr. Jan Christer JOHANSSON *(Vice Chairman)*
Mr. Carl Magnus GROTH
Mr. Ulf Olof Lennart SODERSTROM

Independent Non-Executive Directors
Mr. CHIA Yen On
Mr. KAM Robert
Mr. TSUI King Fai
Mr. WONG Kwai Huen, Albert

Alternate Directors
Mr. Carl Fredrik Stenson RYSTEDT *(alternate to Mr. SODERSTROM) (appointed on 18 April 2016)*
Mr. CHIU Bun (alternate to Mr. MICHALSKI and Mr. SODERSTROM) *(resigned on 18 April 2016)*
Mr. Gert Mikael SCHMIDT *(alternate to Mr. JOHANSSON and Mr. GROTH)*

The Board formulates overall strategies and policies of the Company and its subsidiaries (the "Group"). It also ensures the availability of adequate capital and managerial resources to implement the strategies adopted, the adequacy of systems of financial and internal control and the conduct of business in conformity with applicable laws and regulations. The Board members are fully committed to their roles and have always acted in the best interests of the Group and its shareholders at all times. There is no financial, business, family or other material/relevant relationship amongst Directors, except for the fact that Ms. LI Jielin is the daughter of Mr. LI Chao Wang. The Directors' biographical information is set out on pages 39 to 45 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 Board meetings are attended by a majority of the Directors in person or through other electronic means of communication. In addition, ad hoc and special Board meetings are convened from time to time for the Board to discuss issues that require the Board's timely attention. Since the special Board meetings are concerned with the day-to-day management of the Company which often requires prompt decisions, usually only the Executive Directors and senior management attend the meetings. During the year ended 31 December 2016, other than resolutions passed in writing by all the Directors, the Board held a total of 8 regular Board meetings.

During the year ended 31 December 2016, the Company convened an annual general meeting.

The attendance of each member at the Board meetings and general meetings 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 Board meetings attended	Number of ad hoc and special Board meetings attended	Number of general meeting attended
Executive Directors			
Mr. LI Chao Wang *(Chairman)*	8 (8)	2 (26)	1 (1)
Ms. YU Yi Fang *(Vice Chairman)*	8 (8)	7 (26)	1 (1)
Mr. Johann Christoph MICHALSKI *(Chief Executive Officer)*	8 (8)	20 (26)	1 (1)
Mr. DONG Yi Ping *(Chief Technology Officer)*	5 (8)	1 (26)	1 (1)
Ms. LI Jielin *(Deputy Chief Executive Officer)*	8 (8)	20 (26)	1 (1)
Non-Executive Directors			
Mr. Jan Christer JOHANSSON *(Vice Chairman)*	7 (8)		1 (1)
Mr. Carl Magnus GROTH	6 (8)		1 (1)
Mr. Ulf Olof Lennart SODERSTROM	7 (8)		1 (1)
Mr. Carl Fredrik Stenson RYSTEDT *(alternate to Mr. SODERSTROM)* (appointed on 18 April 2016)	5 (6)		0 (0)
Mr. CHIU Bun *(alternate to Mr. MICHALSKI and Mr. SODERSTROM) (resigned on 18 April 2016)*	2 (2)		1 (1)
Mr. Gert Mikael SCHMIDT *(alternate to Mr. JOHANSSON and Mr. GROTH)*	1 (8)		0 (1)
Independent Non-Executive Directors			
Mr. KAM Robert	6 (8)		1 (1)
Mr. TSUI King Fai	6 (8)		1 (1)
Mr. WONG Kwai Huen, Albert	7 (8)		1 (1)
Mr. CHIA Yen On	7 (8)		1 (1)

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

The Chairman of the Board is Mr. LI Chao Wang and the CEO of the Company is Mr. Johann Christoph MICHALSKI. 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 connected transactions and 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 ended 31 December 2016 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 of the Company 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 initially appointed for a term ranged from 1 year to 1 year and 9 months 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.

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

Delegation by the Board

The Board reserves for its decision 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 ("Ms. TAN") 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 financial year ended 31 December 2016.

Corporate Governance Functions

No corporate governance committee has been established 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, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, etc.

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 names as listed out in the "Board of Directors" under the section headed "Corporate Governance Report" with the latest information on the Listing Rules and other applicable requirements, so as to update and strengthen the Directors' awareness of the development of corporate governance, and maintained records of training participated by the Directors. The means of such training are as follows:

Name of Directors	Reading Materials	Induction Training	Seminars/talks/ training course
Executive Directors			
Mr. LI Chao Wang	✔		✔
Ms. YU Yi Fang	✔		✔
Mr. Johann Christoph MICHALSKI	✔		✔
Mr. DONG Yi Ping	✔		
Ms. LI Jielin	✔		✔
Non-Executive Directors			
Mr. Jan Christer JOHANSSON	✔		✔
Mr. Carl Magnus GROTH	✔		✔
Mr. Ulf Olof Lennart SODERSTROM	✔		✔
Independent Non-Executive Directors			
Mr. CHIA Yen On	✔		✔
Mr. KAM Robert	✔		✔
Mr. TSUI King Fai	✔		✔
Mr. WONG Kwai Huen, Albert	✔		✔
Alternate Directors			
Mr. Carl Fredrik Stenson RYSTEDT (alternate to Mr. SODERSTROM) (appointed on 18 April 2016)	✔	✔	
Mr. CHIU Bun (alternate to Mr. MICHALSKI and Mr. SODERSTROM) (resigned on 18 April 2016)	✔		
Mr. Gert Mikael SCHMIDT (alternate to Mr. JOHANSSON and Mr. GROTH)	✔		✔

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 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 a 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 comprises five members and is chaired by Mr. TSUI King Fai, an Independent Non-Executive Director. The other members are two Executive Directors, namely Mr. Johann Christoph MICHALSKI and Ms. LI Jielin, and two Independent Non-Executive Directors, namely Mr. KAM Robert and Mr. CHIA Yen On.

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 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-base remuneration.

During the year ended 31 December 2016, the remuneration committee held 3 meetings. The remuneration committee reviewed the remuneration policy of the Company and the remuneration of Directors and senior management and made recommendation to the Board.

The attendance of each member at the remuneration committee meetings during the year ended 31 December 2016 are 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	3 (3)
Mr. Johann Christoph MICHALSKI	3 (3)
Ms. LI Jielin	3 (3)
Mr. KAM Robert	3 (3)
Mr. CHIA Yen On	3 (3)

Nomination Committee

The Company established a 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 comprises five members and is chaired by Mr. LI Chao Wang, an Executive Director. The other members are three Independent Non-Executive Directors, namely Mr. KAM Robert, Mr. WONG Kwai Huen, Albert, and Mr. CHIA Yen On; and one Non-Executive Director, namely Mr. Jan Christer JOHANSSON.

The nomination committee considers and recommends to the Board suitably qualified persons to become Directors and is responsible for reviewing the structure, size and composition of the Board on a regular basis.

Before a prospective Director's name is formally proposed, the opinions of the existing Directors (including the Independent Non-Executive Directors) are sought. The selection criteria of the qualified candidates are mainly based on the assessment of their qualifications, experience and expertise as well as the requirements under the Listing Rules. The nomination committee selects and recommends candidates for directorship having regard to the balance of skills and experience appropriate to the Group's business. During the year ended 31 December 2016, the nomination committee held 1 meeting. The nomination committee reviewed the current structure, size and composition of the Board and the remuneration of the senior management.

The attendance of each member at the nomination committee meeting during the year ended 31 December 2016 are set out below. Figures in brackets indicate maximum number of meetings held in the period in which the individual was a member of the nomination committee.

Members	**Number of meetings attended**
Mr. LI Chao Wang	1 (1)
Mr. Jan Christer JOHANSSON	1 (1)
Mr. KAM Robert	1 (1)
Mr. WONG Kwai Huen, Albert	1 (1)
Mr. CHIA Yen On	1 (1)

The Board has adopted a policy on board diversity ("Board Diversity Policy"). Pursuant to the Board Diversity Policy, the Board shall consider the benefits of diversity when it reviews the Board composition, in addition to examining whether it has a balance of skills, experience and independence.

Audit Committee

The Company established an 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 comprises three Independent Non-Executive Directors, namely Mr. KAM Robert, Mr. TSUI King Fai and Mr. WONG Kwai Huen, Albert; and one Non-Executive Director, Mr. Ulf Olof Lennart SODERSTROM. Mr. KAM Robert is the chairman of the audit committee.

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 and internal control system of the Group.

During the year ended 31 December 2016, 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 and 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 ended 31 December 2016.

The attendance of each member at the audit committee meetings during the year ended 31 December 2016 are 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. KAM Robert	3 (3)
Mr. TSUI King Fai	3 (3)
Mr. WONG Kwai Huen, Albert	3 (3)
Mr. Ulf Olof Lennart SODERSTROM	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 comprises five members and is chaired by Mr. Jan Christer JOHANSSON, a Non-Executive Director. The other members are two Executive Directors, namely Ms. YU Yi Fang and Mr. Johann Christoph MICHALSKI; one Non-Executive Director, namely Mr. Ulf Olof Lennart SODERSTROM and one Independent Non-Executive Director, namely Mr. TSUI King Fai.

The RMC is to assist the Board in deciding the Group's risk level and risk appetite; considering the Company's risk management strategies and gives directions where appropriate.

During the year ended 31 December 2016, the RMC held 4 meetings. The attendance of each member at the RMC meetings during the year ended 31 December 2016 are 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	4 (4)
Ms. YU Yi Fang	4 (4)
Mr. Johann Christoph MICHALSKI	4 (4)
Mr. Ulf Olof Lennart SODERSTROM	4 (4)
Mr. TSUI King Fai	3 (4)

Executive Committee

The Company established an 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 five members and is chaired by Mr. LI Chao Wang, an Executive Director. The other members are Executive Directors, namely Ms. YU Yi Fang, Mr. Johann Christoph MICHALSKI, Mr. DONG Yi Ping and Ms. LI Jielin.

The duties of the executive committee is to review the Company's annual budgets, CAPEX budget, material business plans, proposals for restructuring and major asset disposal, annual salary adjustment plans and remuneration incentive scheme.

During the year ended 31 December 2016, the executive committee held 12 meetings. The attendance of each member at the executive committee meetings are set out below. Figures in brackets indicate maximum number of meetings held in the period in which the individual was a member of the executive committee.

Members	Number of meetings attended
Mr. LI Chao Wang	12 (12)
Ms. YU Yi Fang	12 (12)
Mr. Johann Christoph MICHALSKI	12 (12)
Mr. DONG Yi Ping	10 (12)
Ms. LI Jielin	12 (12)

Strategic Development Committee

The Company established a strategic development committee on 16 October 2015. The Board has adopted the terms of reference for the strategic development committee. As at the date of this annual report, the strategic development committee comprises five members and is chaired by Mr. Jan Christer JOHANSSON, a Non-Executive Director. The other members are three Executive Directors, namely Mr. DONG Yi Ping, Mr. Johann Christoph MICHALSKI, and Ms. LI Jielin and an Independent Non-executive Director, Mr. CHIA Yen On (appointed on 18 April 2016).

The duties of the strategic development committee is to review and advise the mid to long term strategic positioning, development plans and investment decisions of the Company and make recommendations to the Board, to monitor and review the implementations of strategic plans, to advise on major investment projects, merger and acquisitions, brand strategies or any other material matters which will affect the Company's long term development.

During the year ended 31 December 2016, the strategic development committee held 3 meetings. The members of the strategic development committee during the year ended 31 December 2016 and up to date of this annual report and the attendance of each member at the strategic development committee meetings are set out below. Figures in brackets indicate maximum number of meetings held in the period in which the individual was a member of the strategic development committee.

Members	Number of meetings attended
Mr. Jan Christer JOHANSSON	3 (3)
Mr. DONG Yi Ping	3 (3)
Mr. Johann Christoph MICHALSKI	3 (3)
Ms. LI Jielin	3 (3)
Mr. CHIA Yen On (appointed on 18 April 2016)	2 (2)

Accountability and Audit

Financial Reporting

The Directors acknowledge their responsibility for preparing all information and representations contained in the financial statements for the year ended 31 December 2016 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 2016, 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 87 to 92 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 ongoing 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 ended 31 December 2016 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 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 period.

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 issuer'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. As at the date of this annual report, the RMC comprises five members and is chaired by Mr. Jan Christer JOHANSSON, a Non-Executive Director. The other members are two Executive Directors, namely Ms. YU Yi Fang and Mr. Johann Christoph MICHALSKI; One Non-Executive Director, namely Mr. Ulf Olof Lennart SODERSTROM and one Independent Non-Executive Director, namely Mr. TSUI King Fai. The risk management committee is to assist the Board in deciding the Group's risk level and risk appetite; considering the Group's risk management strategies and gives directions where appropriate. 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 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 ended 31 December 2016, 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 of the Group's internal audit staff and accounting and financial reporting staff and considered that the staffing is adequate and the staffs are competent to carry out their roles and responsibilities.

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

Handling and Dissemination of Inside Information

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

Auditors' Remuneration

An analysis of the remuneration of the Company's auditors, Messrs. PricewaterhouseCoopers, for the year ended 31 December 2016 is set out as follows:

Services rendered	Fee paid/payable HK$'000
Audit services	8,866

No non-audit services fee was paid during the year.

Shareholders' rights

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

Right to convene extraordinary general meeting

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

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

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

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

Right to put enquiries to the Board

Shareholders have the right to put enquiries to the Board. All enquiries shall be in writing and sent by post to the principal place of business of the Company in Hong Kong 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 (2011 Revision). However, shareholders are requested to follow Article 58 of the Company's Articles of Association for including a resolution at an EGM. The requirements and procedures are set out above. Pursuant to Article 88 of the Company's Articles of Association, no person, other than a director retiring at a meeting, shall, unless recommended by the directors for election, be eligible for appointment as a director at any general meeting unless there shall have been lodged at the head office or at the registration office notice in writing signed by a shareholder (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose that person for election as a director and also notice in writing signed by that person of his willingness to be elected as a director. Unless otherwise determined by the directors and notified by the Company to the shareholders, the period for lodgment of the said notices shall be a seven day period commencing on the day after the dispatch of the notice of the general meeting for such election of director(s) and ending on the date falling seven days after the dispatch of the said notice of the general meeting. The written notice must state that person's biographical details as required by Rule 13.51(2) of the Listing Rules. The procedures for shareholders of the Company to propose a person for election as director is posted on the Company's website.

Communication with Shareholders

The Company endeavors to develop and maintain continuing relationships and effective communications with its shareholders and investors. In an effort to facilitate and enhance the relationships and communication, the Company has established the following various channels:

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

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

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

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

During the year ended 31 December 2016, there had been no significant change in the Company's constitutional documents.


VOTED PRODUCT OF THE YEAR
Consumer Survey of Product Innovation
NEW!
Drypers
touch M
Drypers
Wee Wee Dry
L
NEW & IMPROVED!
62
Libero
Comfort
4
84
Libero
Comfort
5
80
Sealer
嘘嘘乐
"成长裤"
L
19
孩子长大了
就用成长裤

Report of the Directors

The Directors have pleasure in presenting herewith the Directors' report together with the audited accounts for the year ended 31 December 2016.

Principal Activities and Geographical Analysis of Operations

The Company is principally engaged in investment holding. The principal activities of the subsidiaries of the Company and other related information are set out in Note 9 to the consolidated financial statements.

Results and Appropriations

The results of the Group for the year are set out in the consolidated statement of comprehensive income on page 95.

The Directors recommend the payment of a final dividend of 12.0 HK cents (2015: 5.0 HK cents) per ordinary share, totaling HK$136,489,485 on the 1,137,412,373 (31 December 2015: 999,087,686) issued shares as at 31 December 2016.

Business Review

The business review of the Group for the year ended 31 December 2016 is set out in the section headed"Management Discussion and Analysis" on pages 10 to 17 of this annual report.

Environmental Policies, Performance and Compliance with Laws and Regulations

The Group supports the energy saving initiatives of international environmental organisations to minimise our impact on nature.

The Group uses natural gas and coal as the main sources of energy during production. The Group reduces emissions through technological adaptation and upgrades. In 2016, all plants met the national standards of energy use. The average overall energy consumption for every ton of paper was 0.38 tons of standard coal, lower than the upper limit of the national benchmark, 0.42 tons of standard coal for every ton of paper under "The Norm of Energy Consumption per Unit Product of Pulp and Paper."

All production bases are equipped with three-tier effluent treatment facilities, including those for shallow air flotation and oxygen-consuming anaerobic biochemical treatment. 1st Stage: Monitor the emission through the round-the-clock monitoring system installed at discharge points to which local eco-authorities have access. 2nd Stage: Set up an environmental division in each production base to collect data of indicators such as suspended solids (SS), biochemical oxygen demand (BOD), chemical oxygen demand (COD) and pH by regularly examining the amount of discharged effluent and waste gas. 3rd Stage: Regular inspections on the condition of production bases by local environmental authorities. In 2016, all the pollutant concentration indicators in the effluent discharged met Discharge Standard of Water Pollutants for Pulp and Paper Industry as well as the corresponding standards set by local environmental authorities. The concentration of suspended solids (SS) in effluent decreased by 17.6 % year-on-year to 15.33 milligrams per litre (mg/L); that of chemical oxygen demand (COD) dropped by 5.4 % year-on-year to 65.86 mg/L; and that of biochemical oxygen demand (BOD) declined by 19.8 % year-on- year to 10.88 mg/L.

We uphold the principle of equity in selecting suppliers and give priority to sourcing raw materials which have obtained the Forest Stewardship Council (FSC®) certification or have been recognized by the Programme for the Endorsement of Forest Certification (PEFC). In 2016, all the wood pulp we sourced was environmentally certified. All production bases in Mainland China obtained the internationally accredited FSC® Chain of Custody Certification.

For details, please refer to the section headed "Environmental, Social and Governance (ESG) Report" on pages 18 to 37 of this annual report.

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

Principal Risks and Uncertainties

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

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

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

3) 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. The Group's overall risk management procedures covers the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. Details are set out in Note 3 to the consolidated financial statements.

Key Relationships with Employees, Customers and Suppliers

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

The Group's major customers are divided into four categories: traditional distributors, B2B corporate clients, Key account hypermarkets and supermarkets and E-commerce. As disclosed in Note 12 to the consolidated financial statements on page 142 to page 144 of this 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 ended 31 December 2016 are set out in Note 16 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 7 to the consolidated financial statements.

Share Capital

Details of the movements in share capital of the Company are set out in Note 14 to the consolidated financial statements.

Distributable Reserves

The Company's reserves available for distribution comprise the share premium account and retained profits. As at 31 December 2016, the reserves of the Company available for distribution to shareholders amounted to HK$3,659,945,690 (2015: HK$1,756,324,376), as stated in Note 14 and Note 34 to the consolidated financial statements.

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 page 185 and 186 respectively.

Purchase, Sale or Redemption of Securities

The Company has not redeemed any of the Company's shares during the year. Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the year.

Directors

The Directors during the year were:

Executive Directors

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

Non-Executive Directors

Mr. Jan Christer JOHANSSON *(Vice Chairman)*
Mr. Carl Magnus GROTH
Mr. Ulf Olof Lennart SODERSTROM

Independent Non-Executive Directors

Mr. CHIA Yen On
Mr. KAM Robert
Mr. TSUI King Fai
Mr. WONG Kwai Huen, Albert

Alternate Directors

Mr. Carl Fredrik Stenson RYSTEDT *(alternate to Mr. SODERSTROM (appointed on 18 April 2016))*
Mr. CHIU Bun *(alternate to Mr. MICHALSKI and Mr. SODERSTROM) (resigned on 18 April 2016))*
Mr. Gert Mikael SCHMIDT *(alternate to Mr. JOHANSSON and Mr. GROTH)*

Biographical Details of Directors and Senior Management

Brief biographical details of Directors and senior management are set out on pages 39 to 45.

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

Each Executive Director has entered into a service contract with the Company for an initial term of three years and continuing thereafter on an annual basis until terminated by not less than three months' notice in writing served by either party.

Directors' Interests and Controlling Shareholders' Interests in Contracts

Save as the (i) agreements between the Group and the group of companies of which SCA is the ultimate holding company but excluding the Group ("SCA Group") as set out in paragraph (A) of the "Connected Transactions" section on page 66 and paragraphs (A) to (G) of the "Continuing Connected Transactions" section on page 67 to page 74; and (ii) the Equity Transfer Agreement between the Company and Vinda Paper (China) Company Limited and Fu An Trading (Hong Kong) Limited as set out in paragraph (B) of the "Connected Transactions" section on page 67; and (iii) the lease agreements entered into between a wholly-owned subsidiary of the Company and Jiangmen Taiyuan Paper Company Limited, details of which are set out in paragraph (H) of the "Continuing Connected Transactions" section on page 75 to page 77, no 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 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.

Connected Transactions

(A) On 28 October 2015, the Company as purchaser and SCA Group Holding BV ("SCA Group Holding") as vendor entered into a sale and purchase agreement (which is supplemented and amended by an amendment agreement entered into between the parties on 27 December 2015) ("Sale and Purchase Agreement") in relation to the sale and purchase of (1) the entire issued share capital of SCA Hygiene Korea Co. Ltd.; (2) the entire issued share capital of 台灣愛生雅股份有限公司 (for identification purposes only, in English, SCA Taiwan Ltd. ("SCA Taiwan")); and (3) the entire issued share capital of SCA Hygiene Malaysia Sdn Bhd, at the consideration of HK$2,800,000,000 (subject to the adjustment at completion), which was settled partly by cash, partly by the Company's issue of the convertible note to be issued by the Company and to be subscribed by SCA Group Holding upon completion and partly by the Company's issue of the consideration shares of 75,897,034 fully paid-up new ordinary shares of the Company at completion.

As one of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the transactions contemplated under the Sale and Purchase Agreement was higher than 25% but below 100%, they constituted major transactions of the Company and were subject to reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules. SCA Group Holding is the controlling shareholder of the Company and a connected person of the Company. As one or more of the applicable percentage ratios in respect of the transactions contemplated under the Sale and Purchase Agreement exceeds 5% and the total consideration exceeds HK$3,000,000, the transactions therefore constituted non-exempted connected transactions of the Company under Chapter 14A of the Listing Rules which were subject to the reporting, announcement and independent shareholders' approval requirements under Rules 14A of the Listing Rules.

The transactions were approved by the independent shareholders on 13 January 2016, and completed on 1 April 2016.

(B) On 1 November 2015, Fu An Trading (Hong Kong) Limited ("Fu An Trading"), a connected person of the Company, as transferor, the Company and Vinda Paper (China) Company Limited, a wholly-owned subsidiary of the Company, as transferee entered into an equity transfer agreement ("Equity Transfer Agreement") in relation to the transfer of the entire equity interest in 江門朝富紙業有限公司 (for identification purpose only, in English, Jiangmen Dynasty Fortune Paper Limited) at a transfer price of HK$976,000,000 (debt and cash free).

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the transactions contemplated under the Equity Transfer Agreement exceed 5% but are below 25%, the transactions constitute discloseable transactions of the Company and were subject to reporting and announcement requirements under Chapter 14 of the Listing Rules.

Fu An Trading is beneficially owned as to 74.21% by Mr. LI Chao Wang, an Executive Director. In the circumstances, Fu An Trading is regarded as a connected person of the Company. As one or more of the applicable percentage ratios in respect of the transactions contemplated under the Equity Transfer Agreement exceed 5%, the transactions therefore constitute non-exempted connected transactions of the Company under Chapter 14A of the Listing Rules which were subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The transactions were approved by the independent shareholders on 13 January 2016, and as at the date of this report have not yet been completed.

Continuing Connected Transactions

Master Procurement Agreement

(A) On 28 November 2014, the Company entered into a master procurement agreement (the "Master Procurement Agreement") with SCA Group Holding, a wholly-owned subsidiary of SCA, a controlling shareholder and a connected person of the Company. Pursuant to the Master Procurement Agreement, the Group were to purchase from the SCA and its subsidiaries (excluding SCA Taiwan), which is covered under a master supply agreement dated 31 October 2014) (i) personal care products as required by the Group for the Group's personal care business; and (ii) partially finished goods as required by the Group for the Group's consumable tissue paper products. The final prices and other terms (such as the delivery date(s) and terms of settlement) of the products were to be determined by mutual agreement of the parties after arm's length negotiation and based on normal commercial terms or on terms no less favourable to the Group when compared to those offered to independent third parties.

The Master Procurement Agreement was for a term commencing on 28 November 2014 and expiring on 31 December 2016 (both dates inclusive).

The annual caps under the Master Procurement Agreement for the period from 28 November 2014 to 31 December 2014 and the years ended, 2015 and 2016 were HK$30 million, HK$120 million and HK$120 million, respectively.

The transactions under the Master Procurement Agreement constitute continuing connected transactions under Chapter 14A of the Listing Rules. As all applicable percentage ratios (other than the profits ratio) calculated with reference to the aggregated annual caps in respect of the Master Procurement Agreement and other relevant agreements between the Group and the SCA Group were less than 5%, the continuing connected transactions under the Master Procurement Agreement were exempt from the circular (including independent financial advice) and shareholders' approval requirements under Rule 14A.76 of the Listing Rules.

As disclosed in the announcement of the Company dated 1 April 2016, the Master Procurement Agreement was terminated with effect from 31 March 2016.

Details of the transactions between the Group and SCA Group (excluding SCA Taiwan) are as follows:

Continuing connected transactions under the Master Procurement Agreement	**Annual cap for the year ended 31 December 2016** HK$	**Actual transaction amount for the period from 1 January 2016 up to date of termination of the Master Procurement Agreement on 31 March 2016** HK$
Sales of goods by SCA Group (excluding SCA Taiwan) to the Group	120,000,000	5,619,656

Master Supply Agreement

(B) On 31 October 2014, Vinda Personal Care Limited, a wholly-owned subsidiary of the Company, entered into a master supply agreement (the "Master Supply Agreement") with SCA Taiwan, a then wholly-owned subsidiary of SCA and a connected person of the Company. Pursuant to the Master Supply Agreement, SCA Taiwan will supply to the Group personal care products as required by the Group at prices equivalent to a predetermined percentage of the costs (exclusive of value added tax and business tax) for the products, which percentage will be subject to the parties' review and adjustment on a quarterly basis. The terms of the Master Supply Agreement and the prices for the products were negotiated and determined between Vinda Personal Care Limited and SCA Taiwan on an arm's length basis and comparable to the prevailing market rates or at rates similar to those offered by SCA Taiwan to independent third parties.

The Master Supply Agreement was for a term commencing on 1 November 2014 and expiring on 31 December 2016 (both dates inclusive).

The annual caps under the Master Supply Agreement for the period from 1 November 2014 to 31 December 2014, and the years ended 31 December 2015 and 2016 were HK$30 million, HK$200 million and HK$200 million, respectively.

Prior to the acquisition of the entire issued share capital of SCA Hygiene Korea Co. Ltd., SCA Hygiene Malaysia Sdn Bhd and SCA Taiwan by the Company (the "APAC Acquisition", details of which are set out in the circular of the Company dated 28 December 2015), the transactions under the Master Supply Agreement constitute continuing connected transactions under Chapter 14A of the Listing Rules. As all applicable percentage ratios (other than the profits ratio) calculated with reference to the annual caps in respect of the Master Supply Agreement were less than 5%, the continuing connected transactions under the Master Supply Agreement were exempt from the circular (including independent financial advice) and shareholders' approval requirements under Rule 14A.76 of the Listing Rules. Upon completion of the APAC Acquisition which took place on 1 April 2016, SCA Taiwan ceased to be a connected person of the Company and the transactions contemplated under the Master Supply Agreement ceased to be continuing connected transactions of the Company.

Details of the transactions between Vinda Personal Care Limited and SCA Taiwan are as follows:

Continuing connected transactions	**Annual cap for the year ended 31 December 2016** HK$	**Actual transaction amount for the period from 1 January 2016 up to the completion of the APAC Acquisition on 1 April 2016** HK$
Sales of goods by SCA Taiwan to Vinda Personal Care Limited	200,000,000	11,871,094

Distribution Agreement

(C) On 31 October 2014, Vinda Trading Company Limited ("Vinda Trading"), a wholly-owned subsidiary of the Company, entered into a distribution agreement (the "Distribution Agreement") with SCA (China) Holding Co Limited ("SCA China"), a wholly-owned subsidiary of SCA and a connected person of the Company. Pursuant to the Distribution Agreement, Vinda Trading engaged SCA China as its non-exclusive distributor to distribute personal care products and tissue paper products of the Group in the PRC. SCA China may order from Vinda Trading such products as required for its business from time to time. All sales of the personal care products and tissue paper products pursuant to the Distribution Agreement will be made in accordance with the prices and other terms negotiated on an arm's length basis and on normal commercial terms, comparable to the prevailing market rates or at rates similar to those offered by the Group to independent third parties, and as agreed between SCA China and Vinda Trading.

The Distribution Agreement was for a term commencing on 1 November 2014 and expiring on 31 December 2016 (both dates inclusive).

The annual caps under the Distribution Agreement for the period from 1 November 2014 to 31 December 2014 and the years ended 31 December 2015 and 2016 were HK$50 million, HK$100 million and HK$100 million respectively.

The transactions under the Distribution Agreement constitute continuing connected transactions under Chapter 14A of the Listing Rules. As all applicable percentage ratios (other than the profits ratio) calculated with reference to the aggregated annual caps in respect of the Distribution Agreement and other relevant agreements between the Group and subsidiaries and associated companies of SCA were less than 5%, the continuing connected transactions under the Distribution Agreement were exempt from the circular (including independent financial advice) and shareholders' approval requirements under Rule 14A.76 of the Listing Rules.

Details of the transactions between the Group and SCA China are as follows:

Continuing connected transactions	**Annual cap for the year ended 31 December 2016** HK$	**Actual transaction amount for the year ended 31 December 2016** HK$
Sales of goods by Vinda Trading to SCA China	100,000,000	640,315

Renewed Master Supply Agreement

(D) On 3 December 2013, the Company entered into a renewed master supply agreement (the "Renewed Master Supply Agreement") with SCA China, a wholly-owned subsidiary of SCA and a connected person of the Company, whereby the Group will sell the Group's household consumable paper products, such as toilet rolls, table napkins, tissue towels and face tissues to the SCA Group (excluding Asaleo Care Australia Pty Ltd (formerly known as SCA Hygiene Australasia Pty Limited) and SCA Hygiene Australasia Limited) (collectively, "SCA HA"), which are separately covered under a product supply agreement dated 2 January 2013, details of which are set out in the announcement of the Company dated 2 January 2013) at prices to be determined on an arm's length basis and comparable to the prevailing market rates or at rates similar to those offered by the Group to independent third parties.

The Renewed Master Supply Agreement has a term of 3 years commencing from 1 January 2014 and expiring on 31 December 2016 (both dates inclusive).

The annual caps under the Renewed Master Supply Agreement for the three years ended 31 December 2014, 2015 and 2016 were all HK$7.2 million.

The transactions under the Renewed Master Supply Agreement constitute continuing connected transactions under the then Chapter 14A of the Listing Rules. The applicable percentage ratios (other than the profits ratio) calculated with reference to the individual annual caps on an annual basis was less than 5%. Accordingly, the continuing connected transactions under the Renewed Master Supply Agreement were only subject to the reporting, announcement and annual review requirements and exempt from the independent shareholders' approval requirements under the then Rule 14A.34 of the Listing Rules. The Group has complied with the relevant requirements under the Listing Rules.

When entering into the Renewed Master Supply Agreement SCA Group included SCA Taiwan, SCA Korea and SCA Malaysia and their respective subsidiary(ies) (collectively, "APAC Companies"). Upon completion of acquisition of the APAC Companies on 1 April 2016, APAC Companies were excluded from SCA Group and became subsidiaries of the Company.

Details of the transactions between the Group and the SCA Group (excluding SCA HA) under the Master Supply Agreement are as follows:

Continuing connected transactions	Annual cap for the year ended 31 December 2016 HK$	Actual transaction amount for the year ended 31 December 2016 HK$
Sales of goods by the Group to SCA Group (excluding SCA HA)	7,200,000 (Note)	—

Note: The cap was not applicable since the SCA Master Procurement Agreement (details are set out in paragraph F below on page 71 to page 72 of this report) became effective on 31 March 2016.

(E) Vinda Master Procurement Agreement

On 31 March 2016, SCA Group Holding BV, a controlling shareholder of the Company, as vendor and the Company as purchaser entered in a master procurement agreement ("Vinda Master Procurement Agreement"). Pursuant to and on the terms set out in the Vinda Master Procurement Agreement, SCA Group Holding shall sell (or procure the relevant member(s) of SCA 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 "SCA Products") as the Company (or other relevant member(s) of the Group) may, from time to time, request pursuant to a purchase order given by the Company to SCA Group Holding in accordance with the Vinda Master Procurement Agreement.

The term of the Vinda Master Procurement Agreement commenced on 31 March 2016 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 SCA Products will be sold shall be an amount equivalent to the sum of (i) the actual cost of the SCA Products, plus (ii) a margin of 10% and shall be determined at the time that the relevant purchase order for such SCA 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 SCA Products shall be determined on a quarterly basis with reference to, without limitation, the nature of the relevant SCA Products and the cost of producing such SCA Products.

The terms of the Vinda Master Procurement Agreement were arrived at after arm's length negotiations between the Company and SCA Group Holding. They are based on normal commercial terms or on terms no less favourable to the relevant member(s) of the Group when compared to those offered to independent third parties.

(F) SCA Master Procurement Agreement

On 31 March 2016, the Company as vendor and SCA Group Holding as purchaser entered into a master procurement agreement ("SCA Master Procurement Agreement"). Pursuant to and on the terms set out in the SCA Master Procurement Agreement, the Company shall sell (or procure the relevant member(s) of the Group to sell) such quantities of the personal care products and raw materials as required by SCA Group Holding for the personal care business of the SCA Group (the "Vinda Products") which SCA Group Holding (or other relevant member(s) of the SCA Group) may, from time to time, request pursuant to a purchase order given by SCA Group Holding to the Company in accordance with the SCA Master Procurement Agreement.

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 SCA Group Holding (or any relevant member(s) of the SCA 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 term of the SCA Master Procurement Agreement commenced on 31 March 2016 and unless the SCA Master Procurement Agreement is otherwise termination or discharged in accordance with its own terms, shall continue in force for a period of three (3) year thereafter.

The terms of the SCA Master Procurement Agreement were arrived at after arm's length negotiations between the Company and SCA Group Holding. They are based on normal commercial terms or on terms no less favourable to the relevant member(s) of the Group when compared to those offered to independent third parties.

(G) Asaleo Care Product Supply Agreement

On 22 December 2016, the Company as vendor and Asaleo Care Australia Pty Ltd ("Asaleo Care") as purchaser entered into a product supply agreement (the "Asaleo Care Product Supply Agreement"). Pursuant to and on the terms set out in the Asaleo Care Product Supply Agreement, the Company has agreed to sell (or to procure the relevant member(s) of the Group to sell), and Asaleo Care has agreed to purchase (or to procure the relevant member(s) of Asaleo Group (i.e. Asaleo Care Limited and its subsidiaries) to purchase), certain household consumable paper and/or personal care products (the "Asaleo Care Personal Products") pursuant to contract notes entered into from time to time in accordance with the Asaleo Care Product Supply Agreement.

The term of the Asaleo Care Product Supply Agreement shall take effect from 1 January 2016 and, unless it is otherwise terminated or discharged in accordance with its own terms, shall continue in force for a term of three (3) years and expire on 31 December 2018.

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

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

Aggregation of transactions and Annual caps

SCA Group Holding is a controlling shareholder of the Company and therefore a connected person of the Company. Since SCA Group Holding is entitled to exercise or control the exercise of approximately 35.98% of the voting power at the general meeting of Asaleo Care Limited, Asaleo Care Limited is also a connected person of the Company. Further, as Asaleo Care is a wholly-owned subsidiary of Asaleo Care Limited, Asaleo Care is also a connected person of the Company. Therefore, the transactions contemplated under the Asaleo Care Product Supply Agreement, the Vinda Master Procurement Agreement and the SCA Master Procurement Agreement, which are of a continuing nature, will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules and will be aggregated as a series of transactions pursuant to Rule 14A.81 of the Listing Rules.

The aggregate annual caps of the Company under the Asaleo Care Product Supply Agreement, the SCA Master Procurement Agreement and Vinda Master Procurement Agreement (which are aggregated under Rule 14A.81 of the Listing Rules) for each of the years ending 31 December 2016, 2017 and 2018 are as follows:

Year	**2016** HK$	**2017** HK$	**2018** HK$
(i) Annual caps under Asaleo Care Product Supply Agreement	40,000,000	60,000,000	60,000,000
(ii) Annual caps under SCA Master Procurement Agreement	150,000,000	200,000,000	200,000,000
(iii) Annual caps under Vinda Master Procurement Agreement	200,000,000	200,000,000	200,000,000
Total:	390,000,000	460,000,000	460,000,000

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

Details of the transactions under the Asaleo Care Product Supply Agreement, the Master Procurement Agreement, the Distribution Agreement, the SCA Master Procurement Agreement and Vinda Master Procurement Agreement for the year ended 31 December 2016 are as follows:

Continuing connected transactions	**Annual cap for the year ended 31 December 2016** HK$	**Actual transaction amount for the year end 31 December 2016** HK$
Transactions under Asaleo Care Product Supply Agreement	40,000,000	30,312,849
Sales from SCA Group to Vinda Group		
(i) Transactions under Master Procurement Agreement From 1 January 2016 to 30 March 2016	120,000,000 (Note1)	5,619,656
(ii) Transactions under Vinda Master Procurement Agreement From 31 March 2016 to 31 December 2016	200,000,000	119,453,484
Sub-total of (i) and (ii)		125,073,140
Sales from Vinda Group to SCA Group		
(iii) Transactions under Distribution Agreement	100,000,000	640,315(Note2)
(iv) Transactions under SCA Master Procurement Agreement	150,000,000	135,202,246
Sub-total of (iii) and (iv)		135,842,561
Total:		291,228,550

Note:

1. The cap was terminated with effect from 31 March 2016. Details are set out in paragraph (A) above on page 67 to page 68 of this report.

2. Such transactions were also disclosed in the above disclosure in respect of the Distribution Agreement. Details are set out in paragraph (C) above on page 69 to page 70 of this report.

H) On 22 November 2011, 維達紙業(中國)有限公司 (for identification purposes, in English, Vinda Paper (China) Company Limited), a wholly-owned subsidiary of the Company (the "Tenant") entered into a lease agreement (the "Lease Agreement") with Jiangmen Taiyuan Paper Company Limited (currently known as Jiangmen Dynasty Fortune Paper Limited, the "Landlord"), a company indirectly owned as to 74.21% by Mr. LI Chao Wang, an Executive Directors and thereby a connected person of the Company. Pursuant to the Lease Agreement, the Landlord has agreed to lease to the Group a piece of land located in Xinhui District, Guangdong, the PRC together with a factory and the relevant ancillary infrastructures and facilities to be constructed for an initial term of 15 years commencing on 22 November 2011 with an initial fixed annual rental of RMB29 million until 31 December 2014 where the annual rental would be subject to review by the Board every three years. The Landlord has agreed to grant to the Group a rent free period from the commencement of the term of the lease until (i) 3 months after the date of delivery of the land, the factory and all incidental facilities for vacant possession, or (ii) 31 December 2012, whichever is later.

The annual caps in relation to the rental under the Lease Agreement for the period between the date of the Lease Agreement to 31 December 2011 and the five years ended 31 December 2012, 2013, 2014, 2015 and 2016 were nil, RMB29 million, RMB29 million, RMB29 million and RMB29 million, respectively.

On 27 March 2012, the Tenant entered into a second lease agreement (the "Second Lease Agreement") with the Landlord. Pursuant to the Second Lease Agreement, the Landlord has agreed to lease to the Group a piece of land located in Xinhui District, Guangdong, the PRC together with the building and structure erected thereon for a term commencing on the date of the Second Lease Agreement and ending on the date on which the Lease Agreement expires with an initial fixed annual rental of RMB16.8 million until 31 December 2014 where the annual rental would be subject to review by the Board every three years.

The annual caps in relation to the rental under the Second Lease Agreement for the five years ended 31 December 2012, 2013, 2014, 2015 and 2016 are RMB8.4 million, RMB16.8 million, RMB16.8 million, RMB16.8 million and RMB16.8 million, respectively.

On 10 April 2014, the Tenant entered into a supplemental lease agreement (the "Supplemental Lease Agreement") with the Landlord in respect of the new buildings and ancillary facilities constructed, at the request of the Group and at the cost of the Landlord, on the two pieces of land leased to the Tenant under the Lease Agreement and the Second Lease Agreement. Pursuant to the Supplemental Lease Agreement, the Landlord has agreed to lease to the Group the new buildings and the ancillary facilities as specified in the Supplemental Lease Agreement for a term commencing on the date of the Supplemental Lease Agreement and ending on the date on which the Lease Agreement expires with an initial fixed annual rental of RMB16.2 million until 31 December 2016.

The annual caps in relation to the rental under the Supplemental Lease Agreement for the three years ending 31 December 2014, 2015 and 2016 are all RMB16.2 million.

Pursuant to Rule 14A.81 of the Listing Rules, the Company is required to aggregate the transactions contemplated under the Lease Agreement, the Second Lease Agreement and the Supplemental Lease Agreement and treat them as if they were one transaction for the purpose of considering the compliance obligations of the Company.

Since each of the applicable percentage ratios (other than the profits ratio) calculated with reference to each of the expected maximum aggregate annual caps of the transactions under the Supplemental Lease Agreement, the Lease Agreement and the Second Lease Agreement for the years ending 31 December 2014, 2015 and 2016 were less than 5%, the continuing connected transactions contemplated under the Supplemental Lease Agreement, the Lease Agreement and the Second Lease Agreement, on an aggregated basis, were only subject to the reporting, announcement and annual review requirements and exempt from the independent shareholders' approval requirements under the then Rule 14A.34 of the Listing Rules.

Details of the Lease Agreement, the Second Lease Agreement and the Supplemental Lease Agreement are as follows:

Continuing connected transactions	**Annual cap for the year ended 31 December 2016**	**Actual transaction amount for the year ended 31 December 2016**
Lease Agreement	RMB29,000,000	RMB29,000,000
Second Lease Agreement	RMB16,800,000	RMB16,800,000
Supplemental Lease Agreement	RMB16,200,000	RMB16,200,000
Total:	RMB62,000,000	RMB62,000,000

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

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

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

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

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

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

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

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 33 to the consolidated financial statements.

The related party transactions mentioned in Note 33(b)(1) were continuing connected transactions contemplated under the Distribution Agreement, the Renewed Master Supply Agreement, the SCA Master Procurement Agreement or the Asaleo Care Product Supply Agreement (as the case may be) mentioned in paragraphs (C), (D), (F) and (G) of the "Continuing Connected Transactions" section, respectively.

The related party transactions mentioned in Note 33(b)(2) were continuing connected transactions contemplated under the Master Procurement Agreement, the Master Supply Agreement or Vinda Master Procurement Agreement (as the case may be) mentioned in paragraphs (A), (B) and (E) of the "Continuing Connected Transactions" section, respectively.

The related party transactions mentioned in Note 33(b)(5) were continuing connected transactions contemplated under the Lease Agreement, the Second Lease Agreement and the Supplemental Lease Agreement mentioned in paragraph (H) of the "Continuing Connected Transactions" section.

The related party transactions mentioned in Note 33(b)(3), (4), (6), (7) and (8) were continuing connected transactions which were exempt from reporting, annual review, announcement and independent shareholders' approval requirements under 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 2016, 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 for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 of the Listing Rules were as follows:

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

Name		Number of shares and underlying shares held under equity derivatives: Personal interests (held as beneficial owner)	Corporate interests (interests of controlled corporations)	Total interests	Approximate percentage (%) of interests[3]
LI Chao Wang	Shares	—	271,341,581[2]	271,341,581	23.86
	Equity Derivatives — Share options	1,998,000[1]	—	1,998,000	0.18
				273,339,581	**24.04**
YU Yi Fang	Shares	50,000	—	50,000	0.004
	Equity Derivatives — Share options	240,000[1]	—	240,000	0.02
				290,000	**0.03**
DONG Yi Ping	Shares	—	—	—	—
	Equity Derivatives — Share options	240,000[1]	—	240,000	0.02
				240,000	**0.02**
LI Jielin	Shares	—	—	—	—
	Equity Derivatives — Share options	80,000	—	80,000	0.01
				80,000	**0.01**
Johann Christoph MICHALSKI	Shares	39,000	—	39,000	0.003
	Equity Derivatives — Share options	220,000	—	220,000	0.02
				259,000	**0.02**
Ulf Olof Lennart SODERSTROM	Shares	—	—	—	—
	Equity Derivatives — Share options	220,000	—	220,000	0.02
				220,000	**0.02**
KAM Robert	Shares	—	—	—	—
	Equity Derivatives — Share options	140,000	—	140,000	0.01
				140,000	**0.01**
TSUI King Fai	Shares	—	—	—	—
	Equity Derivatives — Share options	140,000	—	140,000	0.01
				140,000	**0.01**

Notes:

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

2. LI Chao Wang is deemed to be interested in the 216,341,581 shares in the Company held by Fu An International Company Limited for the purpose of Part XV of the SFO. Fu An International Company Limited is held as to 74.21% by Sentential Holdings Limited, 15.79% by Join Pride International Limited and 10.00% by Daminos Management Limited. The entire issued share capital of 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.

   LI Chao Wang is also deemed to be interested in the 55,000,000 shares in the Company in which Fu An Trading (Hong Kong) Limited has an interest for the purpose of Part XV of the SFO. Fu An Trading (Hong Kong) Limited is held as to 74.21%, 15.79% and 10.00% by each of LI Chao Wang, YU Yi Fang and DONG Yi Ping, respectively. Pursuant to the equity transfer agreement dated 1 November 2015 entered into between the Company, Fu An Trading (Hong Kong) Limited and Vinda Paper (China) Company Limited in respect of the sale and purchase of the entire equity interest in Jiangmen Dynasty Fortune Paper Limited (the "Equity Transfer Agreement"), 55,000,000 shares in the Company will be allotted and issued to Fu An Trading (Hong Kong) Limited or its nominee upon completion of the Equity Transfer Agreement, details of which have been set out in the announcement and the circular of the Company dated 2 November 2015 and 28 December 2015, respectively.

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

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

			Number of shares held			
Name	Associated corporation	Class of shares in associated corporation	Personal interests (held as beneficial owner)	Corporate interests (interests of controlled corporations)	Total interests	Approximate percentage (%) of interests(1&2)
Johann Christoph MICHALSKI	Svenska Cellulosa Aktiebolaget	Class B shares	11,920	—	11,920	0.0017
Jan Christer JOHANSSON	Svenska Cellulosa Aktiebolaget	Class B shares	1,000	—	1,000	0.0001
Carl Magnus GROTH	Svenska Cellulosa Aktiebolaget	Class B shares	16,250	—	16,250	0.0023
Ulf Olof Lennart SODERSTROM	Svenska Cellulosa Aktiebolaget	Class B shares	18,000	—	18,000	0.0026
Carl Fredrik Stenson RYSTEDT	Svenska Cellulosa Aktiebolaget	Class B shares	7,500	—	7,500	0.0011
Gert Mikael SCHMIDT	Svenska Cellulosa Aktiebolaget	Class B shares	14,000	—	14,000	0.0020

Notes:

1. As at 31 December 2016, the total number of registered shares in the share capital of Svenska Cellulosa Aktiebolaget was 705,110,094, of which 64,594,572 are Class A shares and 640,515,522 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 2016, none of the Directors and chief executives of the Company are, under Divisions 7 and 8 of Part XV of the SFO, taken to be interested or deemed to have any other interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations, that are required to be entered in the register kept by the Company pursuant to Section 352 of the SFO or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Share Option Scheme

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

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

The Scheme enables the Company to grant options (the "Options") to subscribe for shares of the Company (the "Shares") to employees of the Company or any member of the Group (including any executive, non-executive and independent non-executive directors), advisors, 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 expiring on 18 June 2017, after which period no further Options may be offered or granted. The remaining life of the Scheme is around 5 months from the date of this report. The Board shall, subject to the rules of the Scheme and the Listing Rules, have the right to determine, among others, the exercise price of an Option, the minimum period for which the Option must be held before its vesting, performance, operating and financial targets and other criteria to be satisfied before the vesting of an Option and other terms and conditions of an Option, provided that the exercise price of an Option shall be a price determined by the Board at its absolute discretion but shall be the highest of (i) the closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of offer; (ii) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five trading days immediately preceding the date of the offer; or (iii) the nominal value of a Share.

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

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

An Option may be exercised in accordance with the terms of the Scheme and such other terms and conditions upon which an Option was granted, at any time during the option period after the Option has been granted by the Board but in any event, not longer than ten (10) years from the date upon which the Option is accepted or deemed to be accepted in accordance with the terms of the Scheme. An Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the expiry of the option period.

As at the date of this annual report, the total number of Shares available for issue under the Scheme considering the Options already granted under the Scheme was 32,362,669, representing approximately 2.85% of the issued Shares as at the date of this annual report.

Details of movements of the Options granted under the Share Option Scheme for the year ended 31 December 2016 are as follows:

				Number of Shares issuable under the Options					
	Date of Grant	Exercise price per Share HK$	as at 01/01/2016	granted during the period	exercised during the period	lapsed during the period	cancelled during the period	as at 31/12/2016	Exercise period
Directors									
LI Chao Wang	02/05/2012	14.06	999,000	–	–	–	–	999,000	(Note 2)
	02/05/2013	10.34	999,000	–	–	–	–	999,000	02/05/2013 to 01/05/2023
YU Yi Fang	02/05/2012	14.06	240,000	–	–	–	–	240,000	(Note 2)
DONG Yi Ping	02/05/2012	14.06	240,000	–	–	–	–	240,000	(Note 2)
Johann Christoph MICHALSKI	15/04/2011	8.648	80,000	–	–	–	–	80,000	15/04/2011 to 14/04/2021
	02/05/2012	14.06	140,000	–	–	–	–	140,000	(Note 2)
LI Jielin	02/05/2012	14.06	80,000	–	–	–	–	80,000	(Note 2)
Ulf Olof Lennart SODERSTROM	15/04/2011	8.648	80,000	–	–	–	–	80,000	15/04/2011 to 14/04/2021
	02/05/2012	14.06	140,000	–	–	–	–	140,000	(Note 2)
KAM Robert	02/05/2012	14.06	140,000	–	–	–	–	140,000	(Note 2)
TSUI King Fai	02/05/2012	14.06	140,000	–	–	–	–	140,000	(Note 2)
Employees of the Group									
In aggregate	24/02/2009	2.98	460,000	–	–	–	–	460,000	(Note 1)
	15/04/2011	8.648	1,260,000	–	(30,000)	–	–	1,230,000	15/04/2011 to 14/04/2021
	02/05/2012	14.06	7,073,000	–	(758,000)	(120,000)	–	6,195,000	(Note 2)
	02/05/2013	10.34	120,000	–	–	–	–	120,000	(Note 3)
Total			12,191,000	–	(788,000)	(120,000)	–	11,283,000	

Note 1: (i) 20% of the options granted are exercisable after the expiry of the first anniversary of the date of grant, i.e. on/after 25 February 2010.
(ii) 30% of the options granted are exercisable after the expiry of the second anniversary of the date of grant, i.e. on/after 25 February 2011.
(iii) 50% of the options granted are exercisable after the expiry of the third anniversary of the date of grant, i.e. on/after 25 February 2012.
and in each case, not later than 23 February 2019.

Note 2: (i) the first tranche of 5,313,000 options are exercisable from 2 May 2012 to 1 May 2022.
(ii) the second tranche of 5,729,000 options are exercisable from 2 May 2013 to 1 May 2022.
(iii) the third tranche of 5,729,000 options are exercisable from 2 May 2014 to 1 May 2022.

Vesting condition for (ii) — on condition that the Board has confirmed that the Company has met the 2012 (or combined 2012 and 2013) income and profit performance benchmarks as set by the Board and that the performance appraisal of the grantee has satisfied the requirements of the management of the Company.

Vesting condition for (iii) — on condition that the Board has confirmed that the Company has met the 2013 income and profit performance benchmarks as set by the Board and that the performance appraisal of the grantee has satisfied the requirements of the management of the Company.

Note 3: (i) The first tranche of 135,000 options are exercisable from 2 May 2013 to 1 May 2023.
(ii) The second tranche of 225,000 options are exercisable from 2 May 2014 to 1 May 2023 on the condition that the Board has confirmed that the Company has met the 2013 income and profit performance benchmarks as set by the Board and that the performance appraisal of the grantee has satisfied the requirements of the management of the Company. As vesting condition was not met, options for this tranche were forfeited.

Arrangement to Purchase Shares or Debentures

Save as disclosed above, at no time during the year ended 31 December 2016 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 2016, 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 an interests and/or short position in the shares or the underlying shares which fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept pursuant to Section 336 of the SFO, or which are notified to the Company:

Long Positions in Shares and Underlying Shares in the Company

Name of substantial shareholder		Number of shares and underlying shares held under equity derivatives: Personal interests (held as beneficial owner)	Corporate interests (interests of controlled corporations)	Total interests	Approximate percentage (%) of issued share capital[(1)]
SCA Group Holding BV	Shares	620,737,112[(2)]	—	620,737,112	54.57
SCA Hygiene AB	Shares	—	620,737,112[(2)]	620,737,112	54.57
Svenska Cellulosa Aktiebolaget	Shares	—	620,737,112[(2)]	620,737,112	54.57
Fu An International Company Limited	Shares	216,341,581[(3) & (5)]	—	216,341,581	19.02
Sentential Holdings Limited	Shares	—	216,341,581[(3)]	216,341,581	19.02
Nordinvest AB	Shares	97,000,000[(4)]	—	97,000,000	8.53
Floras Kulle AB	Shares	—	97,000,000[(4)]	97,000,000	8.53
AB Industrivarden (publ)	Shares	—	97,000,000[(4)]	97,000,000	8.53

Notes:

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

2. SCA Group Holding BV is directly wholly-owned by SCA Hygiene AB, which in turn, is directly wholly-owned by Svenska Cellulosa Aktiebolaget, 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. Svenska Cellulosa Aktiebolaget and SCA Hygiene AB are deemed to be interested in the 620,737,112 shares in the Company held by SCA 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 216,341,581 shares in the Company held by Fu An International Company Limited for the purpose of Part XV of the SFO.

4. Nordinvest AB is directly wholly-owned by Floras Kulle AB, which, in turn, is directly wholly-owned by AB Industrivarden (publ). Floras Kulle AB and AB Industrivarden (publ) are deemed to be interested in the 97,000,000 shares in the Company held by Nordinvest AB for the purpose of Part XV of the SFO.

5. Such 216,341,581 shares are the same shares in the Company referred to in Note 2 of LI Chao Wang as disclosed in the table under the section headed "Directors' and Chief Executives' Interests in the Shares, Underlying Shares and Debentures of the Company or any Associated Corporation" above.

Directors' Interests in Competing Business

In 2016, 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 causes or may cause any significant competition 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 19.1%.

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

—	the largest supplier	14.0%
—	five largest suppliers combined	35.8%

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 15 of this report.

Issue of Shares

During the year, the Company issued shares as follows:

(a) 788,000 ordinary shares of the Company were issued for cash of HK$10,916,920 on the exercise of options granted under the Share Option Scheme.

(b) Upon the completion and in consideration of the acquisition by the Company of the entire issued share capital of SCA Hygiene Korea Co. Ltd., SCA Hygiene Malaysia Sdn Bhd and SCA Taiwan Ltd. from SCA Group Holding BV pursuant to the sale and purchase agreement dated 28 October 2015 (as amended and supplemented by an amendment agreement dated 27 December 2015) between the Company and SCA Group Holding BV, the Company issued 75,897,034 consideration Shares calculated at the issue price of HK$15.868 per Share on 1 April 2016 to SCA Group Holding BV pursuant to the sale and purchase agreement.

(c) On 26 May 2016, the Company issued and allotted 30,000,000 subscription Shares at the issue price of HK$13.25 per Share to Fu An International Company Limited pursuant to the subscription agreement dated 18 May 2016 entered into by Fu An International Company Limited and the Company. Details of the subscription agreement and the allotment and issue of the subscription Shares are set out in the announcements of the Company dated 18 May 2016 and 26 May 2016. Please also see the sub-section headed "Subscription Agreement" under the section headed "Equity-linked Agreements" on page 85 to page 86 of this report.

(d) On 26 May 2016, the entire outstanding principal amount of the convertible note held by SCA Group Holding, being HK$502,058,018, were fully converted into 31,639,653 Shares (the "Conversion Shares") in accordance with the terms and conditions of the convertible note. The Conversion Shares were issued and allotted by the Company to SCA Group Holding on 26 May 2016 at the conversion price of HK$15.868 per Conversion Share. The details of the convertible note and the allotment and issue of Conversion Shares (including the reasons for their issue and the consideration to the Company) are set out in (i) the circular of the Company dated 28 December 2015, and (ii) the announcements of the Company dated 29 October 2015, 27 December 2015, 1 April 2016 and 26 May 2016.

Equity-linked Agreements

Share Option Scheme

Details of the share option scheme of the Company are set out in the section headed "Share Options Scheme" above and Note 15 to the consolidated financial statements.

Subscription Agreement

On 18 May 2016, the Company and Fu An International Company Limited (the "Vendor") entered into a subscription agreement, pursuant to which 30,000,000 new Shares ("Subscription Shares") at the subscription price of HK$13.25 per Subscription Share were to be issued to the Vendor by the Company pursuant to the terms and conditions thereto (the "Subscription"). Completion of the Subscription was conditional upon: (i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Subscription Shares (and such listing and permission not subsequently revoked prior to the delivery of the definite share certificate(s) representing the Subscription Shares); and (ii) completion of the placing pursuant to the terms of the placing agreement entered into among the Company, the Vendor and Merrill Lynch Far East Limited on 18 May 2016 (the "Placing").

The Placing and Subscription would achieve the following benefits for the Company: (i) it would increase the amount of Shares held by public investors, which may in turn enlarge the public float of the Company and enhance the trading liquidity of the Shares; (ii) it would introduce new investors to the Company and hence further widen the Company's shareholder base; and (iii) it was expected that the Company's gearing level would be lowered by the Placing and Subscription, and thereby preserving the healthiness of the financial status of the Company. The Directors, taking into account the above benefits to the Company, considered that the Placing and the Subscription (including the Placing Price and the Subscription Price) are fair and reasonable and are in the interests of the Company and its shareholders as a whole.

The conditions set out in the Subscription Agreement had been fulfilled. Accordingly, the Subscription completed on 26 May 2016 in accordance with the terms and conditions of the Subscription Agreement. An aggregate of 30,000,000 Shares were issued and allotted to the Vendor at the subscription price of HK$13.25 per Share. It was disclosed in the announcements of the Company dated 18 May 2016 and 26 May 2016 that the Company intended to use the net proceeds from the Subscription as general working capital and to reduce the indebtedness of the Group. The net proceeds to the Company from the Subscription amounted to approximately HK$390.2 million and were all used to reduce the indebtedness of the Group. Details of the Placing and Subscription, including the conditions required to be met before the issue of the Subscription Shares, are set out in the announcements of the Company dated 18 May 2016 and 26 May 2016.

Equity Transfer Agreement

On 1 November 2015, the Company, 維達紙業(中國)有限公司 (in English, for identification purpose only, Vinda Paper (China) Company Limited) ("Vinda China") and Fu An Trading entered into the Equity Transfer Agreement. Pursuant to the Equity Transfer Agreement, Vinda China has conditionally agreed to acquire, and Fu An Trading has conditionally agreed to sell, the entire equity interest in 江門朝富紙業有限公司 (for identification purpose only, in English, Jiangmen Dynasty Fortune Paper Limited ("Dynasty Paper")) (the "Sale Interest"). The agreed debt and cash free value (assuming that there is no Net Debt of Dynasty Paper as at the completion date) of the Sale Interest is HK$976,000,000, whereas the initial transfer price for the Sale Interest (being the above amount less the Estimated Net Debt of HK$103,260,000) is HK$872,740,000, which will be satisfied by the allotment and issue of 55,000,000 fully paid-up new Shares, credited as fully paid, by the Company to Fu An Trading or its nominee at completion of the Equity Transfer Agreement. Details of the Equity Transfer Agreement, including the Net Debt and the Estimated Net Debt, and the conditions required to be met before the issue of the consideration Shares, are set out in the announcement of the Company dated 2 November 2015 and the circular of the Company dated 28 December 2015. The Equity Transfer Agreement has not yet been completed. The conditions that remain outstanding before the Company is required to issue the consideration Shares are (a) Vinda China having been satisfied with the due diligence results on the financial, commercial and legal affairs of Dynasty Paper; and (b) Jiangmen City Bureau of Commerce, Guangdong province having granted the approval for the transfer of the Sale Interest by Fu An Trading to Vinda China in accordance with the terms of the Equity Transfer Agreement.

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

Sufficiency of Public Float

Based on the information that is publicly available and within the knowledge of the Directors, as at the date of this 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 Company's Articles of Association and there is no restriction against such rights under the laws of the Cayman Islands.

Permitted Indemnity Provision

Under the Articles of Association, 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 against of the Company shall be entitled to be indemnified 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.

Auditors

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

On behalf of the Board
LI Chao Wang
Chairman

Hong Kong, 25 January 2017

pwc

羅兵咸永道

Independent Auditor's Report
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") set out on pages 93 to 184, which comprise:

- the consolidated balance sheet as at 31 December 2016;
- 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 cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

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 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis of Opinion

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

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

Independence

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

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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:

- Goodwill and intangible assets with indefinite useful lives impairment assessments
- Business combinations

Key Audit Matter	How our audit addressed the Key Audit Matter
Goodwill and intangible assets with indefinite useful lives impairment assessments *Refer to note 4 (a) and note 8 to the consolidated financial statements.* As a results of the acquisitions of personal care and household paper businesses in recent years, the Group recognised goodwill and certain intangible assets with indefinite useful lives. We focused on this area due to the size of goodwill balance (HK$1,525 million as at 31 December 2016) and intangible assets with indefinite useful lives including trademarks and licensing agreement (HK$558 million as at 31 December 2016). Furthermore, the Directors' assessment of the 'value in use' of the group's Cash Generating Units (CGU's) involves judgements and estimates about the future results of the businesses, 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 evaluated and challenged the composition of the Group's future cash flow forecasts in each CGU, and the process by which they were drawn up, including testing the underlying value in use calculations and comparing them to the latest Board approved budgets. We found that management had followed their clearly documented process for drawing up future cash flow forecasts, which was subject to timely oversight and challenge by the Directors and which was consistent with the Board approved budgets. We challenged the key assumptions including sales growth rate and gross profit margin by comparing the current year actual results with the 2016 figures included in the prior year forecast, by reference to future plans and by performing independent market analysis. We found the assumptions are consistent with expectations. We utilised our own valuation specialists' work when considering the appropriateness of the long term growth rate and discount rate. We also challenged management on the adequacy of their sensitivity calculations over all their CGUs. We determined that the calculations were most sensitive to assumptions for revenue growth rates and discount rates. For all CGUs, we calculated the degree to which these assumptions would need to move before an impairment conclusion was triggered. We discussed the likelihood of such a movement with management and agreed with their conclusion that it was unlikely.

Key Audit Matters *(continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Business Combinations *Refer to note 4(g) and note 32 to the consolidated financial statements.* During the year, the Group acquired SCA Asia business for an aggregate consideration of HK$2,561 million. In determine the fair value of the acquired intangible assets, cash flow forecast have been prepared by the Group. As a result of the acquisition principally the following intangible assets were recognised: customer relationships HK$316 million, trademarks HK$268 million, licensing agreement HK$278 million. We focused on this area because accounting for acquisition requires the identification and valuation of intangible assets and the allocation of purchase price to the assets and liabilities acquired, which involves a number of judgements and assumptions.	Management relied on external experts to value significant tangible and intangible assets acquired in business combinations. Where management has relied on such experts, we assessed their competency and tested the results of their work and found no issues. We considered and challenged management's assessment of the appropriate accounting treatment, the identification and valuation of tangible and intangible assets and the allocation of purchase price to the assets and liabilities acquired. We used our own valuation specialists to assist us in critically assessing the appropriateness and valuation of the identified intangible assets, and the appropriateness of the discount rates and long-term growth rate and comparing the inputs used in determining the discount rate to externally and internally derived data. We tested the principles and integrity of the Group's cash flow model. We challenged management's key assumptions within the model such as the sales growth rate and gross profit margin and compared these key assumptions to externally derived data. We have also considered the adequacy of the Group's disclosure in respect of the acquisitions in note 32 to the consolidated financial statements.

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the management discussion and analysis (but does not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the chairman's statement, chief executive officer's report ("CEO report"), environmental, social and governance (ESG) report, corporate governance report and report of the directors which are 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 chairman's statement, CEO report, environmental, social and governance (ESG) report, corporate governance report and report of the directors, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate action considering our legal rights and obligations.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

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

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 those charged with governance 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 those charged with governance 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, related safeguards.

From the matters communicated with those charged with governance, 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 Kam Chiu, Raymond.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 25 January 2017

Consolidated Balance Sheet

As at 31 December 2016

	Note	As at 31 December 2016 HK$	2015 HK$
ASSETS			
Non-current assets			
Property, plant and equipment	7	**7,281,873,804**	6,261,216,698
Leasehold land and land use rights	6	**432,130,671**	387,818,653
Intangible assets	8	**2,796,001,162**	1,306,968,419
Deferred income tax assets	19	**268,225,330**	259,511,539
Investment properties		**4,859,059**	—
		10,783,090,026	8,215,515,309
Current assets			
Inventories	10	**1,785,142,568**	2,367,407,631
Trade receivables, other receivables and prepayments	12	**1,938,829,069**	1,463,321,731
Prepayments to and receivables from related parties	33(c)	**106,197,276**	64,444,039
Cash and cash equivalents	13	**1,015,254,277**	393,247,986
		4,845,423,190	4,288,421,387
Total assets		**15,628,513,216**	12,503,936,696
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	14	**113,741,237**	99,908,769
Share premium	14	**3,498,754,174**	1,688,013,706
Other reserves	16	**3,167,068,811**	3,159,837,388
Total equity		**6,779,564,222**	4,947,759,863

Consolidated Balance Sheet

As at 31 December 2016

	Note	As at 31 December 2016 HK$	2015 HK$
LIABILITIES			
Non-current liabilities			
Borrowings	18	**2,879,551,662**	2,177,485,991
Loans from a related party	18,33(c)	**915,499,741**	1,308,080,688
Deferred government grants	20	**90,486,296**	92,493,668
Deferred income tax liabilities	19	**203,135,117**	96,248,856
Provision for pension	21	**36,601,481**	—
		4,125,274,297	3,674,309,203
Current liabilities			
Trade payables, other payables and accrued expenses	17	**3,384,235,435**	2,516,294,366
Borrowings	18	**1,221,694,623**	1,252,972,123
Due to related parties	33(c)	**37,775,333**	60,202,591
Current income tax liabilities		**79,969,306**	52,398,550
		4,723,674,697	3,881,867,630
Total liabilities		**8,848,948,994**	7,556,176,833
Total equity and liabilities		**15,628,513,216**	12,503,936,696

The financial statements were approved by the Board of Directors on 25 January 2017 and were signed on its behalf.

LI Chao Wang	**Johann Christoph MICHALSKI**
Director	*Director*

The notes on pages 98 to 184 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2016

	Note	For the year ended 31 December 2016 HK$	 2015 HK$
Revenue	5	**12,056,548,935**	9,695,997,657
Cost of sales	23	**(8,239,615,131)**	(6,737,327,688)
Gross profit		**3,816,933,804**	2,958,669,969
Selling and marketing costs	23	**(2,074,739,697)**	(1,565,457,775)
Administrative expenses	23	**(728,394,604)**	(577,688,065)
Other income and (losses) — net	22	**(6,226,887)**	(62,896,404)
Operating profit		**1,007,572,616**	752,627,725
Finance costs — net	25	**(199,265,704)**	(303,751,333)
Profit before income tax		**808,306,912**	448,876,392
Income tax expense	26(a)	**(154,772,358)**	(134,435,280)
Profit attributable to equity holders of the Company		**653,534,554**	314,441,112
Other comprehensive income:			
Item that may be reclassified to profit or loss			
Currency translation differences		**(531,450,105)**	(285,983,288)
Item that will not be reclassified subsequently to profit or loss			
Remeasurements of post-employment benefit obligations		**(273,967)**	—
Total comprehensive income attributable to equity holders of the Company		**121,810,482**	28,457,824
Earnings per share for profit attributable to equity holders of the Company for the year (expressed in HK$ per share)			
— basic earnings per share	28	**0.598**	0.315
— diluted earnings per share	28	**0.597**	0.314

The notes on pages 98 to 184 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes In Equity

For the year ended 31 December 2016

	Note	Attributable to equity holders of the Company Share capital HK$	 Share premium HK$	 Other reserves HK$	 Total HK$
Balance at 1 January 2015		99,840,269	1,677,023,606	3,304,140,930	5,081,004,805
Profit for the year		—	—	314,441,112	314,441,112
Other comprehensive income					
— Currency translation differences		—	—	(285,983,288)	(285,983,288)
Total comprehensive income for 2015		—	—	28,457,824	28,457,824
Transaction with owners					
Employees share option scheme					
— Exercise of share options	15,16	68,500	10,990,100	(2,942,860)	8,115,740
Dividends	29	—	—	(169,818,506)	(169,818,506)
Transaction with owners		68,500	10,990,100	(172,761,366)	(161,702,766)
Balance at 31 December 2015		99,908,769	1,688,013,706	3,159,837,388	4,947,759,863
Balance at 1 January 2016		**99,908,769**	**1,688,013,706**	**3,159,837,388**	**4,947,759,863**
Profit for the year		**—**	**—**	**653,534,554**	**653,534,554**
Other comprehensive income					
— Currency translation differences		**—**	**—**	**(531,450,105)**	**(531,450,105)**
— Remeasurements of post-employment benefit obligations		**—**	**—**	**(273,967)**	**(273,967)**
Total comprehensive income for 2016		**—**	**—**	**121,810,482**	**121,810,482**
Transaction with owners					
Employees share option scheme					
— Exercise of share options	15,16	**78,800**	**14,832,224**	**(3,994,104)**	**10,916,920**
Allotment of shares	14	**10,589,703**	**1,359,281,030**	**—**	**1,369,870,733**
Conversion of convertible notes	14	**3,163,965**	**436,627,214**	**—**	**439,791,179**
Dividends	29	**—**	**—**	**(110,584,955)**	**(110,584,955)**
Transaction with owners		**13,832,468**	**1,810,740,468**	**(114,579,059)**	**1,709,993,877**
Balance at 31 December 2016		**113,741,237**	**3,498,754,174**	**3,167,068,811**	**6,779,564,222**

The notes on pages 98 to 184 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2016

		For the year ended 31 December	
		2016	2015
	Note	**HK$**	HK$
Cash flows generated from operating activities			
Cash generated from operations	30(a)	**2,474,317,860**	1,080,834,192
Interest paid		**(176,469,869)**	(119,210,810)
Income tax paid		**(82,493,987)**	(215,956,110)
Net cash generated from operating activities		**2,215,354,004**	745,667,272
Cash flows used in investing activities			
Cash acquired through acquisition of subsidiaries	32	**301,808,005**	—
Purchase of property, plant and equipment		**(1,234,409,827)**	(1,088,140,779)
Proceeds from disposal of property, plant and equipment	30(b)	**2,808,522**	5,562,339
Proceeds from government grants	20	**9,157,723**	2,968,944
Payment for leasehold land and land use rights	6	**(81,552,655)**	(118,712,474)
Purchase of intangible assets	8	**(28,618,295)**	(22,985,050)
Interest received	25	**4,700,126**	4,629,445
Net cash used in investing activities		**(1,026,106,401)**	(1,216,677,575)
Cash flows (used in)/generated from financing activities			
Proceeds from shares issued		**401,169,913**	8,115,740
Proceeds from borrowings		**5,239,059,652**	5,827,807,332
Proceeds from loans from a related party		**—**	531,465,839
Repayments of borrowings		**(4,556,236,373)**	(4,761,492,311)
Repayments of loans from a related party		**(1,502,702,986)**	(1,278,514,514)
Dividends paid	29	**(110,584,955)**	(169,818,506)
Net cash (used in)/generated from financing activities		**(529,294,749)**	157,563,580
Net increase/(decrease) in cash and cash equivalents		**659,952,854**	(313,446,723)
Effect of foreign exchange rate changes		**(37,946,563)**	(13,589,005)
Cash and cash equivalents, beginning of the year	13	**393,247,986**	720,283,714
Cash and cash equivalents, end of the year	13	**1,015,254,277**	393,247,986

The notes on pages 98 to 184 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

1 General Information

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

The Company acts as an investment holding company and provides management as well as financial support services to its subsidiaries. The principal activities of the subsidiaries are set out in Note 9. The Company and its subsidiaries are collectively referred to as the "Group".

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

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

These consolidated financial statements are presented in Hong Kong dollar ("HK$") unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 25 January 2017.

2 Summary of Significant Accounting Policies

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

2.1 Basis of Preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial liabilities (including derivative instruments) at fair value through profit or loss.

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

2 Summary of Significant Accounting Policies *(continued)*

2.1 Basis of Preparation *(continued)*

2.1.1 Changes in Accounting Policy and Disclosures

(a) New and Amended Standards Adopted by the Group

The following new and amended standards are mandatory for the first time for the financial year beginning 1 January 2016:

HKFRS 7 (Amendments) "Financial instruments: Disclosures condensed interim financial statements" is effective for annual periods beginning on or after 1 January 2016. This amendment clarifies that the additional disclosure required by the amendments to HKFRS 7, 'Disclosure — Offsetting financial assets and financial liabilities' is not specifically required for all interim periods, unless required by HKAS 34.

HKAS 19 (Amendments) "Employee benefits" is effective for annual periods beginning on or after 1 January 2016. This amendment clarifies that, when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important, and not the country where they arise. The assessment of whether there is a deep market in high-quality corporate bonds is based on corporate bonds in that currency, not corporate bonds in a particular country. Similarly, where there is no deep market in high-quality corporate bonds in that currency, government bonds in the relevant currency should be used.

HKAS 34 (Amendments) "Interim financial reporting" is effective for annual periods beginning on or after 1 January 2016. This amendment clarifies what is meant by the reference in the standard to 'information disclosed elsewhere in the interim financial report'. The amendment further amends HKAS 34 to require a cross-reference from the interim financial statements to the location of that information.

Amendments and interpretations as mentioned above are not expected to have a material effect on the Group's operating results, financial position or comprehensive income.

2 Summary of Significant Accounting Policies *(continued)*

2.1 Basis of Preparation *(continued)*

2.1.1 Changes in Accounting Policy and Disclosures *(continued)*

(b) *Standards, amendments and interpretations to existing standards effective in 2016 but not relevant to the Group.*

		Effective for annual periods beginning on or after
HKAS 1 (Amendment)	Disclosure initiative	1 January 2016
HKAS 16 (Amendment)	Property, plant and equipment	1 January 2016
HKAS 27 (Amendment)	Separate financial statements	1 January 2016
HKAS 28 (Amendment)	Investment in associates	1 January 2016
HKAS 38 (Amendment)	Intangible assets	1 January 2016
HKAS 41 (Amendment)	Agriculture	1 January 2016
HKFRS 5 (Amendment)	Non-current assets held for sale and discontinued operations	1 January 2016
HKFRS 7 (Amendment)	Financial instruments: Disclosures — Application of the disclosure requirements to a serving contracts	1 January 2016
HKFRS 10 (Amendment)	Consolidated financial statements	1 January 2016
HKFRS 11 (Amendment)	Joint operations	1 January 2016
HKFRS 12 (Amendment)	Disclosure of interests in other entities	1 January 2016
HKFRS 14	Regulatory deferral accounts	1 January 2016

(c) *The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning on 1 January 2016 and have not been early adopted:*

		Effective for annual periods beginning on or after
HKAS 7 (Amendment)	Statement of cash flows	1 January 2017
HKAS 12 (Amendment)	Income taxes	1 January 2017
HKFRS 9	Financial instruments	1 January 2018
HKFRS 15	Revenue from contracts with customers	1 January 2018
HKFRS 16	Leases	1 January 2019
HKAS 28 (Amendment)	Investment in associates	To be determined
HKFRS 10 (Amendment)	Consolidated financial statements	To be determined

The Group is assessing the full impact of the above new standards, new interpretations and amendments to standards and interpretations.

2 Summary of Significant Accounting Policies *(continued)*

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) 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.

Business Combinations

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

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

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

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement (Note2.8).

2 Summary of Significant Accounting Policies *(continued)*

2.2 Subsidiaries *(continued)*

2.2.1 **Consolidation** *(continued)*

Business Combinations (continued)

Intra-group 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. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

2.2.2 **Separate Financial Statements**

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

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

2.3 Associate

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

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

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

2 Summary of Significant Accounting Policies *(continued)*

2.3 Associate *(continued)*

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

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

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

2.4 Segment Reporting

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

2.5 Foreign Currency Translation

(a) Functional and Presentation Currency

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

(b) Transactions and Balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. 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 or cost'. All other foreign exchange gains and losses are presented in the consolidated statement of comprehensive income within 'other income and gains — net'.

2 Summary of Significant Accounting Policies *(continued)*

2.5 Foreign Currency Translation *(continued)*

(c) Group Companies

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

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting exchange differences are recognised in other comprehensive income.

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

(d) Disposal of Foreign Operation and Partial Disposal

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

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

2.6 Property, Plant and Equipment

Leasehold land classified as financial lease and all other 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.

2 Summary of Significant Accounting Policies *(continued)*

2.6 Property, Plant and Equipment *(continued)*

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.

Leasehold land classified as finance lease commences amortisation from the time when the land interest becomes available for its intended use. Amortisation on leasehold land classified as finance lease and depreciation on other assets 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	10 to 15 years
Furniture, fittings and equipment	4 to 5 years
Vehicles	5 years

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.10).

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

Construction-in-progress ("CIP") represents buildings, plant and machinery 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 arising from borrowings used to finance these assets during the period of construction or installation and testing. No provision for depreciation is made on CIP until such time as the relevant assets are completed and ready for the intended use. When the assets concerned are brought into use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated above.

2.7 Leasehold Land and Land Use Rights

All land in the People's Republic of China (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 as leasehold land and land use rights, which are amortised over the lease periods using the straight-line method. The leasehold land and land use rights are stated at historical cost less accumulated amortisation and impairment losses.

2 Summary of Significant Accounting Policies *(continued)*

2.8 Intangible Assets

(a) Goodwill

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

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

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

(b) Trademarks and Licences

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

(c) Contractual Customer Relationships

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

(d) Computer Software

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

2 Summary of Significant Accounting Policies *(continued)*

2.9 Investment Property

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

2.10 Impairment of Non-Financial Assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed 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 to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.11 Financial Assets

2.11.1 **Classification**

The Group classifies its financial assets in the following categories: at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial Assets at Fair Value through Profit or Loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(b) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables', 'restricted bank deposits', 'receivables due from related parties' and 'cash and cash equivalents' in the balance sheet (notes 2.13 and 2.14).

2 Summary of Significant Accounting Policies *(continued)*

2.11 Financial Assets *(continued)*

2.11.2 Recognition and Measurement

Regular way purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset. Loans and receivables are initially recognised at fair value plus transaction costs and are subsequently carried at amortised cost using the effective interest method. Financial assets carried at fair value through profit or losses are initially recognised at fair value, and transaction costs are expensed in the consolidated statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category other than those related to financing activities are present in the consolidated statement of comprehensive income within 'other gains/(losses)-net' in the period in which they arise.

2.11.3 Impairment of Financial Assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in consolidated statement of comprehensive income. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

2 Summary of Significant Accounting Policies *(continued)*

2.11 Financial Assets *(continued)*

2.11.3 Impairment of Financial Assets *(continued)*

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in consolidated statement of comprehensive income.

2.12 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) and excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.13 Trade and Other Receivables

Trade receivables are amounts due from customers for merchandise sold in the ordinary course of business. If collection of trade 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 and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. See Note 2.11.2 for further information about the group's accounting for trade receivables and Note 2.11.3 for a description of the group's impairment policies.

2.14 Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less.

2.15 Share Capital

Ordinary shares are classified as equity.

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

2.16 Trade and Other Payables

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

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

2 Summary of Significant Accounting Policies *(continued)*

2.17 Borrowings and Borrowing Costs

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

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

Borrowings at nil or low interest rates from government are treated as government grants and recognised initially at the cost of consideration received.

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 consolidated statement of comprehensive income in the period in which they are incurred.

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

2.18 Current and Deferred Income Tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in 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 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.

2 Summary of Significant Accounting Policies *(continued)*

2.18 Current and Deferred Income Tax *(continued)*

(b) Deferred Income Tax

Deferred income tax is recognised, 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, the deferred income tax is 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 substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(c) Offsetting

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

2.19 Employee Benefits

(a) Post-employment Benefits

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

2 Summary of Significant Accounting Policies *(continued)*

2.19 Employee Benefits *(continued)*

(a) Post-employment Benefits *(continued)*

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

The current service cost of the defined benefit plan, recognised in the income statement in employee benefit expense, except where included in the cost of an asset, reflects the increase in the defined benefit obligation resulting from employee service in the current year, benefit changes, curtailments and settlements.

Past-service costs are recognised immediately in income statements. Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service costs.

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 income statement.

Remeasurement arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Pension Obligations

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

2 Summary of Significant Accounting Policies *(continued)*

2.19 Employee Benefits *(continued)*

(b) Pension Obligations *(continued)*

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.

(c) Other Employee Benefits

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

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

(d) Bonus Plans

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

2 Summary of Significant Accounting Policies *(continued)*

2.20 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 total amount to be expensed is determined by reference to the fair value of the options granted:

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

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

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

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

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

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

2.21 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.

2 Summary of Significant Accounting Policies *(continued)*

2.21 Provisions *(continued)*

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

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

2.22 Government Assistance and Grants

Government assistance is the action by government designed to provide an economic benefit specific to an entity. The government assistance which cannot reasonably have a value placed upon them and transactions with government which cannot be distinguished from the normal trading transactions of the entity are not recognised.

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

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

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

2.23 Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes ("VAT") in Mainland China, Taiwan and Korea, etc. or goods and services taxes in Malaysia, Singapore, etc. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

2 Summary of Significant Accounting Policies *(continued)*

2.23 Revenue Recognition *(continued)*

(a) Sales of Goods

Sales of goods are recognised when a Group entity has delivered products to the customer; the customer has accepted the products and collectability of the related receivables is reasonably assured.

(b) Interest Income

Interest income is recognised using the effective interest method.

(c) Dividend Income

Dividend income is recognised when the right to receive payment is established.

2.24 Operating Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

2.25 Dividend Distribution

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

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 Hong Kong, Malaysia, Taiwan, etc., the functional currency of its subsidiaries varies. Foreign exchange risk arises from the future commercial transactions of sales to and purchases from overseas.

3 Financial Risk Management *(continued)*

3.1 Financial Risk Factors *(continued)*

(a) **Market Risk** *(continued)*

(i) Foreign Exchange Risk (continued)

Following the acquisition of SCA Hygiene Malaysia Sdn Bhd. ("SCA Malaysia") and its subsidiaries (together as "SCA Malaysia Group"), SCA Hygiene Korea Co. Ltd. ("SCA Korea") and SCA Taiwan Ltd. ("SCA Taiwan") (collectively, SCA Asia business), the Directors regarded the pricing strategy for certain intermediate holding companies shall change from RMB to HK$ to better reflect their business circumstance change and business substance from 1 April 2016 (acquisition completion day) prospectively.

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

As at 31 December 2016 and 2015, if RMB had strengthened/weakened by 10% against US$ with all other variables held constant, the post-tax profit for each year would have changed mainly as a result of foreign exchange gains/losses on translation of US$ denominated cash and cash equivalents, trade and other receivables, trade and other payables, borrowings and due from/due to related parties. Details of the changes are as follows:

	2016 **HK$**	2015 HK$
For the year ended: Post-tax profit increase/(decrease) — Strengthened by 10%	**2,514,881**	144,525,876
— Weakened by 10%	**(2,514,881)**	(144,525,876)
As at: Owners' equity increase/(decrease) — Strengthened by 10%	**2,514,881**	144,525,876
— Weakened by 10%	**(2,514,881)**	(144,525,876)

3 Financial Risk Management *(continued)*

3.1 Financial Risk Factors *(continued)*

(a) **Market Risk** *(continued)*

(i) Foreign Exchange Risk (continued)

As at 31 December 2016 and 2015, if Malaysia Ringgit ("MYR") had strengthened/weakened by 10% against US$ with all other variables held constant, the post-tax profit for each year would have changed mainly as a result of foreign exchange gains/losses on translation of US$ denominated cash and cash equivalents, trade and other receivables, trade and other payables, borrowings and due from/to related parties. Details of the changes are as follows:

	2016 HK$	2015 HK$
For the year ended:		
Post-tax profit increase/(decrease)		
— Strengthened by 10%	**5,077,347**	—
— Weakened by 10%	**(5,077,347)**	—
As at:		
Owners' equity increase/(decrease)		
— Strengthened by 10%	**5,077,347**	—
— Weakened by 10%	**(5,077,347)**	—

As at 31 December 2016 and 2015, if HK$ had strengthened/weakened by 10% against RMB with all other variables held constant, the post-tax profit for each year would have changed mainly as a result of foreign exchange gains/losses on translation of RMB denominated cash and cash equivalents, trade and other receivables, trade and other payables, borrowings and due from/to related parties. Details of the changes are as follows:

	2016 HK$	2015 HK$
For the year ended:		
Post-tax profit increase/(decrease)		
— Strengthened by 10%	**32,433,823**	(207)
— Weakened by 10%	**(32,433,823)**	207
As at:		
Owners' equity increase/(decrease)		
— Strengthened by 10%	**32,433,823**	(207)
— Weakened by 10%	**(32,433,823)**	207

3 Financial Risk Management *(continued)*

3.1 Financial Risk Factors *(continued)*

(a) Market Risk *(continued)*

(i) Foreign Exchange Risk (continued)

As at 31 December 2016 and 2015, if RMB had strengthened/weakened by 10% against HK$ 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 HK$ denominated cash and cash equivalents, trade and other receivables, trade and other payables, borrowings and due from/to related parties. Details of the changes are as follows:

	2016 HK$	2015 HK$
For the year ended:		
Post-tax profit increase/(decrease)		
— Strengthened by 10%	**(216,781)**	149,380,259
— Weakened by 10%	**216,781**	(149,380,259)
As at:		
Owners' equity increase/(decrease)		
— Strengthened by 10%	**(216,781)**	149,380,259
— Weakened by 10%	**216,781**	(149,380,259)

(ii) Cash Flow and Fair Value Interest Rate Risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest-rate risk arises from borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. Details of the Group's borrowings have been disclosed in Note 18.

3 Financial Risk Management *(continued)*

3.1 Financial Risk Factors *(continued)*

(a) Market Risk *(continued)*

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

As at 31 December 2016 and 2015, if interest rates on borrowings 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:

	2016 HK$	2015 HK$
For the year ended: Post-tax profit (decrease)/increase — 10 basis points higher	(2,500,022)	(2,210,488)
— 10 basis points lower	2,500,022	2,210,488
As at: Owners' equity (decrease)/increase — 10 basis points higher	(2,500,022)	(2,210,488)
— 10 basis points lower	2,500,022	2,210,488

(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 2016 and 2015, 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. For further details, please refer to note 11(b).

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.

3 Financial Risk Management *(continued)*

3.1 Financial Risk Factors *(continued)*

(c) Liquidity Risk

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

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

	Less than 1 year	**Between 1 and 2 years**	**Between 2 and 5 years**
	HK$	HK$	HK$
As at 31 December 2016			
Other bank loans (i)	**1,343,842,152**	**1,839,719,042**	**1,734,619,953**
Loans from a related party (i)	**30,147,341**	**30,147,341**	**340,837,395**
Other borrowings	**5,589,715**	**—**	**—**
Trade payables	**1,570,545,171**	**—**	**—**
Other payables	**670,687,368**	**—**	**—**
As at 31 December 2015			
Other bank loans (i)	1,318,702,354	141,755,030	2,133,069,177
Loans from a related party (i)	39,644,826	686,610,893	688,806,444
Other borrowings	11,936,023	—	—
Trade payables	1,346,392,715	—	—
Other payables	466,538,591	—	—

(i) The interest on borrowings is calculated based on borrowings held as at 31 December 2016 and 2015 without taking account of future issues. Floating-rate interest is estimated using interest rate prevailing as at 31 December 2016 and 2015 respectively.

3 Financial Risk Management *(continued)*

3.2 Capital Risk Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order 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) less cash and cash equivalents.

The net gearing ratios at 31 December 2015 and 2016 were as follows:

	As at 31 December	
	2016	2015
	HK$	HK$
Total borrowings (Note 18)	**5,016,746,026**	4,738,538,802
Less: Cash and cash equivalents (Note 13)	**(1,015,254,277)**	(393,247,986)
Net debt	**4,001,491,749**	4,345,290,816
Total equity	**6,779,564,222**	4,947,759,863
Net gearing ratio	**59.02%**	87.82%

The decrease in net gearing ratio as at 31 December 2016 is attributable to the increase of cash and cash equivalents.

3.3 Fair Value Estimation

As at 31 December 2016 and 2015, 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) Estimated Impairment of Goodwill and Intangible Assets with Indefinite Useful Life

The Group tests annually whether goodwill and intangible assets with indefinite useful life have suffered any impairment, in accordance with the accounting policy stated in Note 2.8. 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 Equipments

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

4 Critical Accounting Estimates and Judgments *(continued)*

(d) Net Realisable Value of Inventories

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

(e) Provision for Impairment of Trade and Other Receivables

The Group's management determines the provision for impairment of trade and other receivables based on the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. Management reassesses the provision at each balance sheet date.

(f) Estimated Impairment of Property, Plant and Equipment

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

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

(g) Valuation of Intangible Assets and Useful Lives

The Group has made estimations and assumptions in relation to the potential future cash flows of identifiable intangible assets acquired as part of business combinations. This assessment involves estimations and assumptions relating to potential future revenues, appropriate discount rates and the useful lives of such assets. These estimations and assumptions impact the profit or loss over the useful life of the intangible asset.

5 Segment Information

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, 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 (including acquisition cost).

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 interim consolidated income statement.

The Company is domiciled in Hong Kong. The amount of its revenue from external customers in Mainland China, Hong Kong and overseas for the year ended 31 December 2016 is HK$ 9,137,962,932 (for the year ended 31 December 2015: HK$ 8,599,076,041), HK$ 1,073,350,612 (for the year ended 31 December 2015: HK$ 984,229,235) and HK$ 1,845,235,391 (for the year ended 31 December 2015: HK$ 112,692,381) respectively.

Additions to non-current assets comprise additions to property, plant and equipment, leasehold land and land use rights and intangible assets, including additions resulting from acquisitions through business combination.

The total non-current assets are analysed as follows:

	As at 31 December	
	2016	2015
	HK$	HK$
Total non-current assets other than deferred tax assets		
— Mainland China	**7,225,031,254**	6,969,690,413
— Hong Kong and overseas	**3,289,833,442**	986,313,357
Deferred tax assets	**268,225,330**	259,511,539
Total non-current assets	**10,783,090,026**	8,215,515,309

5 Segment Information *(continued)*

The segment information for the year ended 31 December 2016 and 2015 are as follows:

	For the year ended 31 December 2016			
Year ended 31 December 2016	**Household paper products HK$**	**Personal care products HK$**	**Elimination HK$**	**Total HK$**
Segment revenue	10,022,823,115	2,033,725,820	—	12,056,548,935
Segment results	1,066,828,769	102,653,772	—	1,169,482,541
Amortisation of trademarks, licences and contractual customer relationships	(20,839,864)	(44,674,955)	—	(65,514,819)
Segment profit	1,045,988,905	57,978,817	—	1,103,967,722
Other income and (losses) — net				(6,226,887)
Unallocated costs				(90,168,219)
Operating profit				1,007,572,616
Finance costs — net				(199,265,704)
Profit before income tax				808,306,912
Income tax expense				(154,772,358)
Profit for the period				653,534,554
Other segment items included in the income statement				
Depreciation of property, plant and equipment	(491,117,931)	(90,724,568)	—	(581,842,499)
Amortisation of leasehold land and land use rights, investment properties, intangible assets other than trademarks, licences and contractual customer relationships	(25,638,479)	(2,479,182)	—	(28,117,661)
Additions to non-current assets	1,356,551,067	2,559,029,825	—	3,915,580,892

5 Segment Information *(continued)*

Year ended 31 December 2015	For the year ended 31 December 2015 Household paper products HK$	Personal care products HK$	Elimination HK$	Total HK$
Segment revenue	9,357,215,975	338,781,682	—	9,695,997,657
Segment results	1,025,236,961	(88,672,547)	—	936,564,414
Amortisation of trademarks, licences and contractual customer relationships	(20,767,662)	(2,603,268)	—	(23,370,930)
Segment profit/(losses)	1,004,469,299	(91,275,815)	—	913,193,484
Other income and (losses) — net				(62,896,404)
Unallocated costs				(97,669,355)
Operating profit				752,627,725
Finance costs — net				(303,751,333)
Profit before income tax				448,876,392
Income tax expense				(134,435,280)
Profit for the period				314,441,112
Other segment items included in the income statement				
Depreciation of property, plant and equipment	(426,453,172)	(2,414,579)	—	(428,867,751)
Amortisation of leasehold land and land use rights, intangible assets other than trademarks, licences and contractual customer relationships	(17,798,381)	(531,109)	—	(18,329,490)
Additions to non-current assets	1,134,667,233	187,329,219	—	1,321,996,452

5 Segment Information *(continued)*

As at 31 December 2016	Household paper products HK$	Personal care products HK$	Elimination HK$	Total HK$
	As at 31 December 2016			
Segment assets	11,605,532,703	3,750,133,253	—	15,355,665,956
Deferred income tax assets				268,225,330
Prepaid income tax recoverable				4,621,930
Total assets				15,628,513,216
Segment liabilities	7,444,434,544	1,121,410,027	—	8,565,844,571
Deferred income tax liabilities				203,135,117
Current income tax liabilities				79,969,306
Total liabilities				8,848,948,994

As at 31 December 2015	Household paper products HK$	Personal care products HK$	Elimination HK$	Total HK$
	As at 31 December 2015			
Segment assets	11,470,668,610	740,458,936	—	12,211,127,546
Deferred income tax assets				259,511,539
Prepaid income tax recoverable				33,297,611
Total assets				12,503,936,696
Segment liabilities	7,158,060,321	249,469,106	—	7,407,529,427
Deferred income tax liabilities				96,248,856
Current income tax liabilities				52,398,550
Total liabilities				7,556,176,833

6 Leasehold Land and Land Use Rights

The Group's interests in leasehold land and land use rights represent the prepaid operating lease payments and their net book values are analysed as follows:

	For the year ended 31 December	
	2016	2015
	HK$	HK$
At 1 January	**387,818,653**	297,758,758
Additions	**81,552,655**	118,712,474
Amortisation (Note 23)	**(9,659,959)**	(6,895,600)
Exchange differences	**(27,580,678)**	(21,756,979)
	432,130,671	387,818,653

In March 2016, Vinda Personal Care (China) Limited merged two other subsidiaries in Hubei province. The related land use right certificates are pending for renewal as at 31 December 2016.

7 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 2015							
Opening net book amount	1,468,118,607	35,105,013	3,966,204,259	48,130,152	17,595,405	366,577,415	5,901,730,851
Additions	46,393,392	15,311,569	39,606,545	26,724,211	12,385,580	1,039,877,631	1,180,298,928
Disposals	—	—	(5,776,072)	(184,831)	(698,863)	(1,084,952)	(7,744,718)
Reclassification	127,947,750	—	892,772,220	8,458,208	7,945,622	(1,037,123,800)	—
Depreciation (Note 23)	(55,923,061)	(11,887,908)	(339,441,925)	(15,282,550)	(6,332,307)	—	(428,867,751)
Impairment charges (Note 23)	—	—	(10,739,209)	—	—	(699,150)	(11,438,359)
Exchange differences	(90,325,988)	(2,183,018)	(253,683,299)	(3,592,701)	(1,547,691)	(21,429,556)	(372,762,253)
Closing net book amount	1,496,210,700	36,345,656	4,288,942,519	64,252,489	29,347,746	346,117,588	6,261,216,698
At 31 December 2015							
Cost	1,838,893,133	59,614,708	5,923,882,674	112,755,126	52,683,109	346,789,366	8,334,618,116
Accumulated depreciation and impairment	(342,682,433)	(23,269,052)	(1,634,940,155)	(48,502,637)	(23,335,363)	(671,778)	(2,073,401,418)
Net book amount	1,496,210,700	36,345,656	4,288,942,519	64,252,489	29,347,746	346,117,588	6,261,216,698
Year ended 31 December 2016							
Opening net book amount	1,496,210,700	36,345,656	4,288,942,519	64,252,489	29,347,746	346,117,588	6,261,216,698
Acquisition of subsidiaries (Note 32)	227,289,854	—	362,679,534	31,096,412	173,519	122,061,880	743,301,199
Additions	34,847,301	8,259,806	101,176,534	21,802,574	2,249,102	1,187,939,431	1,356,274,748
Disposals	(648,662)	—	(10,050,060)	(280,872)	(1,161,893)	—	(12,141,487)
Reclassification	151,131,654	—	648,158,827	20,419,651	21,143,917	(840,854,049)	—
Transfers	(4,900,301)	—	—	—	—	—	(4,900,301)
Depreciation (Note 23)	(61,768,411)	(13,388,775)	(467,212,584)	(30,550,418)	(8,922,311)	—	(581,842,499)
Impairment charges (Note 23)	—	—	(2,022,608)	—	—	—	(2,022,608)
Exchange differences	(99,072,615)	(2,089,981)	(327,056,497)	(6,831,509)	(2,219,505)	(40,741,839)	(478,011,946)
Closing net book amount	1,743,089,520	29,126,706	4,594,615,665	99,908,327	40,610,575	774,523,011	7,281,873,804
At 31 December 2016							
Cost	2,163,402,159	63,751,267	6,700,636,119	189,086,889	69,084,749	775,152,209	9,961,113,392
Accumulated depreciation and impairment	(420,312,639)	(34,624,561)	(2,106,020,454)	(89,178,562)	(28,474,174)	(629,198)	(2,679,239,588)
Net book amount	1,743,089,520	29,126,706	4,594,615,665	99,908,327	40,610,575	774,523,011	7,281,873,804

7 Property, Plant and Equipment *(continued)*

In March 2016, Vinda Personal Care (China) Limited merged two other subsidiaries in Hubei province. The related building and property certificates are pending for renewal as at 31 December 2016.

During the year, the Group has capitalised borrowing costs amounting to HK$16,663,219 (2015: HK$44,492,185) on qualifying assets. Borrowing costs were capitalised at the weighted average rate of its general borrowings of 2.83% (2015: 7.72%).

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

	For the year ended 31 December	
	2016	2015
	HK$	HK$
Cost of sales	**485,276,067**	370,282,727
Administrative expenses	**96,566,432**	58,585,024
	581,842,499	428,867,751

8 Intangible Assets

	Goodwill HK$	Trademarks and licences HK$	Contractual customer relationships HK$	Computer software HK$	Total HK$
At 1 January 2015					
Cost	815,650,064	408,428,495	157,150,387	55,487,359	1,436,716,305
Accumulated amortisation and impairment	(2,796,561)	(3,549,940)	(2,765,894)	(27,562,009)	(36,674,404)
Net book amount	812,853,503	404,878,555	154,384,493	27,925,350	1,400,041,901
Year ended 31 December 2015					
Opening net book amount	812,853,503	404,878,555	154,384,493	27,925,350	1,400,041,901
Additions	—	—	—	22,985,050	22,985,050
Amortisation expense (Note 23)	—	(12,528,626)	(10,842,304)	(11,433,890)	(34,804,820)
Exchange differences	(47,443,944)	(23,141,110)	(8,586,505)	(2,082,153)	(81,253,712)
Closing net book amount	765,409,559	369,208,819	134,955,684	37,394,357	1,306,968,419
At 31 December 2015					
Cost	768,042,893	384,589,688	147,977,966	74,175,261	1,374,785,808
Accumulated amortisation and impairment	(2,633,334)	(15,380,869)	(13,022,282)	(36,780,904)	(67,817,389)
Net book amount	765,409,559	369,208,819	134,955,684	37,394,357	1,306,968,419
Year ended 31 December 2016					
Opening net book amount	**765,409,559**	**369,208,819**	**134,955,684**	**37,394,357**	**1,306,968,419**
Acquisition of subsidiaries (Note 32)	**840,754,294**	**545,502,858**	**316,373,443**	**3,203,400**	**1,705,833,995**
Additions	**—**	**—**	**—**	**28,618,295**	**28,618,295**
Amortisation expense (Note 23)	**—**	**(35,763,297)**	**(29,751,522)**	**(18,416,460)**	**(83,931,279)**
Impairment charge (Note 22)	**—**	**(11,363,709)**	**—**	**—**	**(11,363,709)**
Exchange differences	**(81,526,268)**	**(43,026,510)**	**(22,459,743)**	**(3,112,038)**	**(150,124,559)**
Closing net book amount	**1,524,637,585**	**824,558,161**	**399,117,862**	**47,687,554**	**2,796,001,162**
At 31 December 2016					
Cost	**1,524,637,585**	**884,641,790**	**440,640,265**	**100,253,842**	**2,950,173,482**
Accumulated amortisation and impairment	**—**	**(60,083,629)**	**(41,522,403)**	**(52,566,288)**	**(154,172,320)**
Net book amount	**1,524,637,585**	**824,558,161**	**399,117,862**	**47,687,554**	**2,796,001,162**

8 Intangible Assets *(continued)*

During the year ended 31 December 2016, amortisation of intangible assets charged to the consolidated statement of comprehensive income is as follows:

	For the year ended 31 December	
	2016	2015
	HK$	HK$
Administrative expenses	**54,179,757**	23,962,516
Selling expenses	**29,751,522**	10,842,304
	83,931,279	34,804,820

(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:

2016	**Opening HK$**	**Addition HK$**	**Exchange differences HK$**	**Closing HK$**
Personal care products	**227,655,024**	**840,754,294**	**(110,899,555)**	**957,509,763**
Household paper products	**537,754,535**	**—**	**29,373,287**	**567,127,822**
	765,409,559	**840,754,294**	**(81,526,268)**	**1,524,637,585**

2015	Opening HK$	Addition HK$	Exchange differences HK$	Closing HK$
Personal care products	241,766,230	—	(14,111,206)	227,655,024
Household paper products	571,087,273	—	(33,332,738)	537,754,535
	812,853,503	—	(47,443,944)	765,409,559

8 Intangible Assets *(continued)*

(a) Impairment Assessments for Goodwill *(continued)*

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial plans approved by management covering a forecast period.

After the acquisition and integration of the SCA Asia business, management decided to review the business performance primarily based on type of business – household paper segment and personal care segment as a whole, not by individual brand performance. As a result, the forecast for the household paper segment was expanded to encompass the whole household paper business (rather than just the tempo brand, as previously) and the forecast period was extended to 10 years detailed forecast period to better reflect the product life cycle. Similarly, the forecast for the personal care segment was revised to encompass all the personal care business of the Group, including the acquired SCA Asia business.

Cash flows beyond the forecast period are extrapolated using the estimated growth rates stated below. The long-term growth rate of the CGU does not exceed the long-term average growth rate for the household paper business and personal care business in which the CGU operates.

For each of the CGUs with a significant amount of goodwill, the key assumptions, long term growth rate and discount rate used in the value-in-use calculations in 2016 are as follows:

	Personal care products	**Household paper products**
Sales amount (% annual growth rate)	4%~35%	5%~12%
Gross margin (% of revenue)	27%~57%	30.3%~32%
Long term growth rate	3.00%	3.00%
Pre-tax discount rate	12.50%	12.00%

For each of the CGUs with significant amount of goodwill, the key assumptions, long term growth rate and discount rate used in the value-in-use calculations in 2015 were as follows:

	Personal care products	**Household paper products**
Sales amount (% annual growth rate)	8%~35%	20%
Gross margin (% of revenue)	33%~44%	40%~50%
Long term growth rate	3.00%	3.00%
Pre-tax discount rate	13.00%	12.00%

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

8 Intangible Assets *(continued)*

(a) Impairment Assessments for Goodwill *(continued)*

Sales amount is the average annual growth rate over the forecast period. After the acquisition and integration of SCA Asia business, management decided to review the business performance primarily based on type of business — household paper segment and personal care segment as a whole, not by individual brand performance. Certain key assumption ratios of both household paper and personal care products have been adjusted to better reflect the product life cycle and to show the household paper products and personal care products segments' historical data trend taking as a whole.

Gross margin is the average margin as a percentage of revenue over the forecast period. It is based on the current sales margin levels and sales mix, with adjustments made to reflect the expected future changes due to the business integration and development.

The long term growth rates used are consistent with the forecasts included in industry reports.

The discount rates used are pre-tax and reflect specific risks relating to the relevant operating segments.

A fall in expected annual sales growth rate, gross margin, long term growth rate, or a rise in discount rate would remove the remaining headroom under the impairment test.

(b) Impairment Assessments for Trademarks and Licences with Indefinite Useful Life

Management assesses the value of trademarks and licences with indefinite useful life 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:

2016	**Opening HK$**	**Addition HK$**	**Exchange differences HK$**	**Closing HK$**
Trademarks and licences with indefinite useful life	**329,966,233**	**244,620,052**	**(16,515,212)**	**558,071,073**

2015	Opening HK$	Addition HK$	Exchange differences HK$	Closing HK$
Trademarks and licences with indefinite useful life	350,419,204	—	(20,452,971)	329,966,233

The key assumptions, long term growth rate and discount rate used in the annual impairment assessments for trademarks and licences with indefinite useful life in 2016 are as follows:

8 Intangible Assets *(continued)*

(b) Impairment Assessments for Trademarks and Licences with Indefinite Useful Life *(continued)*

	Personal care products trademark and license	**Household paper products trademark and license**
Sales amount (% annual growth rate)	4%~35%	5%~12%
Long term growth rate	3.00%	3.00%
Pre-tax discount rate	12.50%	12.00%

The key assumptions, long term growth rate and discount rate used in the annual impairment assessments for trademarks and licences with indefinite useful life in 2015 are as follows:

	Personal care products trademark and license	**Household paper products trademark and license**
Sales amount (% annual growth rate)	5%~25%	10%~20%
Long term growth rate	3.00%	3.00%
Pre-tax discount rate	13.00%	12.00%

Sales amount is the average annual growth rate over the forecast period. It is based on past performance and management's expectations of market development of the trademarks and licenses.

The changes in growth rate assumption was in line with the updated business plan following the acquisition of SCA Asia business, taking consideration of the Company's business strategy and the latest competitive landscape of the industry.

9 Subsidiaries

As at 31 December 2016, 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 ("Vinda Household Paper (China)")	British Virgin Islands, limited liability company	Investment holding and trading of wood pulp and machinery	US$1	100%	—
Vinda Household Paper (Hong Kong) Limited ("Vinda Household Paper (Hong Kong)")	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	Trading of wood pulps	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")	Hong Kong, 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")	Hong Kong, limited liability company	Property investments and trading of household paper products	HK$10,000	—	100%
Vinda Investment (China) Limited ("Vinda Investment")	Hong Kong, limited liability company	Investment holding	HK$1	—	100%
Vinda Paper (Sichuan) Company Limited ("Vinda Paper (Sichuan)")	The PRC, limited liability company	Manufacturing and sale of household paper products	HK$183,900,000	—	100%
Vinda Paper (Beijing) Company Limited ("Vinda Paper (Beijing)")	The PRC, limited liability company	Trading of household paper products	US$350,000	—	100%
Vinda North Paper (Beijing) Company Limited ("Vinda Northern Paper")	The PRC, limited liability company	Manufacturing and sale of household paper products	HK$75,000,000	—	100%
Vinda Paper (Zhejiang) Company Limited ("Vinda Paper (Zhejiang)")	The PRC, limited liability company	Manufacturing and sale of household paper and personal care products	HK$850,000,000	—	100%
Vinda Personal Care Limited ("Vinda Personal Care")	Hong Kong, limited liability company	Investment holding and trading of personal care products	HK$1	100%	—

9 Subsidiaries *(continued)*

Name	Place of incorporation/operation and kind of legal entity	Principal activities	Issued and fully paid capital	Interest held (directly)	Interest held (indirectly)
Vinda Trading Company Limited ("Vinda Trading")	The PRC, limited liability company	Trading of household paper and personal care products	RMB50,000,000	—	100%
Vinda Paper (Liaoning) Company Limited ("Vinda Paper (Liaoning)")	The PRC, limited liability company	Manufacturing and sale of household paper products	HK$200,000,000	—	100%
Vinda Investment Group Limited ("Vinda Investment Group")	Hong Kong, limited liability company	Investment holding and trading of household paper products	HK$1	—	100%
Vinda Paper (Shandong) Company Limited ("Vinda Paper (Shandong)")	The PRC, limited liability company	Manufacturing and sale of household paper products	HK$200,000,000	—	100%
Vinda Paper (China) Company Limited ("Vinda Paper (China)")	The PRC, limited liability company	Manufacturing and sale of household paper products	US$150,000,000	—	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")	Hong Kong, limited liability company	Investment holding company	HK$1	—	100%
China Euro Healthcare Management Limited ("CEHM", formerly known as Vinda Personal Care (Hong Kong) Limited)	Hong Kong, limited liability company	Investment holding company	HK$1	—	100%
Vinda Personal Care (China) Limited ("VPC (China)")	The PRC, limited liability company	Manufacturing and sale of household paper and personal care products	RMB508,998,487 (Note(i))	—	100%
Everbeauty Industry (Fujian) Company Limited ("Everbeauty (Fujian)")	The PRC, limited liability company	Manufacturing and sale of household paper products	RMB50,000,000	—	100%
Vinda (Shanghai) Healthcare Management Company Limited	The PRC, limited liability company	Providing home health care services and health management consulting	RMB4,531,039	—	100%
SCA Tissue Hong Kong Limited	Hong Kong, limited liability company	Trading of household paper and personal care products	HK$1	—	100%

9 Subsidiaries *(continued)*

Name	Place of incorporation/operation and kind of legal entity	Principal activities	Issued and fully paid capital	Interest held (directly)	(indirectly)
Guangdong Xinjiang Energy Company Limited ("Xinjiang Energy")	The PRC, limited liability company	Manufacturing and sale of steam	RMB30,000,000 (Note(ii))	—	100%
Vinda Personal Care (Guangdong) Company Limited ("VPC (Guangdong)")	The PRC, limited liability company	Manufacturing and sale of household paper and personal care products	HK$123,000,000 (Note(iii))	—	100%
PT SCA Hygiene Indonesia ("SCA Indonesia")	Indonesia, limited liability company	Trading of personal care products	Indonesian Rupiah 12,499,033,100	—	100%
SCA Hygiene Malaysia Sdn Bhd ("SCA Malaysia")	Malaysia, limited liability company	Manufacturing and sale of personal care products	MYR23,800,000	—	100%
SCA Hygiene Korea Co., Ltd. ("SCA Korea")	Korea, limited liability company	Trading of household paper and personal care products	Korea Won ("KRW") 310,000,000	—	100%
SCA Taiwan Ltd. ("SCA Taiwan")	Taiwan, limited liability company	Manufacturing and sale of personal care products	New Taiwan Dollar ("NT$") 560,879,450	—	100%
SCA Hygiene Marketing (M) Sdn. Bhd. ("SCA Marketing")	Malaysia, limited liability company	Trading of personal care products	MYR10,000	—	100%
SCA Hygiene Singapore Pte. Ltd. ("SCA Singapore")	Singapore, limited liability company	Trading of personal care products	Singapore Dollar ("SG$") 852,850	—	100%
SCA Hygiene Thailand Limited ("SCA Thailand")	Thailand, limited liability company	Trading of personal care products	Thai Baht 790,000,000	—	100%

(i) According to the Board resolution on 10 October 2015, Vinda Paper (Hubei) Company Limited ("Vinda Paper (Hubei)") and Vinda Paper (Xiaogan) Company Limited ("Vinda Paper (Xiaogan)") were merged into VPC (China).

The merge absorption was approved by Xiaogan Municipal Bureau of Commerce and completed on 31 March 2016. The registered capital of VPC (China) was changed from RMB100,000,000 to RMB508,998,487.

(ii) The paid in capital of Xinjiang Energy was increased from nil to RMB30,000,000 during the current year.

(iii) The paid in capital of VPC (Guangdong) was increased from HK$78,000,000 to HK$123,000,000 during the current year.

10 Inventories

	As at 31 December 2016 HK$	2015 HK$
Raw materials	**898,478,051**	1,421,498,228
Finished goods	**886,664,517**	945,909,403
	1,785,142,568	2,367,407,631

The cost of inventories recognised as expenses and included in cost of sales amounted to HK$6,591,692,105 (2015: HK$5,389,862,150) for the year ended 31 December 2016.

11a Financial Instruments by Category

	Loans and receivables As at 31 December 2016 HK$	2015 HK$
Assets as per balance sheet		
Trade and other receivables excluding prepayments and prepaid expenses	**1,895,238,072**	1,428,758,098
Due from related parties excluding prepayments	**54,212,927**	8,941,533
Cash and cash equivalents	**1,015,254,277**	393,247,986
Total	**2,964,705,276**	1,830,947,617

	Financial liabilities at amortised cost As at 31 December 2016 HK$	2015 HK$
Liabilities as per balance sheet		
Loans from a related party	**915,499,741**	1,308,080,688
Bank borrowings	**4,095,656,570**	3,418,522,091
Other borrowings	**5,589,715**	11,936,023
Trade and other payables excluding non-financial liabilities	**2,241,232,539**	1,812,931,306
Due to related parties	**37,775,333**	60,202,591
Total	**7,295,753,898**	6,611,672,699

11b Credit Quality of Financial Assets

Trade receivables and notes receivables

The Group has policies in place to ensure credit sales are made to customers with an appropriate credit history. The credit quality of trade receivables that are neither past due nor further impaired being assessed by reference to the reputation and management judgement about counterparty.

Bank Deposits

The management considers the credit risks in respect of bank deposits are relatively minimal as each counter party either has a high credit rating or is a state-owned PRC bank. The management believes the PRC government is able to support the state-owned PRC banks in the event of a liquidity difficulty.

The Group categorises its bank balance and restricted bank deposits into the following:

Group 1	—	Major international banks (Citi Bank, Australia and New Zealand Banking Group Limited, The Hong Kong and Shanghai Banking Corporation Limited, Deutsche Bank, Handelsbanken, Hang Seng Bank and Standard Chartered Bank)
Group 2	—	Top 4 banks in Mainland China (China Construction Bank, Bank of China, Agricultural Bank of China and Industrial and Commercial Bank of China)
Group 3	—	Other state-owned banks in Mainland China

	As at 31 December	
	2016	2015
	HK$	HK$
Group 1	**781,029,512**	262,466,393
Group 2	**177,059,998**	71,958,112
Group 3	**56,962,245**	58,780,232
Total	**1,015,051,755**	393,204,737

12 Trade Receivables, Other Receivables and Prepayments

	As at 31 December	
	2016	2015
	HK$	HK$
Trade receivables	**1,677,649,089**	1,104,926,703
Less: Provision for impairment of trade receivables	**(15,984,956)**	(11,590,775)
Trade receivables, net	**1,661,664,133**	1,093,335,928
Other receivables		
— creditable input VAT	**148,497,154**	238,383,291
— prepaid income tax recoverable	**4,621,930**	33,297,611
— purchase rebates	**18,513,340**	20,435,225
— others	**56,969,294**	35,906,440
Other receivables	**228,601,718**	328,022,567
Trade and other receivables, net	**1,890,265,851**	1,421,358,495
Notes receivable	**4,972,221**	7,399,603
Prepayments		
— purchase of raw materials	**4,117,169**	4,796,795
— prepayment of utility fee	**17,589,520**	9,661,431
— others	**12,921,465**	4,738,966
	34,628,154	19,197,192
Prepaid expenses	**8,962,843**	15,366,441
	1,938,829,069	1,463,321,731

12 Trade Receivables, Other Receivables and Prepayments *(continued)*

The carrying amounts of trade receivables, other receivables and prepayments are denominated in the following currencies:

	As at 31 December	
	2016	2015
	HK$	HK$
RMB	**1,381,065,402**	1,273,313,363
MYR	**228,273,374**	—
HK$	**172,518,124**	147,154,781
US$	**61,458,827**	39,046,184
NT$	**42,116,783**	—
SG$	**22,696,451**	—
KRW	**16,240,775**	—
Other currencies	**14,459,333**	3,807,403
	1,938,829,069	1,463,321,731

As at 31 December 2016 and 2015, the carrying amounts of the Group's trade and other receivables approximated their fair values due to short duration.

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 2016 and 2015 is as below:

	As at 31 December	
	2016	2015
	HK$	HK$
Within 3 months	**1,585,320,865**	1,038,377,768
4 months to 6 months	**62,558,295**	47,821,077
7 months to 12 months	**24,863,757**	14,258,476
Over 1 year	**4,906,172**	4,469,382
	1,677,649,089	1,104,926,703

12 Trade Receivables, Other Receivables and Prepayments *(continued)*

As at 31 December 2016, trade receivables of HK$ 76,343,268 (2015: HK$ 54,958,160) were past due but not impaired. These balances relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables based on invoice date is as follows:

	As at 31 December	
	2016	2015
	HK$	HK$
4 months to 6 months	**62,558,295**	47,821,077
7 months to 12 months	**13,784,973**	7,137,083
	76,343,268	54,958,160

As at 31 December 2016, trade receivables of HK$15,984,956 (2015: HK$11,590,775) were impaired and fully provided for. The individually impaired receivables mainly relate to customers with financial difficulty. The ageing of these receivables is as follows:

	As at 31 December	
	2016	2015
	HK$	HK$
7 months to 12 months	**11,078,784**	7,121,393
Over 1 year	**4,906,172**	4,469,382
	15,984,956	11,590,775

The Group recognised provision for impairment of trade and other receivables in the administrative expenses in the consolidated statement of comprehensive income.

Movements on the provision for impairment of trade receivables are as follows:

	For the year ended 31 December	
	2016	2015
	HK$	HK$
As at 1 January	**(11,590,775)**	(6,870,426)
Provision for impairment of receivables (Note 23)	**(6,404,393)**	(5,460,177)
Receivables written off	**1,054,511**	130,150
Exchange differences	**955,701**	609,678
As at 31 December	**(15,984,956)**	(11,590,775)

The maximum exposure to credit risk at the reporting date is the carrying amounts of each category of receivable mentioned above.

13 Cash and Cash Equivalents

	As at 31 December	
	2016	2015
	HK$	HK$
Cash in hand	**202,522**	43,249
Cash at bank	**1,015,051,755**	393,204,737
	1,015,254,277	393,247,986

The effective weighted average annual interest rate on cash at bank was 0.83% (2015: 1.00%) for the year ended 31 December 2016.

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

	As at 31 December	
	2016	2015
	HK$	HK$
RMB	**788,430,390**	333,212,423
NT$	**119,768,287**	—
HK$	**30,540,086**	26,870,313
MYR	**21,639,628**	—
US$	**17,857,737**	8,862,800
Other currencies	**37,018,149**	24,302,450
	1,015,254,277	393,247,986

14 Share Capital and Share Premium

	Number of authorised shares	Number of issued and fully paid shares	Amount		
			Ordinary shares HK$	Share premium HK$	Total HK$
At 1 January 2015	80,000,000,000	998,402,686	99,840,269	1,677,023,606	1,776,863,875
Employee share option scheme (Note 15)					
— Exercise of share options	—	685,000	68,500	10,990,100	11,058,600
At 31 December 2015	80,000,000,000	999,087,686	99,908,769	1,688,013,706	1,787,922,475
Employee share option scheme (Note 15)					
— Exercise of share options	—	788,000	78,800	14,832,224	14,911,024
Allotment of shares (i)	—	105,897,034	10,589,703	1,359,281,030	1,369,870,733
Conversion of convertible notes (i)	—	31,639,653	3,163,965	436,627,214	439,791,179
At 31 December 2016	**80,000,000,000**	**1,137,412,373**	**113,741,237**	**3,498,754,174**	**3,612,495,411**

As at 31 December 2016 and 2015, the par value of authorised and issued ordinary shares is HK$0.1 per share.

(i) On 18 May 2016, the Company, Fu An International Company Limited ("Fu An") and Merrill Lynch Far East Limited ("Merrill Lynch") entered into an agreement, pursuant to which, Fu An engaged Merrill Lynch, as the placing agent to place 30,000,000 existing shares, at the placing price of HK$13.25 per share, to certain independent investors.

Upon the completion of the placing on 23 May 2016, the Company issued 30,000,000 new shares to Fu An. The fair value of the shares issued was HK$397,500,000 (HK$13.25 per share). The related transaction costs of HK$6,701,008 had been netted off with the actual proceeds.

On 1 April 2016, the Company allotted and issued 75,897,034 Consideration Shares at the market price of HK$12.90 per share and 31,639,653 convertible notes to SCA Group Holding BV ("SCA BV") for the acquisition of entire issued share capital in SCA Malaysia Group, SCA Korea and SCA Taiwan.

On 26 May 2016, SCA Group fully converted the convertible note into 31,639,653 shares at the market price of HK$13.90 per conversion share.

15 Share-based Payment

As approved by the Board meeting on 24 February 2009, 27,546,000 share options were granted to the directors and certain employees at an exercise price of HK$2.98 per share. The Group has no legal or constructive obligation to repurchase or settle the options in cash. The options are exercisable during the following periods:

(i) in respect of the options granted to directors, on or after 24 February 2009;

(ii) in respect of the options granted to employees,

  (a) up to 20% on or after 25 February 2010;

  (b) up to 50% on or after 25 February 2011;

  (c) all the remaining options on or after 25 February 2012;

and in each case, not later than 23 February 2019.

In February 2009, all the directors and employees accepted the share options.

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

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

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

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

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

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

15 Share-based Payment *(continued)*

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

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

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

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

Movements in the number of share options outstanding and their related weighted average exercise prices for the year ended 31 December 2016 and 2015 were as follows:

	For the year ended 31 December			
	2016		2015	
	Weighted average exercise price in HK$	**Number of options**	Weighted average exercise price in HK$	Number of options
At 1 January	**12.67**	**12,191,000**	12.64	12,966,000
Exercised (Note (a))	**13.85**	**(788,000)**	11.85	(685,000)
Lapsed (Note (b))	**14.06**	**(120,000)**	14.06	(90,000)
At 31 December	**12.57**	**11,283,000**	12.67	12,191,000

(a) All of the outstanding options are excisable. Options exercised during the year ended 31 December 2016 resulted in 788,000 shares (2015: 685,000 shares) being issued with net proceeds of HK$10,916,920 (2015: HK$8,115,740). The related weighted average share price at the time of exercise was HK$15.23 (2015: HK$17.31) per share.

(b) 120,000 options (2015: 90,000 options) were lapsed during the year ended 31 December 2016 due to employee resignation.

15 Share-based Payment *(continued)*

Share options outstanding as at 31 December 2016 have the following expiry dates and exercise prices:

Expiry date	Exercise price	Number of options
	HK$ per share	
23 February 2019	2.98	460,000
14 April 2021	8.648	1,390,000
01 May 2022	14.06	8,314,000
01 May 2023	10.34	1,119,000

16 Other Reserves

	Statutory reserves (Note (a))	Retained earnings	Other reserve	Total
	HK$	HK$	HK$	HK$
At 1 January 2015	434,249,726	2,266,625,312	603,265,892	3,304,140,930
Employee share options scheme:				
— Exercise of options	—	—	(2,942,860)	(2,942,860)
Profit for the year	—	314,441,112	—	314,441,112
Appropriation of reserves	76,223,838	(76,223,838)	—	—
Dividends	—	(169,818,506)	—	(169,818,506)
Currency translation differences	—	—	(285,983,288)	(285,983,288)
At 31 December 2015	510,473,564	2,335,024,080	314,339,744	3,159,837,388
At 1 January 2016	**510,473,564**	**2,335,024,080**	**314,339,744**	**3,159,837,388**
Employee share options scheme:				
— Exercise of options	**—**	**—**	**(3,994,104)**	**(3,994,104)**
Profit for the year	**—**	**653,534,554**	**—**	**653,534,554**
Appropriation of reserves	**90,172,372**	**(90,172,372)**	**—**	**—**
Dividends	**—**	**(110,584,955)**	**—**	**(110,584,955)**
Currency translation differences	**—**	**—**	**(531,450,105)**	**(531,450,105)**
Remeasurements on post-employment benefit obligation	**—**	**—**	**(273,967)**	**(273,967)**
At 31 December 2016	**600,645,936**	**2,787,801,307**	**(221,378,432)**	**3,167,068,811**

16 Other Reserves *(continued)*

(a) Statutory Reserves

In accordance with the "Law of the PRC on Enterprises Operated Exclusively with Foreign Capital" and the Articles of Association of those subsidiaries of the Group, which are wholly foreign owned enterprises in the PRC, an appropriation to the Reserve Fund from the statutory net profit after offsetting accumulated losses of previous years in advance 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 2016, the appropriation for the Reserve Fund is 15% (2015:15%) of the statutory net profits of the year for the subsidiaries in the PRC.

17 Trade Payables, Other Payables and Accrued Expenses

	As at 31 December	
	2016	2015
	HK$	HK$
Trade payables	**1,570,545,171**	1,346,392,715
Notes payable	**143,880,249**	97,893,888
Other payables		
— salaries payable	**185,858,472**	102,314,474
— taxes payable other than income tax	**74,129,262**	39,978,667
— advances from customers	**60,722,605**	68,453,553
— payables for property, plant and equipment	**311,678,369**	215,975,201
— others	**215,128,750**	152,669,502
Accrued expenses		
— promotion fees	**512,025,664**	265,710,823
— utility charges	**46,488,979**	42,825,253
— transportation fees	**106,547,223**	80,390,362
— advertising fee	**55,292,418**	21,902,951
— accrued interest	**7,584,601**	3,259,190
— professional services	**1,392,014**	28,681,429
— others	**92,961,658**	49,846,358
	3,384,235,435	2,516,294,366

17 Trade Payables, Other Payables and Accrued Expenses *(continued)*

As at 31 December 2016 and 2015, the carrying amounts of the Group's trade payables, notes payable and other payables approximated their fair values.

The carrying amounts of the trade payables, notes payable and other payables are denominated in the following currencies:

	As at 31 December	
	2016	2015
	HK$	HK$
RMB	**1,215,086,029**	1,009,093,855
US$	**961,584,349**	983,382,932
MYR	**205,737,772**	—
NT$	**64,919,163**	—
HK$	**32,395,778**	14,559,393
KRW	**4,445,730**	—
SG$	**4,227,000**	—
Other currencies	**73,547,057**	16,641,820
	2,561,942,878	2,023,678,000

The credit period granted by the creditors generally ranged from 30 to 90 days. Ageing analysis of trade and notes payables as at 31 December 2016 and 2015 is as follows:

	As at 31 December	
	2016	2015
	HK$	HK$
Within 3 months	**1,450,098,495**	1,419,247,007
4 months to 6 months	**259,108,821**	18,695,795
7 months to 12 months	**5,076,188**	921,616
Over 1 year	**141,916**	5,422,185
	1,714,425,420	1,444,286,603

18 Borrowings

	As at 31 December 2016 HK$	2015 HK$
Non-current		
Unsecured bank borrowings	2,879,551,662	2,177,485,991
Loans from a related party (Note 33(c))	915,499,741	1,308,080,688
Total non-current borrowings	3,795,051,403	3,485,566,679
Current		
Portion of loans from banks due for repayment within one year		
— Unsecured	1,216,104,908	1,241,036,100
Other borrowings due for repayment within one year		
— Unsecured (Note (a))	5,589,715	11,936,023
Total current borrowings	1,221,694,623	1,252,972,123
Total borrowings	5,016,746,026	4,738,538,802

(a) Other borrowings of RMB5,000,000 were granted by PRC local governments during the year and are unsecured and interest-free.

(b) The maturity of borrowings is as follows:

	Bank borrowings As at 31 December		Loans from a related party As at 31 December		Other borrowings As at 31 December	
	2016 HK$	2015 HK$	2016 HK$	2015 HK$	2016 HK$	2015 HK$
Portion of loans due for repayment within 1 year:	1,216,104,908	1,241,036,100	—	—	5,589,715	11,936,023
Loans due for repayment after 1 year (Note 1):						
Between 1 and 2 years	1,751,126,647	83,552,160	—	650,000,000	—	—
Between 2 and 5 years	1,128,425,015	2,093,933,831	915,499,741	658,080,688	—	—
	4,095,656,570	3,418,522,091	915,499,741	1,308,080,688	5,589,715	11,936,023

Note 1: The above amounts due are based on the scheduled repayment dates set out in the loan agreements and ignore the effect of any repayment on demand clause.

As at 31 December 2016 and 2015, all of the borrowings of the Group are wholly repayable within 5 years.

18 Borrowings *(continued)*

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

	Bank borrowings		Loans from a related party	
	2016	2015	**2016**	2015
HK$	**1.01%~2.43%**	1.08%~2.94%	**1.66%~2.44%**	1.50%~2.29%
US$	**1.04%~2.07%**	0.93%~2.28%	**—**	—
RMB	**3.70%~9.80%**	3.70%~5.54%	**3.95%~9.63%**	3.39%~6.65%
EUR	**0.80%**	0.80%	**—**	—
KRW	**2.60%~3.25%**	—	**—**	—
MYR	**3.13%~4.16%**	—	**—**	—

(d) 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	
	2016	2015
HK$	**2.16%**	2.03%
US$	**1.83%**	2.13%
RMB	**4.31%**	4.56%
EUR	**0.80%**	0.80%
KRW	**2.84%**	—
MYR	**3.79%**	—

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

	As at 31 December	
	2016	2015
	HK$	HK$
RMB	**3,470,054,987**	2,003,817,738
HK$	**1,079,607,931**	1,947,936,378
MYR	**415,210,553**	—
KRW	**51,872,555**	—
US$	**—**	786,469,222
EUR	**—**	315,464
	5,016,746,026	4,738,538,802

19 Deferred Income Tax

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

	As at 31 December	
	2016	2015
	HK$	HK$
Deferred tax assets		
— Deferred income tax assets to be recovered after 12 months	**42,611,277**	42,930,140
— Deferred income tax assets to be recovered within 12 months	**225,614,053**	216,581,399
	268,225,330	259,511,539
Deferred tax liabilities		
— Deferred income tax liability to be settled after 12 months	**(194,656,517)**	(91,803,295)
— Deferred income tax liability to be settled within 12 months	**(8,478,600)**	(4,445,561)
	(203,135,117)	(96,248,856)
Deferred income tax assets, net	**65,090,213**	163,262,683

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

	For the year ended 31 December	
	2016	2015
	HK$	HK$
Beginning of the year	**163,262,683**	172,617,963
Acquisition of subsidiaries (Note 32)	**(96,204,969)**	—
Credited to the consolidated statement of comprehensive income	**9,385,834**	901,373
Exchange differences	**(11,353,335)**	(10,256,653)
End of the year	**65,090,213**	163,262,683

19 Deferred Income Tax *(continued)*

The movement of the deferred tax assets is as follows:

	Impairment of assets HK$	Deferred government grants HK$	Unrealised profits -sales of inventories HK$	Unrealised profits -sales of property, plant and equipment HK$	Accrued expenses HK$	Taxable loss carried forward HK$	Share option expenses HK$	Reinvestment allowance HK$	Retirement benefit obligation HK$	Others HK$	Total HK$
At 31 December 2014 and 1 January 2015	4,624,877	24,203,746	35,048,540	23,462,980	103,373,662	72,050,527	3,154,650	–	–	1,486,830	267,405,812
Credited/(charged) to the consolidated statement of comprehensive income	5,123,810	(84,469)	7,314,917	479,949	(10,197,343)	7,104,234	(63,311)	–	–	(1,457,093)	8,220,694
Exchange differences	(470,530)	(1,409,397)	(2,332,064)	(1,388,257)	(5,634,399)	(4,668,934)	(181,649)	–	–	(29,737)	(16,114,967)
At 31 December 2015	9,278,157	22,709,880	40,031,393	22,554,672	87,541,920	74,485,827	2,909,690	–	–	–	259,511,539
At 31 December 2015 and 1 January 2016	9,278,157	22,709,880	40,031,393	22,554,672	87,541,920	74,485,827	2,909,690	–	–	–	259,511,539
Credited/(charged) to the consolidated statement of comprehensive income	4,766,652	1,041,436	(5,599,572)	2,075,464	27,738,035	(24,646,724)	–	4,287,551	(2,916,044)	(1,653,762)	5,093,036
Acquisition of subsidiaries (Note 32)	–	–	–	–	4,103,097	8,559,394	–	–	5,018,094	2,423,162	20,103,747
Exchange differences	(771,901)	(1,482,947)	(2,303,987)	(1,516,227)	(6,462,715)	(3,642,403)	15,713	(328,216)	7,498	2,193	(16,482,992)
At 31 December 2016	13,272,908	22,268,369	32,127,834	23,113,909	112,920,337	54,756,094	2,925,403	3,959,335	2,109,548	771,593	268,225,330

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$ 16,966,576 (2015: HK$7,083,184) in respect of losses amounting to HK$ 75,777,061 (2015: HK$26,797,166) that can be carried forward against future taxable income.

19 Deferred Income Tax *(continued)*

The movement of the deferred tax liabilities is as follows:

	Accelerated depreciation HK$	Interest capitalised HK$	Fair value gains through business combination HK$	Capital allowance HK$	Actuarial gains on defined benefit plans HK$	Unrealized foreign exchange loss HK$	Total HK$
At 31 December 2014 and 1 January 2015	1,559,260	9,616,194	83,612,395	—	—	—	94,787,849
(Credited)/charged to the consolidated statement of comprehensive income	(404)	10,599,077	(3,279,352)	—	—	—	7,319,321
Exchange differences	(130,259)	(976,226)	(4,751,829)	—	—	—	(5,858,314)
At 31 December 2015	1,428,597	19,239,045	75,581,214	—	—	—	96,248,856
At 31 December 2015 and 1 January 2016	**1,428,597**	**19,239,045**	**75,581,214**	**—**	**—**	**—**	**96,248,856**
(Credited)/charged to the consolidated statement of comprehensive income	**13,331**	**2,953,633**	**(12,655,181)**	**4,083,490**	**(68,137)**	**1,380,066**	**(4,292,798)**
Acquisition of subsidiaries (Note 32)	**4,852**	**—**	**78,469,971**	**35,010,512**	**2,721,642**	**101,739**	**116,308,716**
Exchange differences	**(2,592)**	**(1,342,677)**	**431,946**	**(4,105,333)**	**6,946**	**(117,947)**	**(5,129,657)**
At 31 December 2016	**1,444,188**	**20,850,001**	**141,827,950**	**34,988,669**	**2,660,451**	**1,363,858**	**203,135,117**

Deferred income tax liabilities of HK$162,224,011 (2015: HK$141,608,361) 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$3,005,883,210 as at 31 December 2016 (2015: HK$2,832,167,226).

20 Deferred Government Grants

	HK$
At 1 January 2015	
Cost	124,805,826
Accumulated amortisation	(26,079,420)
Net book amount	98,726,406
Year ended 31 December 2015	
Opening net book amount	98,726,406
Additions	2,968,944
Amortisation (Note 22)	(3,458,468)
Exchange differences	(5,743,214)
Closing net book amount	92,493,668
At 31 December 2015	
Cost	119,381,687
Accumulated amortisation	(26,888,019)
Net book amount	92,493,668
Year ended 31 December 2016	
Opening net book amount	**92,493,668**
Additions	**9,157,723**
Amortisation (Note 22)	**(5,134,395)**
Exchange differences	**(6,030,700)**
Closing net book amount	**90,486,296**
At 31 December 2016	
Cost	**123,262,132**
Accumulated amortisation	**(32,775,836)**
Net book amount	**90,486,296**

20 Deferred Government Grants *(continued)*

In 2016, certain subsidiaries of the group received government grands with total amount of RMB 7,850,000 (equivalent to HK$ 9,157,723). 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 rights.

	As at 31 December	
	2016	2015
	HK$	HK$
Vinda Paper (Liaoning)	**32,899,383**	35,944,390
Vinda Paper (Shandong)	**16,347,443**	17,840,519
Vinda Paper (Sichuan)	**15,316,372**	17,565,376
VPC (China)	**18,018,238**	18,176,274
	82,581,436	89,526,559
Others	**7,904,860**	2,967,109
	90,486,296	92,493,668

21 Post-employment Benefits

The table below outlines where the group's post-employment amounts and activity are included in the financial statements.

	2016	2015
	HK$	HK$
Balance sheet obligations for:		
— Defined pension benefits	**36,601,481**	—
Liability in the balance sheet	**36,601,481**	—
Statement of profit or loss charge included in operating profit for:		
— Defined pension benefits	**1,383,098**	—
	1,383,098	—
Remeasurements for:		
— Defined pension benefits	**342,104**	—
	342,104	—

21 Post-employment Benefits *(continued)*

The income statement charge included within operating profit includes current service cost, interest cost, past service costs and gains and losses on settlement and curtailment.

(a) Defined Benefit Pension Plans

The Group operates defined benefit pension plans in Taiwan and Korea. The Group engaged Client View Management Consulting Co., Ltd. to carry out a valuation on post-employment benefits. Projected unit credit cost method was applied in the valuation.

In the Taiwan plan, net periodic pension costs are recognized in accordance with the actuarial calculations. Net periodic pension costs include service cost, interest cost, expected return on plan assets, and amortization of unrecognized net transition obligation and gains or losses on plan assets. Unrecognized net transition obligation is amortized on a straight-line basis over 17 years.

In the Korean plan, according to the payment provision of the employees and directors' severance benefit, employees and directors with at least one year of service are entitled to receive a lump-sum payment upon termination of their employment with SCA Korea based on their length of service and rate of pay at the time of termination.

The amounts recognised in the balance sheet are determined as follows:

	2016 HK$	2015 HK$
Present value of funded obligations	**47,712,823**	—
Fair value of plan assets	**(15,406,829)**	—
Deficit of funded plans	**32,305,994**	—
Present value of unfunded obligations	**4,295,487**	—
Total deficit of defined benefit pension plans	**36,601,481**	—
Impact of minimum funding requirement/asset ceiling	**—**	—
Liability in the balance sheet	**36,601,481**	—

	Present value of obligation HK$	**Fair value of plan assets** HK$	**Total** HK$
At 1 January 2016	—	—	—
Acquired in a business combination (Note 32)	52,080,625	(15,612,088)	36,468,537
Current service cost	1,030,062	—	1,030,062
Interest expense/(income)	498,520	(145,484)	353,036
Remeasurements	305,880	36,224	342,104
Contributions	(1,877,198)	354,633	(1,522,565)
Currency translation differences	(29,579)	(40,114)	(69,693)
At 31 December 2016	**52,008,310**	**(15,406,829)**	**36,601,481**

21 Post-employment Benefits *(continued)*

	Present value of obligation HK$	Fair value of plan assets HK$	Total HK$
At 1 January 2016	—	—	—
Current service cost	1,030,062	—	1,030,062
Interest expense/(income)	498,520	(145,484)	353,036
	1,528,582	(145,484)	1,383,098
Remeasurements:			
— Return on plan assets, excluding amounts included in interest income	—	36,224	36,224
— Loss from change in demographic assumptions	303,936	—	303,936
— Loss from change in financial assumptions	(2,873,166)	—	(2,873,166)
— Experience gains	2,875,110	—	2,875,110
	305,880	36,224	342,104
Contributions:			
— Employers	—	(575,215)	(575,215)
Payments from plans:			
— Benefit payments	(1,877,198)	929,848	(947,350)
Acquired in a business combination (Note 32)	52,080,625	(15,612,088)	36,468,537
Currency translation differences	(29,579)	(40,114)	(69,693)
At 31 December 2016	**52,008,310**	**(15,406,829)**	**36,601,481**

21 Post-employment Benefits *(continued)*

The defined benefit obligation and plan assets are composed by country/region as follows:

	2016			2015		
	Taiwan HK$	Korea HK$	Total HK$	Taiwan HK$	Korea HK$	Total HK$
Present value of obligation	47,850,533	4,157,777	52,008,310	—	—	—
Fair value of plan assets	(15,406,829)	—	(15,406,829)	—	—	—
	32,443,704	4,157,777	36,601,481	—	—	—
Impact of minimum funding requirement/asset ceiling	—	—	—	—	—	—
Total	32,443,704	4,157,777	36,601,481	—	—	—

The significant actuarial assumptions were as follows:

	2016		2015	
	Taiwan	Korea	Taiwan	Korea
Discount rate	1.25%	2.00%	—	—
Salary growth rate	3.00%	5.00%	—	—

21 Post-employment Benefits *(continued)*

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Impact on defined benefit obligation		
	Change in assumption	**Increase in assumption**	**Decrease in assumption**
Discount rate	0.25%	Decrease by 2.26%~3.14%	Increase by 2.36%~3.28%
Salary growth rate	0.25%	Increase by 2.28%~3.21%	Decrease by 2.20%~3.10%
		Increase by 1 year in assumption	Decrease by 1 year in assumption
Life expectancy		Increase by 0.11%~0.99%	Decrease by 0.11%~1.09%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognized within the statement of financial position.

Plan assets are comprised as follows:

	2016				2015			
	Quoted HK$	Unquoted HK$	Total HK	% HK$	Quoted HK$	Unquoted HK$	Total	%
Property			15,406,829	100%				
in Taiwan	—	—	—	—	—	—	—	—
in Korea	—	—	—	—	—	—	—	—
Qualifying insurance policies	—	—	—	—	—	—	—	—
Cash and cash equivalents	15,406,829	—	15,406,829	100%	—	—	—	—
Investment funds	—	—	—	—	—	—	—	—
Total	15,406,829	—	15,406,829	100%	—	—	—	—

21 Post-employment Benefits *(continued)*

Through its defined benefit pension plans, the group is exposed to a number of risks, the most significant of which is detailed below:

Life expectancy — The majority of the plans' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans' liabilities.

The weighted average duration of the defined benefit obligation for Taiwan and Korea is 13.0 years and 10.0 years respectively.

Expected maturity analysis of undiscounted pension and post-employments medical benefits:

At 31 December 2016	Less than a year HK$	Between 1-2 years HK$	Between 2-5 years HK$	Over 5 years HK$	Total HK$
Pension benefits	1,079,571	1,474,629	5,831,021	65,155,429	73,540,650

22 Other Income and Losses — net

	For the year ended 31 December 2016 HK$	2015 HK$
Subsidy income received from local government (Note (a))	**28,726,840**	37,029,477
Amortisation of deferred government grants (Note 20)	**5,134,395**	3,458,468
Loss on disposal of property, plant and equipment	**(9,332,965)**	(2,182,379)
Foreign exchange loss — net (Note 27)	**(25,000,576)**	(107,774,379)
Rental income	**743,837**	511,744
Depreciation of investment properties	**(41,242)**	—
Impairment charge of trademark (Note 8)	**(11,363,709)**	—
Others	**4,906,533**	6,060,665
	(6,226,887)	(62,896,404)

(a) In 2016, certain subsidiaries of the Group in the PRC have received subsidy income from government authorities amounting to RMB 24,624,646(equivalent to HKD 28,726,840) (2015: RMB29,808,728 (equivalent to HKD 37,029,477).

23 Expenses by Nature

	For the year ended 31 December	
	2016	2015
	HK$	HK$
Raw materials and trading merchandise consumed	**6,047,927,399**	4,972,600,834
Staff costs (Note 24)	**1,358,817,708**	963,506,952
Utilities	**798,010,324**	723,937,074
Transportation expenses	**520,380,269**	417,125,088
Promotion expenses	**768,931,785**	604,991,749
Depreciation of property, plant and equipment (Note 7)	**581,842,499**	428,867,751
Operating lease rent	**208,054,296**	144,864,593
Advertising costs	**70,629,381**	65,278,978
Travel and office expenses	**76,614,138**	72,292,754
Real estate tax, stamp duty and other taxes	**39,753,685**	38,422,348
Bank charges	**5,845,459**	7,196,336
Provision for impairment of receivables (Note 12)	**6,404,393**	5,460,177
Auditor's remuneration	**8,866,076**	15,603,416
Amortisation of leasehold land and land use rights (Note 6)	**9,659,959**	6,895,600
Amortisation of intangible assets (Note 8)	**83,931,279**	34,804,820
Provision for write-down of inventories	**2,199,662**	4,867,549
Impairment charge on property, plant and equipment (Note 7)	**2,022,608**	11,438,359
Other expenses	**452,858,512**	362,319,150
Total cost of sales, selling and marketing costs and administrative expenses	**11,042,749,432**	8,880,473,528

24 Employee Benefit Expenses

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

	For the year ended 31 December	
	2016	2015
	HK$	HK$
Defined contribution for Hong Kong employees — MPF	**1,207,461**	908,769
Defined contribution for overseas employees	**19,697,948**	—
Social security and benefits for the PRC employees	**154,873,952**	114,380,860
	175,779,361	115,289,629
Wages, salaries and bonus	**1,116,583,484**	790,882,522
Staff welfare	**66,454,863**	57,334,801
	1,358,817,708	963,506,952

24 Employee Benefit Expenses *(continued)*

(a) Five Highest Paid Individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2016 include three directors (2015: three directors) whose emoluments are reflected in the analysis show in Note 35. The emoluments payable to the remaining two individuals (2015: two individual) for the year ended 31 December 2016 is as follows:

	For the year ended 31 December	
	2016	2015
	HK$	HK$
— Basic salaries, housing allowances, other allowances and benefits-in-kind	**17,231,579**	12,128,559
— Contributions to retirement plans	**15,077**	16,234
	17,246,656	12,144,793

No emoluments have been paid to these individuals as an inducement to join or upon joining the Group or as compensation for loss of office for the years ended 31 December 2016 and 2015.

25 Finance Income and Costs

	For the year ended 31 December	
	2016	2015
	HK$	HK$
Interest expense		
— bank borrowings (a)	**(165,722,432)**	(107,591,408)
Other financial costs (b)	**(17,815,460)**	—
Foreign exchange loss — net (a) (Note 27)	**(20,427,938)**	(200,789,370)
Interest income		
— bank deposits	**4,700,126**	4,629,445
Net finance costs	**(199,265,704)**	(303,751,333)

(a) During the year, the Group has capitalised borrowing costs amounting to HK$16,663,219 (2015: HK$44,492,185) on qualifying assets. Borrowing costs were capitalised at the weighted average rate of its general borrowings of 2.83% (2015: 7.72%).

(b) Other financial costs mainly comprise the change in fair value of convertible notes and related commitment fee.

26 Taxation

(a) Income Tax Expense

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 which are qualified as HNTE may additionally deduct 50% of qualified research and development expenses when calculating the taxable income.

Hong Kong and overseas profits tax has been provided at the rates of taxation prevailing in the countries in which the Group operates respectively.

	For the year ended 31 December	
	2016	2015
	HK$	HK$
Current income tax		
— Hong Kong and overseas profits tax	**77,501,552**	51,013,494
— PRC enterprise income tax	**93,684,744**	82,355,493
— (Over)/under provision of income tax for prior year	**(7,096,241)**	1,967,666
Deferred income tax (Note 19)	**(9,317,697)**	(901,373)
	154,772,358	134,435,280

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	
	2016	2015
	HK$	HK$
Profit before income tax	**808,306,912**	448,876,392
Applicable tax rates	**21.39%**	26.36%
Tax calculated at weighted average tax rate	**172,896,848**	118,323,817
Income not subject to tax	**(8,312,230)**	(8,927,499)
Expenses not deductible for tax purposes	**61,292,977**	60,692,572
Unrecognised tax losses	**697,156**	3,045,389
Utilisation of previously unrecognised tax losses	**(14,100,238)**	(833,626)
Under/(over) provision of income tax for prior year	**(7,096,241)**	1,967,666
Tax benefit from HNTE qualification	**(27,672,866)**	(34,796,759)
Additional deduction of research and development expenses and capital reinvestment	**(22,933,028)**	(5,036,280)
Income tax expense	**154,772,358**	134,435,280

26 Taxation *(continued)*

The tax charge relating to components of other comprehensive income is as follows:

	2016			2015		
	Before tax HK$	Tax charge HK$	After Tax HK$	Before tax HK$	Tax charge HK$	After Tax HK$
Remeasurements of post-employment benefit obligations (Note 21)	342,104	(68,137)	273,967	—	—	—
Other comprehensive income	342,104	(68,137)	273,967	—	—	—
Current tax	—	—	—	—	—	—
Deferred tax (Note 19)	—	(68,137)	—			

(b) VAT

Sales of self-manufactured products of the Company's PRC and Malaysia subsidiaries are subject to VAT. The applicable tax rate for PRC domestic sales is 17%. Vinda Paper (China) has received approval to use the "exempt, credit, refund" method on goods exported. The tax refund rates are 5% and 13%. The applicable tax rate for Malaysia subsidiaries is 6%.

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

27 Net Foreign Exchange Losses

	For the year ended 31 December	
	2016 HK$	2015 HK$
Other income and losses — net (Note 22)	(25,000,576)	(107,774,379)
Finance income — exchange loss (Note 25)	(20,427,938)	(200,789,370)
	(45,428,514)	(308,563,749)

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	
	2016	2015
Profit attributable to equity holders of the Company (HK$)	**653,534,554**	314,441,112
Weighted average number of ordinary shares in issue	**1,093,392,635**	998,824,774
Basic earnings per share (HK$ per share)	**0.598**	0.315

(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 dilutive potential ordinary shares comprised share options.

	For the year ended 31 December	
	2016	2015
Profit attributable to equity holders of the Company (HK$)	**653,534,554**	314,441,112
Weighted average number of ordinary shares in issue	**1,093,392,635**	998,824,774
Adjustments for share options	**1,224,001**	1,675,708
Weighted average number of ordinary shares for diluted earnings per share	**1,094,616,636**	1,000,500,482
Diluted earnings per share (HK$ per share)	**0.597**	0.314

29 Dividends

	2016	2015
	HK$	HK$
Interim dividend paid of HK$0.050 (2015: HK$0.050) per ordinary share	**56,835,719**	49,954,384
Proposed final dividend of HK$0.120 (2015: HK$0.050) per ordinary share	**136,489,485**	49,954,384
	193,325,204	99,908,768

On 25 January 2017, the Board of Directors proposed a final dividend in respect of the year ended 31 December 2016 of HK$136,489,485, representing HK$0.120 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 2015 was HK$53,749,236 based on the 1,074,984,720 issued shares outstanding at that time.

The dividends actually paid in 2016 and 2015 were HK$110,584,955 and HK$169,818,506 respectively based on the number of issued shares outstanding at relevant time.

30 Cash Generated from Operations

(a) Reconciliation of Profit before Income Tax to Cash Generated from Operations

	For the year ended 31 December	
	2016	2015
	HK$	HK$
Profit before income tax	**808,306,912**	448,876,392
Adjustments for:		
— Depreciation of property, plant and equipment (Note 7)	**581,842,499**	428,867,751
— Depreciation of investment property	**41,242**	—
— Amortisation of intangible assets (Note 8)	**83,931,279**	34,804,820
— Amortisation of leasehold land and land use rights (Note 6)	**9,659,959**	6,895,600
— Amortisation of deferred government grants (Note 20)	**(5,134,395)**	(3,458,468)
— Loss/(gain) on disposals of property, plant and equipment (Note 22)	**9,332,965**	2,182,379
— Provision for impairment of receivables (Note 12)	**6,404,393**	5,460,177
— Provision for inventory impairment	**2,199,662**	4,867,549
— Impairment charge on property, plant and equipment (Note 7)	**2,022,608**	11,438,359
— Impairment charges of trademark (Note 8)	**11,363,709**	—
— Net finance costs (Note 25, Note 27)	**206,510,147**	411,525,712
— Change in fair value in convertible notes	**17,756,133**	—
— Post-employment benefits	**(316,697)**	—
	1,733,920,416	1,351,460,271
Changes in working capital (excluding the effect of exchange differences on consolidation):		
— Decrease/(Increase) in inventories	**694,767,551**	(480,043,631)
— Increase in trade receivables, other receivables and prepayments	**(207,902,601)**	(28,392,662)
— Decrease in restricted bank deposits	**—**	1,275,505
— Increase in amount due from related parties	**(14,714,126)**	(6,551,673)
— Increase in trade payables, other payables and accrued expenses	**313,155,366**	220,852,109
— Decrease/(Increase) in amount due to related parties	**(44,908,746)**	22,234,273
Cash generated from operations	**2,474,317,860**	1,080,834,192

(b) Reconciliation of Proceeds from Disposal of Property, Plant and Equipment

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

	For the year ended 31 December	
	2016	2015
	HK$	HK$
Net book amount (Note 7)	**12,141,487**	7,744,718
Loss on disposal of property, plant and equipment (Note 22)	**(9,332,965)**	(2,182,379)
Proceeds from disposal of property, plant and equipment	**2,808,522**	5,562,339

31 Commitments

(a) Capital Commitments

	As at 31 December	
	2016	2015
	HK$	HK$
Property, plant and equipment and intangible assets	**770,104,565**	436,773,776

(b) Commitments under Operating Leases

As at 31 December 2016, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	As at 31 December	
	2016	2015
	HK$	HK$
Not later than one year	**125,295,733**	105,496,706
Later than one year but not later than two years	**102,913,054**	91,946,161
Later than two years but not later than five years	**262,765,885**	238,512,361
Later than five years	**299,866,082**	396,540,458
	790,840,754	832,495,686

32 Business Combination

On 1 April 2016, the Group acquired 100% of the share capital of SCA Asia business at a consideration of HK$2,561,252,078. The subsidiaries are as follows:

Subsidiaries acquired	**Acquired interests %**
SCA Malaysia	100%
SCA Korea	100%
SCA Taiwan	100%
PT SCA Hygiene Indonesia	100%
SCA Hygiene Singapore Pte Ltd.	100%
SCA Hygiene Marketing (M) Sdn. Bhd.	100%
SCA Hygiene (Thailand) Ltd.	100%

As a result of the acquisition, the Group is expected to increase its presence in Asian personal care markets, and to reduce costs through economies of scale. The goodwill of HK$840,754,294 arising from the acquisition is attributable to the acquired customer base, economies of scale and synergy expected from combining the operations of the Group and these subsidiaries acquired.

32 Business Combination *(continued)*

The following table summarises the consideration paid for SCA Asia business, the fair value of assets acquired and liabilities assumed at the acquisition date.

	HK$
Consideration as at 1 April 2016:	
— Cash by the way of shareholder loan	1,140,116,846
— Allotment of shares	979,071,739
— Convertible note	426,607,492
— Cash	15,456,001
Total consideration	2,561,252,078
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	317,264,006
Property, plant and equipment (Note 7)	743,301,199
Intangible assets (Note 8)	865,079,701
Inventories	253,767,285
Trade and other receivables	440,433,939
Deferred tax assets (Note 19)	20,103,747
Trade and other payables	(563,554,095)
Post-employment benefits	(36,468,537)
Borrowings	(203,120,745)
Deferred tax liabilities (Note 19)	(116,308,716)
Total identifiable net assets	1,720,497,784
Goodwill (Note 8)	840,754,294
	2,561,252,078

Acquisition-related costs of HK$2,965,743 have been charged to administrative expenses in the consolidated income statement for the year ended 31 December 2016.

The revenue included in the consolidated income statement since 1 April 2016 contributed by SCA Asia business was HK$1,704,723,001. SCA Asia business also contributed net profit of HK$44,805,264 over the same period.

Had SCA Asia business been consolidated from 1 January 2016, the Group's consolidated income statement would show pro-forma revenue of HK$12,635,261,602 and net profit of HK$666,134,407.

33 Related Party Transactions

The immediate holding company of the Group is SCA BV (incorporated in Netherlands). The ultimate holding company of the Group is Svenska Cellulosa Aktiebolaget ("SCA") (incorporated in Sweden).

(a) Information on Related Parties and their Relationships with the Group are as follows:

Name of related party	Relationship
SCA BV	Shareholder
Uni-Charm Mölnlycke KK ("Uni-Charm")	Subsidiary of Svenska Cellulosa Aktiebolaget
SCA Hygiene Products India Pvt. Ltd. ("SCA HP India")	Subsidiary of Svenska Cellulosa Aktiebolaget
Asaleo Care Australia Pty Ltd	Associate of Svenska Cellulosa Aktiebolaget
Asaleo Care New Zealand Ltd	Associate of Svenska Cellulosa Aktiebolaget
Asaleo Care Fiji Ltd	Associate of Svenska Cellulosa Aktiebolaget
SCA Hygiene Products AB ("SCA HP")	Subsidiary of Svenska Cellulosa Aktiebolaget
SCA North America-Canada, Inc. ("SCA NAC")	Subsidiary of Svenska Cellulosa Aktiebolaget
SCA Hygiene Products Hoogezand B.V. ("SCA HP Hoogezand B.V.")	Subsidiary of Svenska Cellulosa Aktiebolaget
SCA Yildiz Kagit ve Kisise ("SCA YKK")	Subsidiary of Svenska Cellulosa Aktiebolaget
SCA (China) Holding Co., Ltd. ("SCA (China)")	Subsidiary of Svenska Cellulosa Aktiebolaget
SCA Hygiene FZCO ("SCA FZCO")	Subsidiary of Svenska Cellulosa Aktiebolaget
Everbeauty Industry (Shanghai) Ltd. ("EB Shanghai")	Subsidiary of Svenska Cellulosa Aktiebolaget
SCA Consumidor Mexico S.A. ("SCA Mexico")	Subsidiary of Svenska Cellulosa Aktiebolaget
SCA Malaysia	Subsidiary of Svenska Cellulosa Aktiebolaget
SCA Singapore	Subsidiary of Svenska Cellulosa Aktiebolaget
SCA Korea	Subsidiary of Svenska Cellulosa Aktiebolaget
SCA Hygiene Products Gennep B.V. ("SCA HP B.V.")	Subsidiary of Svenska Cellulosa Aktiebolaget
SCA Hygiene Products sp. Z o.o ("SCA HP sp. Z o.o")	Subsidiary of Svenska Cellulosa Aktiebolaget
SCA Hygiene Products GMBH ("SCA HP GMBH")	Subsidiary of Svenska Cellulosa Aktiebolaget
SCA Graphic Sundsvall AB ("SCA AB")	Subsidiary of Svenska Cellulosa Aktiebolaget
SCA Logistics AB	Subsidiary of Svenska Cellulosa Aktiebolaget
SCA Hygiene Products Slovakia, S.R.O. ("SCA HPS, S.R.O.")	Subsidiary of Svenska Cellulosa Aktiebolaget
SCA Tissue France	Subsidiary of Svenska Cellulosa Aktiebolaget
SCA Hygiene Products GMBH IDC Kostheim ("SCA IDC")	Subsidiary of Svenska Cellulosa Aktiebolaget
SCA Hygiene Products GmbH Neuss ("SCA HP Neuss")	Subsidiary of Svenska Cellulosa Aktiebolaget
SCA Hygiene Products SA-NV, Belgium ("SCA HP Belgium")	Subsidiary of Svenska Cellulosa Aktiebolaget
SCA Taiwan	Subsidiary of Svenska Cellulosa Aktiebolaget
Jiangmen Dynasty Fortune Paper Limited ("Taiyuan Paper", formerly known as Jiangmen Taiyuan Paper Limited)	Subsidiary of Fu An
AB SCA Finans (Publ) ("SCA Finans")	Subsidiary of Svenska Cellulosa Aktiebolaget
SCA Hygiene Products GmbH, Mannheim ("SCA Mannheim")	Subsidiary of Svenska Cellulosa Aktiebolaget
SCA GmbH	Subsidiary of Svenska Cellulosa Aktiebolaget
SCA Tissue North America LLC ("SCA LLC")	Subsidiary of Svenska Cellulosa Aktiebolaget

33 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 2016 include:

(1) Sales of Products to Related Parties:

	For the year ended 31 December	
	2016	2015
	HK$	HK$
— Uni-Charm	**79,288,579**	—
— SCA HP India	**44,977,572**	—
— Asaleo Care Australia Pty Ltd	**19,033,782**	10,314,131
— Asaleo Care New Zealand Ltd	**5,645,943**	—
— Asaleo Care Fiji Ltd	**5,633,124**	—
— SCA HP	**4,517,497**	—
— SCA NAC	**2,566,121**	—
— SCA HP Hoogezand B.V.	**1,482,073**	—
— SCA YKK	**1,176,751**	—
— SCA (China)	**640,315**	8,403,751
— SCA FZCO	**273,445**	—
— EB Shanghai	**262,012**	4,129,038
— SCA Mexico	**10,836**	—
	165,508,050	22,846,920

	For the period ended 31 March 2016	For the year ended 31 December 2015
	HK$	HK$
— SCA Malaysia(Note (a))	**568,870**	1,617,207
— SCA Singapore(Note (a))	**78,490**	251,672
— SCA Korea(Note (a))	**—**	81,352
	647,360	1,950,231

33 Related Party Transactions *(continued)*

(b) Significant Related Party Transactions *(continued)*

(2) Purchase of Products from Related Parties:

	For the year ended 31 December 2016 HK$	2015 HK$
— SCA HP	**33,709,785**	39,847,767
— SCA HP B.V.	**27,182,442**	7,134,083
— SCA HP Hoogezand B.V.	**16,038,105**	—
— SCA HP sp. Z o.o	**15,408,958**	6,439,241
— SCA HP GMBH	**13,244,761**	9,494,741
— SCA AB	**4,730,427**	—
— SCA Logistics AB	**4,164,150**	4,507,852
— SCA HPS, S.R.O.	**2,185,038**	1,242,603
— EB Shanghai	**1,811,726**	8,063,060
— SCA Tissue France	**835,137**	—
— SCA IDC	**606,229**	—
— SCA HP Neuss	**195,038**	—
— SCA HP Belgium	**14,580**	—
— SCA (China)	**—**	8,641,167
— SCA HP Hoogezand B.V.	**—**	5,374
	120,126,376	85,375,888

	For the period ended 31 March 2016 HK$	For the year ended 31 December 2015 HK$
— SCA Taiwan(Note (a))	**11,871,094**	53,435,904
— SCA Malaysia(Note (a))	**4,946,764**	12,502,437
— SCA Korea(Note (a))	**—**	454,971
	16,817,858	66,393,312

(3) Research and Development Expenses Charge by the Group to a Related Party:

	For the year ended 31 December 2016 HK$	2015 HK$
— SCA HP	**10,139,485**	—

33 Related Party Transactions *(continued)*

(b) Significant Related Party Transactions *(continued)*

(4) IT Costs Charged to the Group by a Related Party:

	For the year ended 31 December	
	2016	2015
	HK$	HK$
— SCA HP	**9,107,986**	–

(5) Rental Expense Paid to a Related Party:

	For the year ended 31 December	
	2016	2015
	HK$	HK$
— Taiyuan Paper(Note (b))	**72,328,511**	76,954,233

(a) On 1 April 2016, the Group acquired 100% equity interests in SCA Asia business from SCA BV. The transactions disclosed for 2016 were from 1 January 2016 to 31 March 2016.

(b) On 22 November 2011, 27 March 2012 and 10 April 2014, Vinda Paper (China) Company Limited("Vinda Paper (China)"), entered into 3 lease agreements with Taiyuan Paper, whereby Taiyuan Paper had agreed to lease Vinda Paper (China) 2 pieces of land located in Xinhui District, Guangdong, the PRC, together with a factory, buildings and relevant ancillary infrastructures erected thereon for a term commencing on the date of 22 November 2011, 27 March 2012 and 10 April 2014 respectively and ending on an initial term of 15 years from 22 November 2011 with a fixed annual rent of RMB29,000,000, RMB16,800,000 and RMB16,200,000, respectively.

(6) Loans from a Related Party:

	For the year ended 31 December	
	2016	2015
	HK$	HK$
— SCA Finans (Note (c))	**1,140,116,846**	531,465,839

33 Related Party Transactions *(continued)*

(b) Significant Related Party Transactions *(continued)*

(7) Interest Expense to a Related Party:

	For the year ended 31 December 2016 HK$	2015 HK$
— SCA Finans (Note (c))	**50,611,933**	54,286,295
— SCA BV	**1,196,667**	—
	51,808,600	54,286,295

(c) On 19 December 2014 and 1 April 2016, the Group entered into two term facility agreements with SCA Finans, in relation to term loans of an aggregate amount not exceeding HK$3,000,000,000 and HK$1,140,116,846 (or an equivalent amount) respectively.

On 1 April 2016, the Group made one loan drawdown under the term facility agreements dated 1 April 2016 with principal amounts of HK$1,140,116,846 and maturity date of 31 March 2019.

(8) Key Management Compensation:

	For the year ended 31 December 2016 HK$	2015 HK$
Directors		
— Basic salaries, housing allowances, other allowances, benefits-in-kind, pensions and other benefits	**24,496,776**	21,718,779
Senior management		
— Basic salaries, housing allowances, other allowances, benefits-in-kind, pensions and other benefits	**31,446,575**	21,728,078
	55,943,351	43,446,857

33 Related Party Transactions *(continued)*

(b) Significant Related Party Transactions *(continued)*

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

	Number of individuals 2016	2015
— HK$1,000,000 to HK$1,500,000	**1**	2
— HK$1,500,000 to HK$2,000,000	**1**	2
— Above HK$2,000,000	**6**	3

No emoluments have been paid to these individuals as an inducement to join or upon joining the Group or as compensation for loss of office for the year ended 31 December 2016 and 2015.

(c) Year-end Balances with Related Parties

	As at 31 December 2016 HK$	2015 HK$
(1) Receivables from related parties		
— SCA HP India	**21,050,527**	—
— Uni-Charm	**13,062,151**	—
— SCA HP	**7,000,002**	—
— Asaleo Care Australia Pty Ltd	**6,811,813**	2,303,527
— SCA BV	**3,811,325**	—
— Asaleo Care New Zealand Ltd	**1,001,261**	—
— Asaleo Care Fiji Ltd	**769,060**	—
— SCA	**300,000**	—
— SCA NAC	**273,373**	—
— SCA HP Hoogezand B.V.	**119,396**	—
— SCA Mexico	**10,828**	—
— SCA YKK	**3,191**	—
— EB Shanghai	**—**	4,706,704
— SCA (China)	**—**	1,362,864
— SCA Malaysia	**—**	374,983
— SCA HP GMBH	**—**	120,946
— SCA Singapore	**—**	72,509
	54,212,927	8,941,533

All the above receivables are aged within 3 months based on invoice date as at 31 December 2016 and 2015.

33 Related Party Transactions *(continued)*

(c) Year-end Balances with Related Parties *(continued)*

	As at 31 December 2016 HK$	2015 HK$
(2) Prepayments to a related party		
— Taiyuan Paper	**51,984,349**	55,502,506

	As at 31 December 2016 HK$	2015 HK$
(3) Trade payables to related parties		
— SCA HP	**10,116,223**	15,944,369
— SCA HP B.V.	**6,121,384**	1,546,634
— SCA HP Hoogezand B.V.	**4,501,442**	5,147
— SCA HP sp. Z o.o	**3,805,151**	314,646
— SCA IDC	**2,507,492**	—
— SCA HP GMBH	**837,646**	5,229,822
— SCA Logistics AB	**607,060**	1,042,443
— SCA Mannheim	**143,274**	—
— SCA Tissue France	**55,667**	—
— SCA GmbH	**11,231**	—
— SCA (China)	**5,159**	14,012,690
— SCA LLC	**1,375**	—
— EB Shanghai	**—**	8,022,035
— SCA Taiwan	**—**	8,125,661
— SCA Malaysia	**—**	2,657,450
— SCA HPS, S.R.O.	**—**	692,335
	28,713,104	57,593,232

All the above payables are aged within 3 months based on invoice date as at 31 December 2016 and 2015.

	As at 31 December 2016 HK$	2015 HK$
(4) Loans from a related party		
— SCA Finans	**915,499,741**	1,308,080,688
(5) Interest payable to a related party		
— SCA Finans	**9,062,229**	2,609,359

The loan balance as at 31 December 2016 represented long term loans with principal of RMB 300,000,000 and HK$580,116,846 respectively and the weighted average interest rate is 3.97%.

34 Balance Sheet and Reserve Movement of the Company

	As at 31 December 2016 HK$	2015 HK$
ASSETS		
Non-current assets		
Investments in and balances with subsidiaries	**3,512,891,756**	1,286,281,161
Current assets		
Other receivables and prepayments	**1,768,219**	555,223
Dividends receivable	**206,885,411**	218,874,453
Due from subsidiaries	**27,553,072**	2,126,687,957
Cash and cash equivalents	**3,131,199**	1,341,336
	239,337,901	2,347,458,969
Total assets	**3,752,229,657**	3,633,740,130
EQUITY		
Capital and reserves attributable to the Company's equity holders		
Share capital	**113,741,237**	99,908,769
Share premium	**3,498,754,174**	1,688,013,706
Other reserves (Note (a))	**113,986,355**	249,539,664
Total equity	**3,726,481,766**	2,037,462,139
LIABILITIES		
Non-current liabilities		
Loan from a related party	**—**	650,000,000
	—	650,000,000
Current liabilities		
Other payables and accrued expenses	**4,068,805**	28,446,983
Borrowing	**—**	31,330
Due to subsidiaries	**21,679,086**	912,044,473
Due to a related party	**—**	62,916
Current income tax liabilities	**—**	5,692,289
	25,747,891	946,277,991
Total liabilities	**25,747,891**	1,596,277,991
Total equity and liabilities	**3,752,229,657**	3,633,740,130

The balance sheet of the Company was approved by the Board of Directors on 25 January 2017 and were signed on its behalf

LI Chao Wang
Director

Johann Christoph MICHALSKI
Director

34 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 2015	232,764,281	131,192,880	63,474,464	427,431,625
Employee share options scheme:				
— Exercise of options	—	—	(2,942,860)	(2,942,860)
Dividends	—	(169,818,506)	—	(169,818,506)
Profit for the year	—	106,936,296	—	106,936,296
Currency translation differences	(112,066,891)	—	—	(112,066,891)
At 31 December 2015	120,697,390	68,310,670	60,531,604	249,539,664
At 1 January 2016	**120,697,390**	**68,310,670**	**60,531,604**	**249,539,664**
Employee share options scheme:				
— Exercise of options	**—**	**—**	**(3,994,104)**	**(3,994,104)**
Dividends	**—**	**(110,584,955)**	**—**	**(110,584,955)**
Profit for the year	**—**	**203,465,801**	**—**	**203,465,801**
Currency translation differences	**(224,440,051)**	**—**	**—**	**(224,440,051)**
At 31 December 2016	**(103,742,661)**	**161,191,516**	**56,537,500**	**113,986,355**

35 Benefits and Interests of Directors

(a) Directors' Emoluments

	For the year ended 31 December 2016 HK$	2015 HK$
Directors		
— Basic salaries, housing allowances, other allowances and benefits-in-kind	**24,424,776**	21,616,135
— Contributions to retirement plans	**72,000**	102,644
	24,496,776	21,718,779

35 Benefits and Interests of Directors *(continued)*

(a) Directors' Emoluments *(continued)*

The remuneration of every director is set out below:

(i) For the year ended 31 December 2016:

	Fees HK$	Salaries (Note(a)) HK$	Discretionary bonuses HK$	Allowances and benefits in kind (Note(b)) HK$	Employer's contribution to a retirement benefit scheme HK$	Total HK$
Chairman						
— Mr. LI Chao Wang	—	3,375,225	1,279,916	12,248	18,000	4,685,389
Executive directors						
— Ms. YU Yi Fang	—	2,632,276	998,183	12,248	18,000	3,660,707
— Mr. Johann Christoph MICHALSKI	—	4,640,000	440,161	—	—	5,080,161
— Ms. LI Jielin	—	2,437,293	572,423	371,048	18,000	3,398,764
— Mr. DONG Yi Ping	—	2,632,276	998,183	12,248	18,000	3,660,707
Non-executive directors						
— Mr. Jan Christer JOHANSSON	2,617,001	—	—	—	—	2,617,001
— Mr. Carl Magnus GROTH	29,395	—	—	—	—	29,395
— Mr. Ulf Olof Lennart SODERSTROM	29,394	—	—	—	—	29,394
Independent non-executive directors						
— Mr. KAM Ting To, Robert	399,309	—	—	—	—	399,309
— Mr. CHIA Yen On	301,983	—	—	—	—	301,983
— Mr. WONG Kwai Huen, Albert	314,483	—	—	—	—	314,483
— Mr. TSUI King Fai	319,483	—	—	—	—	319,483
Alternative directors						
— Mr. CHIU Bun (c)	—	—	—	—	—	—
— Mr. Gert Mikael SCHMIDT	—	—	—	—	—	—
— Mr. Carl Fredrik Stenson RYSTEDT (d)	—	—	—	—	—	—
	4,011,048	15,717,070	4,288,866	407,792	72,000	24,496,776

Notes:

(a) Salaries paid to a director is generally an emolument paid or receivable in respect of that person's other services in connection with the management of the affairs of the company or its subsidiary undertakings.

(b) Includes housing allowances and estimated money value of other non-cash benefits: medical and life insurance premium.

(c) Mr. CHIU Bun was resigned on 18 April 2016.

(d) Mr. Carl Fredrik Stenson RYSTEDT was appointed as an alternate director, who was alternate to Mr. SODERSTROM on 18 April 2016.

35 Benefits and Interests of Directors *(continued)*

(a) Directors' Emoluments *(continued)*

(ii) For the year ended 31 December 2015:

	Fees HK$	Salaries (Note(a)) HK$	Discretionary bonuses HK$	Allowances and benefits in kind (Note(b)) HK$	Employer's contribution to a retirement benefit scheme HK$	Total HK$
Chairman						
— Mr. LI Chao Wang	—	3,208,076	1,800,000	11,716	18,000	5,037,792
Executive directors						
— Ms. YU Yi Fang	—	2,501,919	600,000	11,716	18,000	3,131,635
— Ms. LI Jielin	—	1,397,588	50,000	320,369	18,000	1,785,957
— Mr. DONG Yi Ping	—	2,501,919	600,000	11,716	18,000	3,131,635
— Mr. Johann Christoph MICHALSKI	20,412	1,160,733	—	—	—	1,181,145
— Ms. ZHANG Dong Fang	—	3,610,046	1,800,000	278,763	30,644	5,719,453
Non-executive directors						
— Mr. Jan Christer JOHANSSON	458,847	—	—	—	—	458,847
— Mr. Carl Magnus GROTH	13,971	—	—	—	—	13,971
— Mr. Ulf Olof Lennart SODERSTROM	27,579	—	—	—	—	27,579
Independent non-executive directors						
— Mr. KAM Ting To, Robert	374,443	—	—	—	—	374,443
— Mr. HUI Chin Tong, Godfrey	218,285	—	—	—	—	218,285
— Mr. TSUI King Fai	280,835	—	—	—	—	280,835
— Mr. Jan Lennart PERSSON	13,608	—	—	—	—	13,608
— Mr. WONG Kwai Huen, Albert	280,835	—	—	—	—	280,835
— Mr. CHIA Yen On	62,759	—	—	—	—	62,759
Alternate directors						
— Mr. Gert Mikael SCHMIDT	—	—	—	—	—	—
— Mr. CHIU Bun	—	—	—	—	—	—
	1,751,574	14,380,281	4,850,000	634,280	102,644	21,718,779

35 Benefits and Interests of Directors *(continued)*

(a) Directors' Emoluments *(continued)*

Aggregate emoluments paid to or receivable by directors in respect of their services as directors, whether of the company or its subsidiary undertaking		Aggregate emoluments paid to or receivable by directors in respect of their other services in connection with the management of the affairs of the company or its subsidiary undertaking		**Total**	Total
2016	2015	**2016**	2015	**2016**	2015
HK$	HK$	**HK$**	HK$	**HK$**	HK$
24,496,775	21,718,779	**—**	—	**24,496,775**	21,718,779

Notes:

Emoluments above include estimated money value of non-cash benefits: medical and insurance premium.

For the year ended 31 December 2016 and 2015, 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.

(b) Directors' Material Interests in Transactions, Arrangements or Contracts

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

Five-Year Financial Summary

Consolidated Statement of Comprehensive Income

	For the year ended 31 December				
	2012 HK$	2013 HK$	2014 HK$	2015 HK$	**2016 HK$**
Revenue	6,024,046,812	6,797,959,594	7,985,222,304	9,695,997,657	**12,056,548,935**
Cost of sales	(4,169,104,798)	(4,826,278,040)	(5,576,508,718)	(6,737,327,688)	**(8,239,615,131)**
Gross profit	1,854,942,014	1,971,681,554	2,408,713,586	2,958,669,969	**3,816,933,804**
Selling and marketing costs	(770,366,428)	(945,647,960)	(1,188,369,898)	(1,565,457,775)	**(2,074,739,697)**
Administrative expenses	(367,866,260)	(371,666,865)	(472,403,420)	(577,688,065)	**(728,394,604)**
Other income and gains — net	58,407,732	58,091,368	74,371,838	(62,896,404)	**(6,226,887)**
Operating profit	775,117,058	712,458,097	822,312,106	752,627,725	**1,007,572,616**
Finance costs, net	(40,712,035)	(12,991,659)	(80,503,475)	(303,751,333)	**(199,265,704)**
Share of post-tax loss of an associate	(15,934,119)	(26,976,817)	(4,805,242)	—	**—**
Profit before income tax	718,470,904	672,489,621	737,003,389	448,876,392	**808,306,912**
Income tax expense	(181,909,149)	(129,581,932)	(143,536,257)	(134,435,280)	**(154,772,358)**
Profit attributable to equity holders of the Company	536,561,755	542,907,689	593,467,132	314,441,112	**653,534,554**
Other comprehensive income:					
Item that may be reclassified to profit or loss					
Currency translation differences	(357,577)	136,338,309	(13,756,533)	(285,983,288)	**(531,450,105)**
Hedging reserve	(2,808,603)	4,588,901	1,805,786	—	**—**
Item that will not be reclassified subsequently to profit or loss					
Remeasurements of post-employment benefit obligations	—	—	—	—	**(273,967)**
Total comprehensive income attributable to equity holders of the Company	533,395,575	683,834,899	581,516,385	28,457,824	**121,810,482**

Consolidated Balance Sheet

	As at 31 December				
	2012	2013	2014	2015	**2016**
	HK$	HK$	HK$	HK$	**HK$**
ASSETS					
Property, plant and equipment	3,987,486,971	5,101,881,171	5,901,730,851	6,261,216,698	**7,281,873,804**
Leasehold land and land use right	185,167,942	290,468,442	297,758,758	387,818,653	**432,130,671**
Intangible assets	12,954,724	21,235,148	1,400,041,901	1,306,968,419	**2,796,001,162**
Deferred income tax assets	175,685,073	204,808,552	267,405,812	259,511,539	**268,225,330**
Investment properties	32,435,570	32,427,614	—	—	**4,859,059**
Investment in an associate	64,357,657	58,757,692	—	—	**—**
Inventories	1,446,576,241	1,642,844,200	2,029,115,081	2,367,407,631	**1,785,142,568**
Trade receivables, other receivables and prepayments	1,115,984,965	1,286,276,545	1,523,602,317	1,463,321,731	**1,938,829,069**
Prepayments to and receivables from related parties	42,303,573	40,961,155	61,753,224	64,444,039	**106,197,276**
Restricted bank deposits	6,101,567	3,567,270	1,301,535	—	**—**
Cash and cash equivalents	736,586,651	689,702,649	720,283,714	393,247,986	**1,015,254,277**
Total Assets	7,822,640,934	9,372,930,438	12,202,993,193	12,503,936,696	**15,628,513,216**
EQUITY					
Capital and reserves attributable to the Company's equity holders					
Share capital	99,938,269	99,836,269	99,840,269	99,908,769	**113,741,237**
Share premium	1,668,318,024	1,676,529,981	1,677,023,606	1,688,013,706	**3,498,754,174**
Other reserves	2,350,661,375	2,870,510,147	3,304,140,930	3,159,837,388	**3,167,068,811**
Total equity	4,118,917,668	4,646,876,397	5,081,004,805	4,947,759,863	**6,779,564,222**
LIABILITIES					
Long-term borrowings	850,317,747	1,705,003,809	878,667,606	2,177,485,991	**2,879,551,662**
Loans from a related party	—	—	2,030,138,167	1,308,080,688	**915,499,741**
Deferred government grants	100,597,180	102,873,484	98,726,406	92,493,668	**90,486,296**
Derivative financial instruments	15,070,503	12,918,422	—	—	**—**
Provision for pension	—	—	—	—	**36,601,481**
Deferred income tax liabilities	4,491,714	7,222,427	94,787,849	96,248,856	**203,135,117**
Other current liabilities	2,733,246,122	2,898,035,899	4,019,668,360	3,881,867,630	**4,723,674,697**
Total Liabilities	3,703,723,266	4,726,054,041	7,121,988,388	7,556,176,833	**8,848,948,994**
Total equity and liabilities	7,822,640,934	9,372,930,438	12,202,993,193	12,503,936,696	**15,628,513,216**
Net current assets	631,306,875	752,397,498	316,387,511	406,553,757	**121,748,493**
Total assets less current liabilities	5,089,394,812	6,461,976,117	8,183,324,833	8,622,069,066	**10,904,838,519**