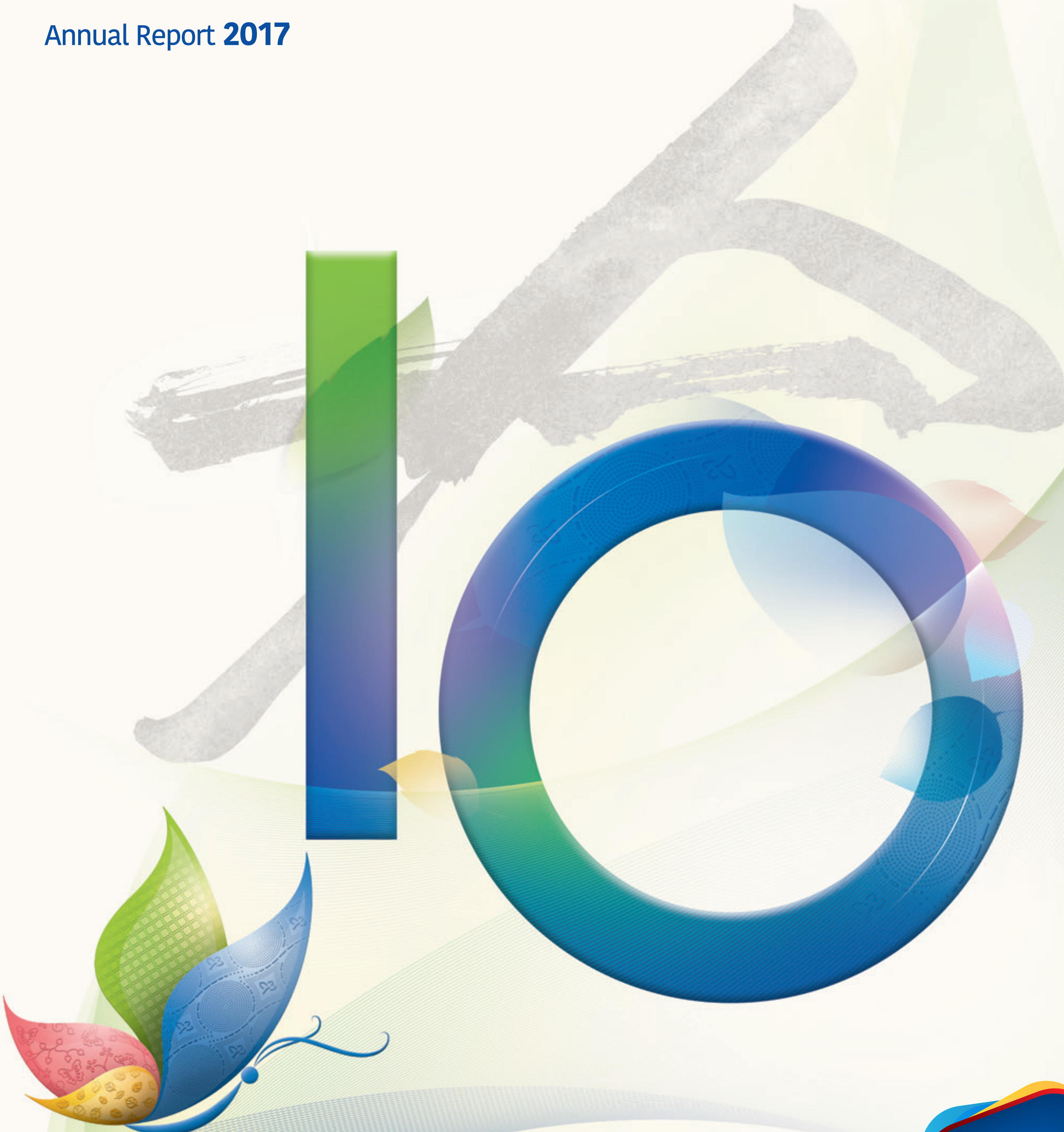
Vinda International Holdings Limited

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

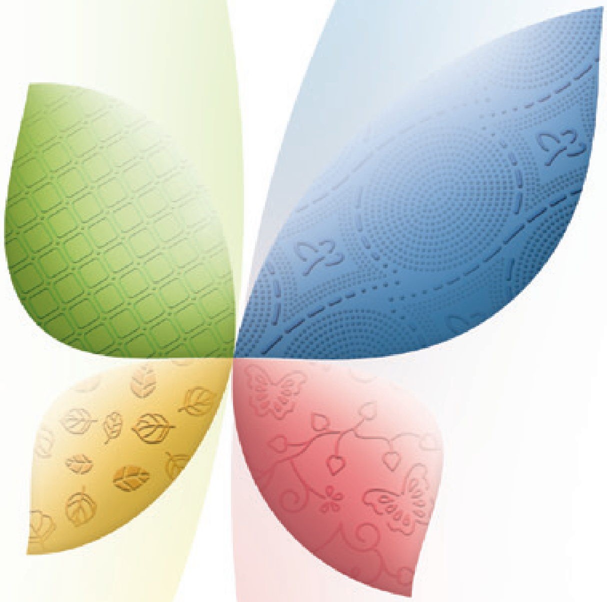
Annual Report **2017**



Healthy Lifestyle
Starts with Vinda

10TH LISTING ANNIVERSARY
上市十周年
2007-2017

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. Carl Fredrik Stenson RYSTEDT
(appointed on 1 March 2017)

Independent Non-Executive Directors

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

Alternate Directors

Mr. Gert Mikael SCHMIDT (alternate to
Mr. JOHANSSON and Mr. GROTH)
Mr. Herve Stephane ROSE
(alternate to Mr. RYSTEDT)
(appointed on 26 October 2017)

Audit Committee

Mr. KAM Robert (Committee Chairman)
Mr. TSUI King Fai
Mr. Carl Fredrik Stenson RYSTEDT
(appointed on 1 March 2017)
Mr. WONG Kwai Huen, Albert

Remuneration Committee

Mr. TSUI King Fai (Committee Chairman)
Mr. Jan Christer JOHANSSON
(appointed on 7 April 2017)
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. Carl Fredrik Stenson RYSTEDT
(appointed on 1 March 2017)
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

Authorised Representatives

Ms. LI Jielin
Ms. TAN Yi Yi

Company Secretary

Ms. TAN Yi Yi, FCCA

Auditors

PricewaterhouseCoopers

Legal Advisers to the Company

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

Bank of China Limited
China Construction Bank Corporation
Citibank N.A.
Industrial and Commercial Bank of China Limited
Standard Chartered Bank (Hong Kong) Limited
Skandinaviska Enskilda Banken AB
Svenska Handelsbanken AB (publ)

Company Website

http://www.vinda.com

Milestone

2007

Listed on the Main Board of the Hong Kong Stock Exchange (Stock code: 3331).

2011

Started its personal care business.

Mr. Li Chao Wang, founder of Vinda, granted "Ernst & Young Entrepreneur of The Year 2011 China" Award.

2012

Won the 1st Place of "Best Mid-Cap Company (China)" Category in FinanceAsia's 2012 Asia Best Companies Poll.

Won the "Miracle Awards" among the "2012 Top 100 Hong Kong Listed Companies" selection.

2010/11 annual report won Bronze Award for "Cover Photo/Design" under the category of "Health and Life Science" in the 26th International ARC Awards.

2013

Awarded "2013 Best Investment Value Award for Listed Companies".

2014

Integrated SCA Mainland China, Hong Kong and Macau's hygiene businesses.

Brand portfolio expanded to 10 key brands.

2015

Won "China Company Award" in the DHL/SCMP Hong Kong Business Awards 2015.

Won "Gold Award" in The Asset Corporate Awards 2015.

2016

Integrated SCA's Asian business with the aim to become a leading hygiene company in Asia.

Tissue capacity reached over 1 million tons.

Received the "Directors of the Year Awards 2016 – Listed Companies (SEHK – Non-Hang Seng Indexes Constituents) Boards" and "Excellence in Board Diversity".

2017

Vinda's 10th anniversary of listing on the Hong Kong Stock Exchange.

Selected as a constituent stock of Hang Seng Corporate Sustainability Benchmark Index.

Won "Gold Award" in The Asset Corporate Awards 2017.

Won "Most Valuable Company in Consumer and Service Sector" in Golden Hong Kong Stocks Awards 2017.

Hang Seng Corporate Sustainability Index Series Member 2017-2018

5 years+ 商界展關懷 caringcompany
Awarded by The Hong Kong Council of Social Service
香港社會服務聯會頒發

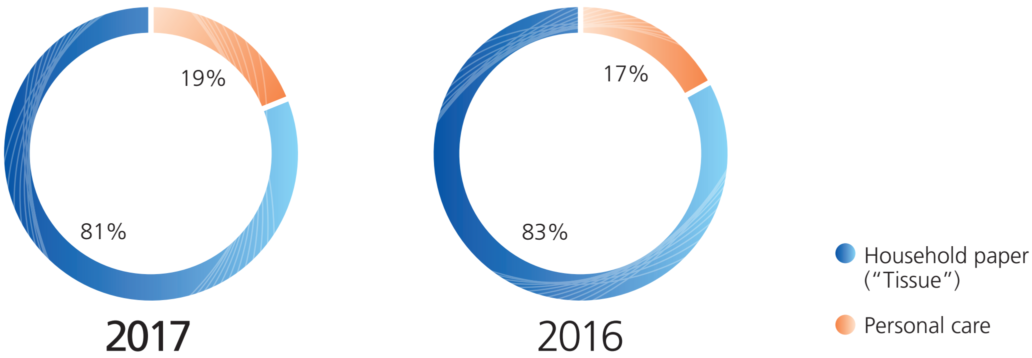
Financial Highlights

	2017	2016
Revenue (HK$ million)	**13,486**	12,057
Gross profit (HK$ million)	**4,000**	3,817
EBITDA (HK$ million)	**1,803**	1,683
Operating profit (HK$ million)	**984**	1,008
Gross margin (%)	**29.7%**	31.7%
Operating margin (%)	**7.3%**	8.4%
EBITDA margin	**13.4%**	14.0%
Earnings per share (HK$) – basic	**52.6 cents**	59.8 cents
Dividend per share (HK$)	**19.0 cents**	17.0 cents
– interim dividend (paid) (HK$)	**5.0 cents**	5.0 cents
– final dividend (proposed) (HK$)	**14.0 cents**	12.0 cents
Finished goods turnover	**41 days**	40 days
Debtors turnover	**49 days**	43 days
Creditors turnover	**84 days**	70 days
Current ratio (times)	**1.1**	1.0
Net debt to EBITDA ratio (times)	**2.6**	2.4
Net gearing ratio (%)[1]	**54%**	59%

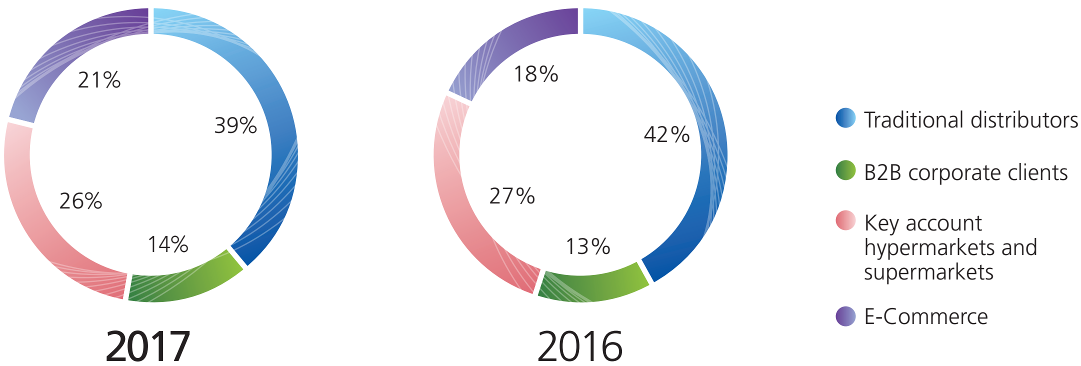
Notes:

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

	Tissue	Personal Care	Total
2017	29.6%	29.9%	29.7%
2016	32.1%	29.7%	31.7%

Segment Result Margin

	Tissue	Personal Care	Total
2017	8.5%	6.1%	8.1%
2016	10.6%	5.0%	9.7%

"In the coming one to two decades, we aspire to build a broader blueprint from covering 1.4 billion to 2.0 billion of target consumers across Southeast Asia. Vinda will scale up from a tissue-focused company to a full-fledged hygiene company in Asia focusing on tissue, incontinence care, feminine care and baby care segments."

Chairman's Statement

The year 2017 marks the 10th anniversary of our listing on the Hong Kong Stock Exchange. Over the past decade, Vinda has achieved remarkable results on production scale, new business segments, turnover and profitability. The *Vinda* brand has secured a leading market position. We have also proudly attained a higher standard of corporate governance and sustainable development, which is a clear reflection of the ceaseless dedication and efforts of every member of Vinda. Taking this opportunity, I would like to express my sincere gratitude to our consumers, customers, suppliers, local governments, staff and investors for their strong support and assistance.

While it's been a full decade since our listing, it still remains a fresh memory for me. Today we have realised our promise to investors, proven by not only expanded paper-making capacity and regional markets, but also our enhanced brand equity, product quality and efficiencies. Our next step will be to build on the achievements we had made and take Vinda up to the next level. In the coming one to two decades, we aspire to build a broader blueprint from covering 1.4 billion to 2.0 billion of target consumers across Southeast Asia. Vinda will scale up from a tissue-focused company to a full-fledged hygiene company in Asia focusing on tissue, incontinence care, feminine care and baby care segments. We will also fortify our market-leading position by enlarging the tissue sales base and increasing the proportion of high value-added and non-roll products.

In 2017, we and our peers were under pressure against the backdrop of increased pulp costs. However, with our optimised product mix, diversified marketing activities and product innovation, we nonetheless managed to deliver satisfactory organic growth in sales. In the long run, we are optimistic about the prospects for the incontinence market in China. Additionally, we have introduced a feminine care brand from Europe to the China market. All of these measures have brought us endless opportunities for future development.

The report of the 19th CPC National Congress highlights "The people's ever-growing needs for a better life" and "The healthy China initiative". We therefore expect a higher demand for quality hygiene products to improve people's daily lives. Demand for tissue and personal care products is no exception. In view of this, we will leverage our brand strength, innovative technology and quality products to seize every opportunity that arises from the growing FMCG industry.

The concept of "Lucid waters and lush mountains are invaluable assets" put forward by the China Central Government indicates that sustainable development is critical for China's society in long run. In fact, *sustainability* is one of Vinda's core principles. We adhere closely to sustainable models and low carbon operations. Profitability is not the only KPI for Vinda, the commitment and obligation on sustainable development are equally important. In 2017, Vinda was selected as a constituent of the Hang Seng Corporate Sustainability Benchmark Index, a clear recognition of our relentless efforts at environmental protection, social responsibility and corporate governance. As Chairman of the Group, I take great pride in that achievement.

Looking ahead, we, as always, will strive to achieve beyond expectation. We are committed to maintaining our reputation for world class excellence as a respectful enterprise in the hygiene products sector and build a brilliant future in the following decade.

LI Chao Wang
Chairman
25 January 2018

Our brand portfolio expanded from a single tissue brand all the way to multiple top-notch personal care brands. We are currently not only eyeing the mainland China market but also actively seeking out the tremendous opportunities that exist in Southeast Asia, Taiwan and Korea.

Chief Executive Officer's Report

The year 2017 was Vinda's 10th anniversary of listing in capital market. Over the last decade, we at Vinda have been striving to stay ahead in an evolving traditional industry by leveraging our competitive edge advantages in: branding, sales networks, talent, production scale, and innovation. Today, Vinda's revenue has risen sevenfold compared to that of 10 years ago. Our brand portfolio expanded from a single tissue brand all the way to multiple top-notch personal care brands. We are currently not only eyeing the mainland China market but also actively seeking out the tremendous opportunities that exist in Southeast Asia, Taiwan and Korea.

In 2017, Vinda once again well-demonstrated its ability to grow amidst a challenging business operating environment. In China, we continued to record double-digit organic growth in revenue, with both Tissue and Personal Care making contributions. The *Vinda* and *Tempo* brands together have reinforced our leading market position in the tissue sector despite fierce competition. Our incontinence care business saw increased sales through institutional channels and e-platforms. The re-launch of the *Libresse* brand coupled with the excellent execution of the *V!A* marketing campaign also contributed greatly to the stellar growth in our feminine care business. In addition, our initial roll-out of tissue products to Malaysia has received positive feedback from customers. On the supply chain side, we have put 60,000 tons of new production capacity into operation as planned, and have tightened the logistics cooperation with our customers. Our efforts to strengthen corporate governance, enhance environmental protection and deepen community involvement have all led to our selection as a constituent member of the Hang Seng Corporate Sustainability Benchmark Index.

Nevertheless, we also faced a number of challenges in 2017, namely a significant increase in wood pulp cost, continuing market competition, uncertainty of currency exchange, the shifting of sales channels etc. However, through our continuous portfolio management and various cost-saving initiatives coupled with improvement in production efficiency, we have been able to mitigate certain negative impact brought by the increased costs. While our financing strategy successfully reduced gearing levels and foreign exchange losses, our working capital management also saw improvement.

The key of our current and future success is the focus we have on consumers and their needs in combination with strong innovation capabilities. In 2017, we started several innovation projects to enhance the functionality and profitability of our product offerings. For example, we applied new embossing technology to our tissue products while also enhancing the comfort level of our incontinent and feminine care pants lines. These and other key innovation initiatives not only defended our market position over the short term, but will also help improve our long-term future profitability.

While we celebrate the past, our focus is on the future. Just like it did in 2007, the world will continue to face many challenges and opportunities over the coming decade. First and foremost, we expect that China will remain one of the fastest growing economies and consumer markets in the world. Its middle class continues to grow dramatically and urbanisation across the country is relentless. Secondly, the digital revolution will favour e-channels. While brands scramble to capture a slice of the pie, they will also require a more efficient and advanced inventory management systems to facilitate their logistics. Thirdly, higher standards and compliance with respect to sustainability and corporate governance are being introduced with tighter enforcement. Manufacturing will also be under immense scrutiny to reduce emissions, water consumption, materials and non-recyclable waste. Sourcing will ultimately focus on sustainable goods as well as ethical supplies and suppliers. All these trends will profoundly change the way we do business in the future, and will open up tremendous growth opportunities. In a bid to stand out, we will work hard to sharpen our strategies to build distinctive brands with innovation support. We will also actively seek to extend our sales footprints with deeper penetration inside and outside of China while at the same time develop our people at all levels to help secure the best talent pool possible. In addition, we will work to improve cost efficiency throughout our supply chain to ensure continued competitiveness. Corporate governance and environmental protection will remain a top priority. Our four financial objectives are: to drive top-line growth; to broaden the gross margin through better portfolio management; to maintain operating margin and to improve the return on capital employed.

As we confidently move forward to become a leading hygiene company in Asia over the next decade, I would like to take this opportunity, on behalf of everyone at Vinda, to extend gratitude to our investors for their confidence in us over the years as we strive hard to achieve good results.

Christoph MICHALSKI
Chief Executive Officer
25 January 2018

Management Discussion and Analysis

Overview

2017 was an exceptional year as we reached a milestone, our 10th anniversary of listing. 2017 was also particularly challenging for us and most of our peers, as our cost was under great pressure amid an upward cycle of pulp price. Besides, intensified market competition, the sluggish offline trade and the fluctuation of Renminbi ("RMB") also led to a challenging operating environment.

Nevertheless, we managed to grow our sales and stayed ahead of our peers in terms of market share[4], thanks to the consumption upgrade, tissue market consolidation, our competitive advantage in e-commerce, and most importantly, our innovation capability. In addition, despite we suffered from higher wood pulp cost, we were able to narrow the margin squeeze at operating and net profit levels through active cost saving initiatives, operational efficiency improvement and effective financing strategy.

Financial Highlights

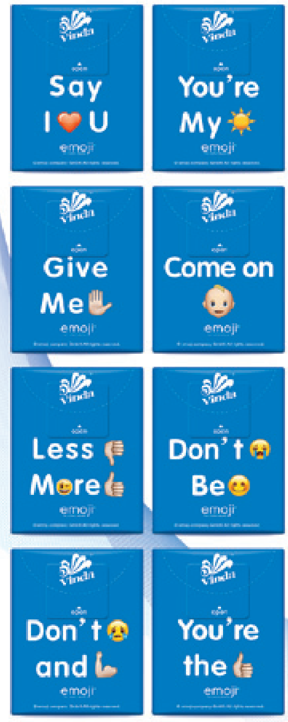
Total revenue reached HK$13,486 million, up by 11.9% (organic growth[1]: 8.5%). Full year organic growth in mainland China was 11.0%.

In respect of business segment, Tissue and Personal Care respectively contributed to 81% and 19% of total revenue. In respect of sales channels, traditional distributors, key account managed supermarkets and hypermarkets, B2B corporate customers and e-commerce accounted for 39%, 26%, 14% and 21% respectively. Revenue growth from e-commerce stood out among other channels, particularly with the help of e-festivals such as Double-11.

Gross profit rose by 4.8% to HK$4,000 million. Leveraging our efforts in portfolio management and cost saving programme, gross margin only contracted by 2.0 ppts to 29.7% in spite of the significant increase of wood pulp cost. The impact brought by the product price hike initiative in the fourth quarter is expected to carry forward to 2018.

EBITDA grew by 7.1% and EBITDA margin stood at 13.4%, reflecting strong cash generation from our business.

Thanks to the effective management and strict cost control, total selling, general & administrative expenses ("SG&A") ratio dropped 0.4 ppt to 22.8%. Total administrative costs as a percentage of sales was down by 0.6 ppt to 5.4%. Total selling and marketing costs as a percentage of sales was 17.4%, slightly up by 0.2 ppt. Such increase was mainly attributable to advertising new brands and products, as well as the increased logistics costs. As a result, operating profit decreased by 2.4% to HK$984 million. Operating margin was 7.3%, contracted by 1.1 ppts.



Net gearing ratio[3] was 54%, down from 59% last year. In order to mitigate the foreign exchange rate risk, we have balanced our borrowings to assets with more RMB borrowings. Total foreign exchange losses decreased to HK$27.4 million (2016: HK$45.4 million), of which HK$0.5 million was reported in operating items (2016: HK$25.0 million), and HK$26.9 million in financing items (2016: HK$20.4 million). Yet, interest cost was inevitably higher with the increased proportion of RMB borrowings.

Effective tax rate was 19.3%, slightly up by 0.2 ppt.

As a result, net profit contracted by 5.0% to HK$621 million. Net profit margin was 4.6%, down by 0.8 ppt. Basic earnings per share was 52.6 HK cents (2016: 59.8 HK cents).

As a gratitude to our shareholders for their continuous support, the Board recommends the payment of a final dividend of 14.0 HK cents per share. Together with the interim dividend, total dividend for 2017 would be 19.0 HK cents (2016: 17.0 HK cents per share). Dividend payout ratios for 2017 would be 36.1% (2016: 28.4%).

Business Review

Tissue Segment

Revenue from the Tissue segment was HK$10,908 million accounting for 81% of the Group's total revenue (2016: 83%). Softpack, kitchen towels and wet wipes recorded notable increase in revenue.

We have introduced a number of measures such as optimising the product mix, raising product price in the fourth quarter and introducing cost saving programme, which eased part of the pressure brought by the significant increase in wood pulp cost. However, the profitability of Tissue segment was inevitably affected. Gross profit margin and segment result margin of the Tissue segment were 29.6% and 8.5% respectively.

Despite the competition, *Vinda* has strengthened its share leadership in the tissue category[4] and maintained its online leadership. The launch of high-margin embossed series, *Vinda Deluxe 4D-Déco*™, and the marketing campaign, *Vinda's "Fifth Ultra Strong China Tour"*, were well received by consumers. *Tempo* has increased its market share[4] and extended its sales network. *Tork* officially launched its digital flagship store in China on a leading e-commerce platform.

During the Year, we tapped into South East Asia premium tissue market by rolling out *Vinda Deluxe* series to various supermarket chain stores in Malaysia. *Vinda Deluxe* is also available through WeChat e-shop in Singapore.

Personal Care Segment

Revenue from the Personal Care segment reached HK$2,578 million, accounting for 19% of the Group's total revenue (2016: 17%). Both incontinence and feminine business in mainland China delivered double-digit organic growth in revenue. Gross profit margin and segment result margin of the Personal Care segment were 29.9% and 6.1% respectively. The segment result margin reflected the investment stage of the Personal Care business in China.

In incontinence care, we have expanded the institutional sales clientele by actively working with local governments and nursing homes. Online sales development has seen positive trend. *TENA* stands as a leading incontinence brand in our major markets.

Feminine care business recorded remarkable revenue growth. In Malaysia, *Libresse* fortified its No. 1[5] market position. In China, *Libresse*, starring famous photographer Ms. Chen Man, re-launched on both cross-border e-commerce platforms and boutique personal cares stores. *VIA* attracted young consumers with its successful social media campaign and its newly launched pant products.

The majority of our baby care business is in Southeast Asia. *Drypers* ranked No. 1[5] and No. 3[6] respectively in Malaysia and Singapore in terms of market share. *Drypers Drypantz* was voted by consumers in Malaysia as Product of The Year 2017/18. In China, *Libero* focused on e-strategy and raised the brand awareness.

Production Capacity Plan

Vinda's annual designed production capacity for tissue paper reached 1,100,000 tons as at 31 December 2017. 120,000 and 60,000 tons of new capacity will be added in Hubei and our tenth factory located in Yangjiang respectively in the second half of 2018, thereby bringing the total to 1,280,000 tons by the end of 2018. The said projects will be financed by the Company's operation cashflow and loans.

We have well-equipped facilities in mainland China for the production of certain personal care products, and have three production bases in Malaysia and Taiwan.

Internal Control and Human Resources Management

All Vinda employees are required to follow Vinda's code of conduct and core principles. The heads of all functional departments and business units of Vinda are responsible for identifying, handling and reporting major risks and inadequacies in internal control. The internal control department is responsible for conducting internal audits, receiving reports on misconduct, reporting cases to the senior management and advising solutions for cases. The head of the internal audit department reports to the chairman of the Audit Committee. The formulation, review and updating of our internal control system and guidelines to align with the latest external regulatory and internal control requirements fall within the ambit of the corporate management and legal departments. During the Year, we reviewed and updated our policies on issues including but not limited to risk management, communications with shareholders, handling and dissemination of inside information, and the code for securities transactions by directors and employees.

Vinda believes that employees are the most valuable contributors to its success. We strive to offer equal opportunities to all qualified candidates regardless of age, nationality, race, religion, sexual orientation, gender, marital status, disability or political stance. We also offer fair and reasonable remunerations, performance incentives and a career advancement mechanism. Furthermore, we ensure that our employees continuously develop their skills and capabilities by providing a range of training opportunities. During the Year, we rolled out a talent management cycle initiative to identify, screen, develop and retain our talents. We have also introduced a long-term incentive scheme for key senior executives to retain key talents.

As at 31 December 2017, we had a total of 11,277 employees.

Award & Recognition

Sustainability is one of our core principles. During the Year, Vinda has been selected as a constituent of the Hang Seng Corporate Sustainability Benchmark Index under Hang Seng Corporate Sustainability Index Series. In addition, Vinda has received "Gold Award" in The Asset Corporate Awards 2017 from The Asset, which recognised our financial performance, corporate governance, social responsibility, environmental responsibility and investor relations. Vinda has rewarded the "Most Valuable Company in Consumer and Service Sector" in Golden Hong Kong Stocks Awards 2017.

Outlook

In the medium to long run, we see enormous opportunities for Vinda's tissue and high-end personal care brands. The increasing disposable income will trade up the consumption with quality and innovative hygiene products. The aging population will drive the demand for professional incontinence care. The increasing popularity of online shopping will lower the entry barrier for new but strong brands, while the elimination of obsolete capacity will lead to market consolidation.

Looking ahead to 2018, we anticipate that market competition will continue; e-commerce will continue to take share from offline retailers; more small peers will scale back their operation under cost pressure and tightening environmental regulation; the uncertainty of currency rates remains; the wood pulp cost will continuously put pressure during 2018. To counter balance these, our focuses for the following year will be on product portfolio enhancement, active cost saving, innovation, product pricing management, and operational efficiency improvement.

[1] *Since 1 April 2016, the completion date of the acquisition of SCA Asia business in Malaysia, Taiwan and Korea by the Group, the financial figures of business of SCA Asia have been consolidated into the financial results of the Group. Therefore, with respect to the calculation of the organic revenue growth, the data recorded between January and March excluded the acquired Asia business in Malaysia, Taiwan and Korea, as well as the exchange rate effects; whereas for the calculation of the organic revenue growth between April and December, only the exchange rate effects were excluded.*

[2] *SCA (Svenska Cellulosa Aktiebolaget) spun off its hygiene unit into a new listed company, namely Essity Aktiebolag (publ) ("Essity") in June 2017. Since 14 June 2017, Essity has become Vinda's ultimate controlling shareholder in place of SCA.*

[3] *Net gearing ratio: Total borrowings less bank balances and cash and restricted deposits divided by total shareholders' equity*

[4.] *Source: Kantar Worldpanel, sales value for the period between 31 December 2016 and 29 December 2017*

[5] *Source: Kantar Worldpanel, sales value year-to-date at 3 December 2017*

[6] *Source: Kantar Worldpanel, sales volume year-to-date at 31 December 2017*

Foreign Exchange and Fair Value Interest Rate Risk

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

Liquidity, Financial Resources and Borrowings

The Group's financial position remained healthy. As at 31 December 2017, the Group's bank and cash balances amounted to HK$534,589,786 (31 December 2016: HK$1,015,254,277), and short-term and long-term loans amounted to HK$5,236,274,370 (31 December 2016: HK$5,016,746,026), including the loans from a related party amounting to HK$1,236,403,002 (31 December 2016: HK$915,499,741). 86.8% of the borrowings are medium- to long-term (31 December 2016: 75.6%). The annual interest rates of bank loans ranged from 0.8% to 9.8%.

As at 31 December 2017, 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 54% (31 December 2016: 59%).

As at 31 December 2017, unutilized credit facilities amounted to approximately HK$2.94 billion (31 December 2016: HK$4.03 billion).

Material Acquisition

On 1 November 2015, Fu An Trading (Hong Kong) Limited as transferor, Vinda Paper (China) Company Limited as transferee and the Company entered into an equity transfer agreement, pursuant to which the entire equity interest in Jiangmen Dynasty Fortune Paper Limited ("Dynasty Paper") will be acquired by the Group. Details of the transaction are disclosed in the announcements of the Company dated 2 November 2015 and 7 April 2017 and the circular of the Company dated 28 December 2015. The transaction was completed on 31 March 2017. Upon completion, Dynasty Paper has become an indirect wholly-owned subsidiary of the Company.

Charges on Group Assets

As at 31 December 2017, the Group did not have any charges on assets (31 December 2016: nil).

Contingent Liabilities

As at 31 December 2017, the Group had no material contingent liabilities (31 December 2016: nil).

Final Dividend

The Board has resolved to propose to shareholders the distribution of a final dividend for the year ended 31 December 2017 at 14.0 HK cents (2016: 12.0 HK cents) per share totaling HK$167,183,432, subject to approval by shareholders at the annual general meeting (the "AGM") on 19 April 2018. If so approved by shareholders, it is expected that the final dividend will be paid on or about 16 May 2018 to shareholders whose names appear on the register of member of the Company on 27 April 2018.

Closure of Register of Members

The register of members of the Company will be closed from 16 April 2018 to 19 April 2018, 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 transfers 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 13 April 2018. In addition, the register of members of the Company will be closed from 25 April 2018 to 27 April 2018, 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 24 April 2018.

Hang Seng Corporate Sustainability Index Series Member 2017-2018

In 2017, Vinda Group was selected as a constituent of the Hang Seng Corporate Sustainability Benchmark Index under the Hang Seng Corporate Sustainability Index Series, a clear recognition of our efforts in environmental, social responsibility and corporate governance.

Sustainability, Innovation, Professionalism and Integrity are Vinda's core principles. Therefore, we strive to achieve continuous improvements in respect of environmental protection, supply chain management, employee relationships, corporate governance and community charity.

Scope and Guideline

Vinda's majority revenue is generated by Tissue segment in mainland China and Personal Care segment in South East Asia. Therefore, the scope of our Environmental, Social and Governance Report (the "Report") covers initiatives and the performance of all twelve Vinda's production bases, including nine (in seven legal entities[1]) in mainland China, two factories in Malaysia and one in Taiwan for the period between 1 January 2017 to 31 December 2017 (the "Year").

The Report is in reference to the ESG Reporting Guide issued by The Stock Exchange of Hong Kong Limited. The figures and information disclosed in the Report are based on our documents and records. We commissioned a professional third party Greentech（中碳能投科技（北京）有限公司）to conduct a carbon footprint audit for factories in mainland China.

Healthy Lifestyle
Starts with Vinda

1 The seven legal entities are Vinda Paper (China) Company Limited (including three subsidiaries in Guangdong, Jiangmen and 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.

The Group

11,277 employees

All Vinda production sites are qualified to manufacture products based on FSC™ Chain of Custody Certification standards*

Wood pulp source **100%** environmentally certified

100% Of our chemicals suppliers obtained MSDS/SDS certificates

Vinda Volunteer Team provided **3,558** hours of community service

730 participants

* Please check the validity of the certificates at http://info.fsc.org

Mainland China

-45.5%
SO_2 emission
(emission per 10,000 tons products (ton))
2017 vs 2016

-22.2%
CO_2 emission
(emission per 10,000 tons products (ton))
2017 vs 2016

>95%
water recycling rate

100%
sampling inspections passing rate for
16
consecutive years

85,753
hours of training

83,271
participants

ISO14001, ISO9001, ISO22000
certification

Malaysia

-42.9%
CO_2 fossil (kton)
2017 vs 2016

-36.4%
NO_x as NO_2 (tons)
2017 vs 2016

-28.8%
solid waste (tons)
2017 vs 2016

-10.0%
water consumption (Mm^3)
2017 vs 2016

8,016
hours of training

ISO9001, ISO14001, OHSAS18001
certification

Taiwan

-3.8%
CO_2 electricity (kton)
2017 vs 2016

-10.9%
solid waste (tons)
2017 vs 2016

3,536
hours of training

ISO9001, ISO14001, OHSAS18001
certification

Eco-friendly Operations

Energy consumption and carbon emissions

Vinda emphasises an effective and feasible energy management. We impose stringent controls on procurement, production and distribution.

Mainland China

As an industry pioneer in energy control, we have already put in place energy savings and carbon emissions management systems, waste water discharge monitoring system as well as paper-making water re-use projects in our factories throughout mainland China. We also have carried out regular statistical analyses and evaluation as our usual practice. All these initiatives were adopted prior to the Standard GB31825-2015 "The Norm of Energy Consumption per Unit Product of Pulp and Paper" which came into effect in July 2016 in China.

Natural gas and coal are our main sources of energy to supply heat. The Group selects energy source for each factory based on the availability and feasibility of the natural resources and infrastructure composition. Our factories in Sichuan, Beijing and Guangdong have been using natural gas where the infrastructure makes it feasible. Central heating systems and central effluent treatment facilities are adopted in our factories in Jiangmen, Zhejiang and Liaoning, leveraging the economies of scale of the industrial parks where these factories are located. For factories using coal such as that in Hubei and Shandong, we reduce emissions and improve heat supply efficiency through technological adaptations and upgrades such as replacing the iron dryers of paper machines with steel dryers and upgrading the steam pipes.

Energy consumption and carbon emissions	2017	2016	Change (%)	Upper limits of national benchmarks
Average overall energy consumption per ton of paper (ton of standard coal)	0.32	0.38	–15.8%	0.42
Steam (ton/ton of paper)	0.79	0.93	–15.1%	N/A
Coal (ton of standard coal/ton of paper)	0.13	0.15	–13.3%	N/A
Electricity (kilowatt-hour/ton of paper)	629.39	887.89	–29.1%	N/A
Natural gas (cubic metre/ton of paper)	27.83	29.19	–4.7%	N/A
Sulfur dioxide (SO_2) (emission per 10,000 tons products (ton))	0.84	1.54	–45.5%	Ceiling as determined by local environmental authorities
Carbon dioxide (CO_2) (emission per 10,000 tons products (ton))	11,189	14,378	–22.2%	Ceiling as determined by local environmental authorities

We encourage our workers and frontline management to suggest any possible solution to enhance the energy efficiency of production equipment based on their experience. For example, our factory in Jiangmen is equipped with real-time temperature monitoring of dryers and heaters to reduce energy consumption for every ton of paper through adjustments of the steam system and system intellectualization during the Year. In 2017, the average overall energy consumption for every ton of paper in all factories was 0.32 ton of standard coal, representing a decrease of 15.8% year-on-year, lower than the upper limit of the national benchmark of 0.42 ton of standard coal for every ton of paper under "The Norm of Energy Consumption per Unit Product of Pulp and Paper". In addition, the standard coal consumption per unit product for per ton of paper decreased by 13.3%, while the consumption of steam decreased by 15.1% and the consumption of electricity decreased by 29.1% as well, primarily due to gradual replacement of coal-fired boilers with natural-gas boilers.

During the Year, we further strengthened control of waste gas emissions. All factories are equipped with advanced de-sulfurisation and de-nitrification technologies to effectively reduce the amount of sulfur and nitrogen compounds in our waste gas. We employed a three-tier monitoring management system to ensure that waste gas emissions level is lower than the national standards such as GB1327-2001 "Emission Standard of Air Pollutants for Coal-burning Oil-burning Gas-fired Boilers" and GB3095-2012 "Ambient Air Quality Standards".

In 2017, sulfur dioxide emissions per 10,000 tons of product decreased by 45.5% to 0.84 ton (2016: 1.54 tons). The emission concentration was lower than the benchmark levels determined by local environmental authorities. Carbon dioxide emissions per 10,000 tons of product was 11,189 tons (2016: 14,378 tons), representing a decrease of 22.2% year-on-year, which was attributable to the decrease of standard energy consumption for every ton of paper due to enhanced energy consumption efficiency.

Malaysia and Taiwan

Our factories in Malaysia comply with "Environmental Quality Act 1974", "Environmental Quality (Clean Air) Regulation 2014" and "Environmental Quality (Amendment) Act 2012". In Taiwan, we strictly comply with "Air Pollution Control Act 2012".

Our main usage is electricity. We changed fluorescent lights to LED lights in our factories to reduce electricity consumption. Our warehouse Mechanized Handling Equipment (MHE) in Malaysia changed from liquefied petroleum gas to rechargeable battery.

Energy consumption and	Malaysia			Taiwan		
carbon emissions	2017	2016	Change (%)	2017	2016	Change (%)
Energy – Electricity (GWh)	47.21	49.60	–4.8%	12.8	13.2	–3.0%
Energy – Fuels (terajoule)	0.65	1.12	–42.0%	1.27	1.38	–8.0%
NOx as NO_2 (ton)	0.07	0.11	–36.4%	0.13	0.13	–
CO_2 fossil (kton)	0.04	0.07	–42.9%	0.09	0.09	–
CO_2 electricity (kton)	32.44	34.08	–4.8%	7.44	7.73	–3.8%

Treatment of solid waste

Mainland China

Regarding solid waste treatment, all factories are required to strictly follow set handling procedures for both hazardous and non-hazardous waste. All hazardous waste is handled by professional contractors licensed by environmental authorities while non-hazardous waste is sorted, classified and recycled to the largest extents by eligible contractors selected through a tendering process.

Malaysia and Taiwan

In Malaysia, we strictly comply with "Environmental Quality Act 1974", "Environmental Quality (Scheduled Wastes) Regulation 2005" and "Solid Waste and Public Cleansing Management Act 2007". The scheduled waste competent person at factories strictly follow handling procedures for the scheduled waste. All scheduled waste is collected by appointed licensed contractors only.

In Taiwan, we comply with "Waste Disposal Act (2017)". The dedicated person is responsible for handling waste management. We signed contract with appointed licensed vendor to regularly treat or dispose waste.

In 2017, the recovery of solid waste in Malaysia was 2,088 tons (2016: 2,932 tons), representing a decrease of 28.8%. In Taiwan, the recovery of solid waste was 1,020 tons (2016: 1,145 tons), representing a decrease of 10.9%.

Save Water

Vinda aims to reduce water use in the production process and minimise the sewage discharge.

Mainland China

All our production bases are equipped with advanced water recycling systems, effectively improving the utilisation rate of water resources. After sewage undergoes oxygenation, anaerobic treatments and stratified filtration with shallow air flotation, fiber ball and disc filtration systems, it is either used for greening, or is discharged through the respective municipal sewer systems.

	2017	2016	Change (%)	Upper limits of national benchmarks
Average water consumption for every ton of paper (ton)	8.48	8.28	+2.4%	30
Water recycling rate*	over 95%	over 95%	–	N/A

* Internal estimation

In 2017, our water recycling rate remained above 95%. The average water consumption for every ton of paper was 8.48 tons, which was significantly lower than the national upper limit of 30 tons of water consumption for every ton of product as stipulated in GB/T18916.5 "Norm of Water Intake – Part 5: Pulp, Paper and Paper Board Production".

Regarding treatment of sewage discharge, all production bases are equipped with three-tier effluent treatment facilities. The rigorous monitoring and management systems have been implemented to monitor discharge data on a real-time basis. In response to government calls for a centralised and professional discharge and treatment of sewage by local industrial parks, the sewage discharge handling of our largest factory in Jiangmen was connected to the sewage treatment system of the local industrial park at the end of 2016.

1st stage We monitor and upload real-time discharge data through a round-the-clock system installed at discharge points to which local eco-authorities have access

2nd stage We establish environmental division in each production base to collect data such as SS, BOD and pH and examine the water and gas effluent emissions on a daily basis

3rd stage Local eco-authorities conduct regular inspections on the condition of production bases on quarterly basis

Malaysia and Taiwan

In 2017, total water consumption in Malaysia decreased by 10.0% to 0.09Mm^3. In Taiwan, total water consumption was 0.05Mm^3, 25.0% higher compared to 2016, which was mainly driven by the higher demand of water on factories' air-conditioning system under higher temperature environment.

To save water, we have initiated the recycling of water system in the Cooling Tower for factories' air-conditioning.

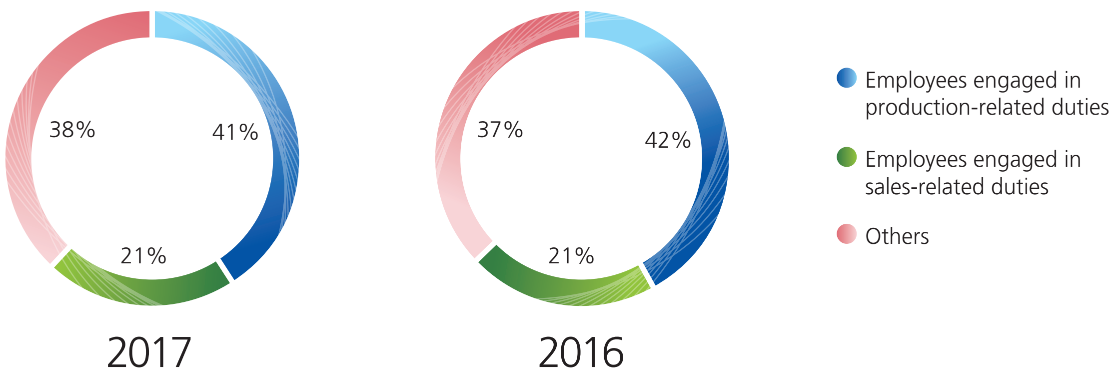
	Malaysia			Taiwan		
	2017	2016	Change (%)	2017	2016	Change (%)
Water consumption (Mm^3)	0.09	0.10	–10.0%	0.05	0.04	+25.0%

Care for People

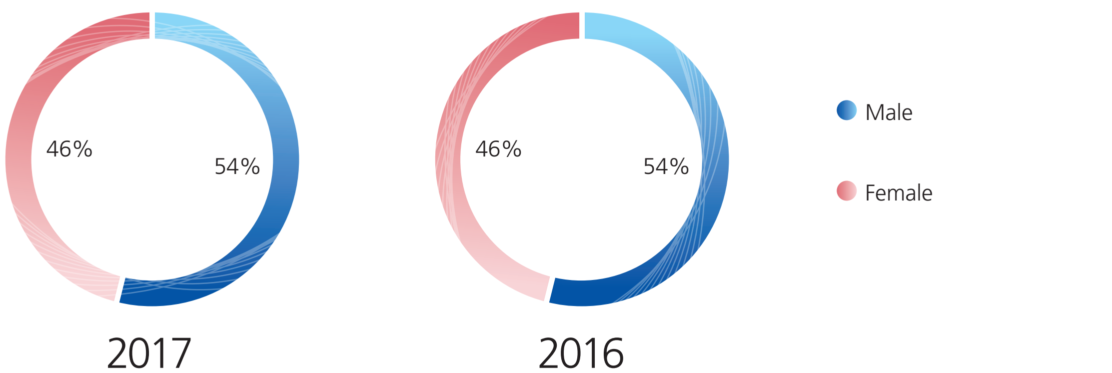
Vinda values talent. We fully comply with national laws and regulations regarding recruitment, employment, employee benefits, training and workplace. We are dedicated to providing fair and equal opportunities for employment and promising career development platform. During the Year, we received various awards such as the title of "2018 Outstanding Human Resources Management Award", "2017 Best Employer in South China", "Advanced Unit for Promoting Deliberative Democracy and Enhancing Social Responsibility" and "2017 Excellent Employer for Foreign Workers". The Group also received the "Caring Company Logo" by The Hong Kong Council of Social Service for five consecutive years.

Vinda Group	2017	2016
Number of employees	11,277	11,257
Turnover rate	18%	16%

Employee Composition by Nature of Work



Employee Composition by Gender



Fair Recruitment

We hire employees based on a standard procedure as specified in our "Recruitment Management System". Vinda follows fair, open and impartial recruitment principles, only taking into account an individual's work experience, competence and educational background, regardless of the age (no recruitment of minors under the age of 16, in mainland China), nationality, race, religion, gender, sexual orientation, marital status, pregnancy, disability or political stance. This process prohibits any employment discrimination and offers equal employment opportunities to all candidates. We do not allow any malpractice issues such as the use of child labour or forced-labour workers.

Employment and Benefits

Mainland China

We strictly comply with national and local laws, such as the "Labour Law", "Labour Contract Law", "Labour Union Law" and "Employment Promotion Law of the People's Republic of China". We also legally abide by labour policies and establish labour unions in accordance with laws.

We have developed various rules and regulations related to the benefits of employees such as the "Remuneration Management System", "Benefit Management System", "Leave and Business Trip Management System", and "Benefit System for Dispatched Employees". These set a standard for the payment of remuneration, paid leave, and the payment of statutory social insurance such as pensions, medical insurance, unemployment insurance, employment injury insurance, maternity insurance and housing provident funds, personal accident insurance and the distribution of other benefits. During the Year, we further improved our remuneration policies and introduced short-term incentive.

Meanwhile, we protect the legal interests of female employees in strict compliance with applicable laws and regulations such as the "Law on the Protection of Women's Rights" and the "Rules on the Labour Protection of Female Employees". Along with prenatal leave, breast-feeding leave, annual gynecological examinations and the Mutual Aid Safety and Health Protection Programme for Female Employees, we also organise activities such as outings or dinner gatherings on International Women's Day and Mother's Day, and set up a new "Mama's Love House"（媽媽愛心小屋）in workplaces to provide better breast-feeding area.

Malaysia and Taiwan

In Malaysia, we follow the government law "Child and Young Persons (Employment) Act 1966" that employer can only hire workforce aged 19 and above. We comply with all the mandatory employment benefits stipulated in "Employment Act" and on top of that, we offer additional benefits, for instance, longer maternity and paternity leaves, medical benefit and insurance benefit.

In Taiwan, we abide by relevant labour acts such as the "Labour Standards Act" and the "Employment Service Act". We strictly comply with the "Act of Gender Equality in Employment" and formulated the "Employee Working Rules" and the "Measures of Prevention, Correction, Complaint and Punishment of Sexual Harassment", to strengthen the protection of female employees' working rights, and prevent the occurrence of gender discrimination and sexual harassment in the workplace.

Family Culture

We advocate a "family culture", caring for employees with a view to enhancing a sense of belonging and enhanced work performance.

Mainland China

In addition to offering facilities such as gyms, dance rooms and libraries in workplaces, we also organise diversified recreational activities, including cultural activities such as photo contests, chess and card games, writing competitions; parent-child activities such as outward bound programmes, parent-child summer camps and training courses; ball games such as fun sport activities and football, table tennis and yoga training classes; festival activities like the Year-end Gala and Lantern Festival Gala. Moreover, we provide donations to those employees in need and arrange regular home visits to provide support to these employees. During the Year, we gained the title of "Advanced Unit of the Model Family of Staff in Guangdong Province" in recognition of our spirit of valuing and caring for workers.

We emphasise the importance of two-way communication with our staff. We listen to the views and suggestions of employees in a fair and open way by organising activities such as staff meetings.

Malaysia and Taiwan

We organised various recreational activities, such as hiking, badminton tournament, DIY office renovation, Bollywood masquerade themed annual dinner and wall doodling to enhance creativity and promote teamwork in Malaysia. We release newsletter regularly to share about the events that were organised in every quarter in order to better engage employees. In Taiwan, we organised activities such as a handicraft-making activity on Mother's Day, film watching, barbecue, charity run and singing contest.

Retain Talent and Training Platforms

Along with a long-term incentive scheme for key senior executives, the "Talent Management Cycle Initiative" was introduced to assess the abilities and potential of all employees following more targeted and systematic ways of trainings. This helped improve the Company's talent pool over the long run.

We offer employees target-oriented and systematic trainings to improve their professional skills and competitiveness. Trainings include face-to-face tutoring, self-learning, workshops, project practice, experience-sharing and e-learning.

Mainland China

Our "Talent Scheme", "Navigation Scheme" and "Altitude Development Programme" are used to identify high potential managers. We have also developed the "Ivy League Project" specially tailored to cultivate excellence in our internal trainers.

For all the factories in mainland China, we have put in place a set of qualification standards for the appointment of technical staff. Following technical training and comprehensive qualifications certification, our technical staff demonstrated their capabilities and chart their own routes for career development in order to create a dual channel for management and professional development. In addition, Vinda has started the "Framework Construction Project for Marketing Capability" to identify the core skills required for marketing personnel.

In 2017, a total of 85,753 hours of trainings were provided to 83,271 participants. Our employees received 13 hours of training on average during the Year.

Malaysia and Taiwan

In 2017, we have introduced the competency matrix assessment for exempt employees with the aim to promote the competency of employees in Malaysia. As for non- exempt employees, we have a thorough competency matrix that matches to the different position in the factory. All the programmes in the matrix were developed by experts.

We launched a three-year training programme for all employees named "The 7 Habits of Highly Effective People", aiming to better help employees increase their efficiency in lives and at work. Other training such as "Critical Thinking", "Stakeholder Management", "Business Simulation", "Influencer" and "People Engagement and Performance" were also conducted to enhance leadership and improve business acumen.

In 2017, a total of 8,016 hours of training were provided to 566 participants, The average training hours completed per employee was 25.1 hours.

In Taiwan, we provided training on occupation and management based on the Group's "Training Management Measures" to enhance the work-related knowledge and skills of our employees. In 2017, we organised the Factory Experience activity. Our sales team participated in the production, quality control, warehousing and logistics, learning more about whole procedure of our products.

In 2017, a total of 3,536 hours of training were provided to 328 participants. The average training hours completed per employee was 10.8 hours.

Safety First

We attach great importance to occupational safety and health, constantly improving the health and safety conditions in our workplaces with our goal of "zero accidents". We also strive to prevent from any potential health or safety hazards. In 2017, there was no fatal work accidents.

Mainland China

To comply with applicable national safety laws and regulations, we continuously improve our internal safety management system, such as "Fire Safety Management System", "An Identification and Evaluation Management System for Dangerous Points" and "An Operations Safety Management System in Limited Spaces". We standardise safety management requirements at the group level by adopting a safety management system to ensure that operational projects with high risks can be effectively monitored.

During the Year, we continued to perfect our feedback mechanism for work safety. Each factory has to convey safety messages, conduct data analysis and summarise the daily work safety condition of all factories. All information will be reported to the management and those in charge of work safety at each factory on monthly basis. Furthermore, we conducted two rounds of safety assessments in all factories in 2017.

We have enhanced our protective equipment. For example, we provide workers with professional protection equipment such as anti-noise earplugs, dust-proof masks, work uniforms and gloves. Noise-reduction and dust-removal devices are also installed on the main equipment which generates dust and noise.

We also conduct safety trainings with factory workers and safety personnel regularly, including training on "How to Carry Out Efficient Safety Inspections and a Basic Knowledge about Occupational Health", and the "HES Management of Modern Enterprises – Basic Knowledge on Managing". In 2017, 698 safety seminars were held for a total of 40,742 participants. In addition, a total of 15 safety personnel attended safety training courses conducted by external professional training institutions, aiming to develop their safety skills. Work safety training for front-line staff was also strengthened. During the Year, the number of production safety accidents dropped by 39.4% to 20 compared with 2016. In 2017, the Lost Time Accidents ("LTA") was 22,576 hours and the Lost Days from above Accident ("DLA") was 2,822 days.

Permanent workers	**2017**	**2016**	**Change (%)**
Number of production safety accidents	20	33	–39.4%
LTA (hour)	22,576	14,240	+58.5%
DLA (day)	2,822	1,780	+58.5%
Number and rate of work-related fatalities	0	0	–

Malaysia and Taiwan

In Malaysia, we fully comply with local safety, health law and regulations, such as "Occupational Safety Health Act 1994" and "Factories and Machineries Act 1967". During the Year, we continuously improved in workplace unsafe conditions and behaviour safety program reporting by using Omniesafe mobile apps system.

We also conduct a series of safety training programs such as Basic Occupation First Aid, CPR and AED. Employee health check, safety week and fire safety talk were provided to employees with aim to create safety awareness and share the knowledge about fire precaution during emergency.

In Taiwan, we formulated the "Life Protection Rules". We hold a safety and health committee and management review meeting on a monthly basis to monitor the progress and the performance of safety management measures. All staff receives safety and health education training on a semi-annual basis.

	Malaysia			Taiwan		
	2017	2016	Change (%)	2017	2016	Change (%)
LTA (case)	1	3	-66.7%	0	0	–
DLA (day)	37	43	-14.0%	0	0	–
Number and rate of work-related fatalities	0	0	–	0	0	–

Green Supply Chain

A sound supply chain management system helps ensure product quality and safety, which is crucial to safeguarding the reputation of any enterprise. We therefore uphold the principle of maintaining a green supply chain in adherence to our "Code of Conduct". 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, primarily sourced from Europe, as well as South and North America, is the major raw material for our tissue products. We give priority to selecting environmentally friendly wood-pulp certified by the Forest Stewardship Council™ (FSC™), the Programme for the Endorsement of Forest Certification (PEFC) or China Forest Certification Council (CFCC) as our raw material. In 2017, the wood pulp sourced by Vinda was all environmentally certified. All production supply chains in mainland China, Malaysia and Taiwan were FSC certified, which enables tracing the origins of the wood pulp raw materials to the well-managed, FSC-certified forests or other controlled sources.

Chemicals Procurement

Mainland China

We prefer chemical suppliers certified with a 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 all relevant laws and regulations. With MSDS, we are 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" in order to safeguard product quality. In 2017, all of our chemical suppliers obtained MSDS certificates.

In addition, in order to standardise quality control systems among suppliers, regulate acceptance requirements among users and govern internal tests requirements among suppliers, we formulated a tendering standard for chemicals in mainland China that cover wet strength agents and glues during the Year. All suppliers are required to submit an internal test report that comprised microbiological content, pH level, viscosity, specifications or adhesion before delivery and a third party test report regarding every product model at least once a year.

Malaysia and Taiwan

Chemicals suppliers shall provide Safety Data Sheet (SDS) for evaluation before purchasing. Our chemical suppliers are required to comply with "Occupational Safety And Health (Classification, Packaging and SDS of Hazardous Chemicals) 2013" in Malaysia and "Regulations for the Labeling and Hazard Communication of Hazardous Chemicals" in Taiwan. In 2017, chemical purchased in Malaysia and Taiwan are with SDS from suppliers.

Quality First

Quality is the cornerstone of an enterprise's reputation. Therefore, we place strong emphasis on the production process and product quality.

Mainland China

All production bases in mainland China 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 secured ISO50001 Energy Management System certifications, while the remaining factories will apply for energy management system certifications in steps.

Hygiene is important to all production bases. Each factory has strictly enforced the 6S management measures, which cover sorting, straightening, shining, sanitising, sustaining and safety, and complied with a three-tier quality monitoring mechanism, covering the "Procedures for Managing the Inspection of Incoming Goods", the "Procedures for Managing Process Inspections" and the "Procedures for Managing Final Checks". During the Year, we updated the pulp inspection standard to strictly regulate technical requirements, testing procedures, inspection rules as well as signs, packaging, transportation and storage for pulp to ensure that it undergoes tests for moisture content and yellowing index before delivery to our factories. During the production process, 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 2017, our products passed the sampling inspections carried out by local and national authorities, maintaining a 100% passing rate for 16 consecutive years.

Malaysia and Taiwan

Malaysia and Taiwan factories have been certified with ISO9001 Quality Management System, ISO14001 Environmental Management System and OHSAS18001 Occupational Health and Safety Management System. Malaysia factories were awarded Gold Safety Awards (site 1) and Bronze (site 2) from Essity. Malaysia factory (site 2) was also awarded MSOSH (Malaysian Society for Occupational Safety & Health) Gold Award. In addition, Taiwan factory was awarded Bronze Safety Award from Essity.

The Malaysia factories implemented 5S workplace management, Foreign Contaminants Control Policy and Foreign Contaminant Control Procedure covering personal hygiene, production and warehouse storage zoning, contamination control (glass, plastic, metals, wood), cleaning and lubricants used, equipment maintenance, material and products handling, pest control as well as metal detection. Our Taiwan factory adopted 6S management measures and pest elimination.

Factories in Malaysia passed the audit conducted by Department of Occupational Safety and Health Malaysia. In Taiwan, we also passed the sampling inspection carried out by local authorities, achieving a 100% passing rate.

Product Recall and Complaint Handling

We are committed to the quality and efficiency of our after-sales customer service. The "Procedures for Handling Customers' Comments" sets forth rules for responding to customers' comments and its summary analysis provides measures on compensations, procedures for handling returned products, remedial measures and preventive measures. If a product was recalled due to special circumstances, we would recall 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 2017.

During the Year, the complaint rate for dry tissue paper products, calculated on the number of complaints received for every 1,000 tons of tissue products sold, was 0.55 (2016: 0.67) in mainland China. The complaints were primarily associated with the product packaging. In Malaysia, the complaint rate for personal care products was 0.52 (2016: 0.60). In Taiwan, the complaint rate for personal care products was 0.21 (2016: 0.72).

High Standard of Corporate Governance

Vinda underscores its commitment to maintaining high standards of corporate governance and adopts a "zero tolerance" attitude towards corrupt business practices. Our internal control unit reports directly to the Audit Committee of the Board and is responsible for conducting internal audits, receiving reports on misconduct, reporting cases to senior management and advising on how to handle such cases. The internal control unit also formulates, reviews and regularly updates the internal control system, rules and guidelines of an enterprise by referencing national and local laws and regulations as well as the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, guidelines issued by the Securities and Futures Commission and other regulatory rules.

We regularly update our internal control policies, procedures and guidelines as well as rules and regulations governing anti-corruption, including "Guidelines on Internal Control", "Measures on Business Transactions and Cost Approval Authorities", "Measures Governing Contracts", "Management System on Confidentiality", "Measures Governing Tender Invitations" and "Code of Conduct", to combat malpractice, fraud, corruption, breach of confidentiality and insider trading. The "Code of Conduct", applicable to all employees, specifies that any business relationship established by any Vinda employee shall be founded on honesty and integrity. In 2017, we reviewed and updated our policies, including communications with shareholders, handling and dissemination of inside information, and the code for securities transactions by directors and relevant employees. We also regularly conduct independent reviews where the Group's operations are located to ensure that our operations are legal and lawfully compliant.

Privacy Protection

All our employees strictly comply with the "Code of Conduct", collecting and handling personal information of our consumers, employees and business partners by fair and lawful means to ensure that they are not accidentally accessed, processed, erased, lost or used without authorisation. The confidential information of our employees is protected and may not be, under any circumstances, revealed to any personnel unless required by law.

Giving Back to Our Community

We are committed to fulfilling our responsibilities as a corporate citizen.

The Vinda Volunteer Team ("Team") was set up in 2008 in mainland China. The Team provided travel consultation services at railway stations on statutory holidays. Meanwhile, the Team has been actively assisting site layout and on-site order maintenance for various events to meet the needs of local communities, such as on-site order maintenance for the Mango Festival in Luokeng, decoration and on-site order maintenance for collective wedding events in the Xinhui District. The Team also carries out home safety assessments and health management services by way of donations and visits to elderly people living alone. During the Year, we partnered with the Sunflower Social Work Center in Xinhui to provide training for Vinda volunteers to enhance their professionalism. During the Year, 3,558 hours of community service were provided by the Team. A total of 730 participants attended the activities during the Year. During the Year, the Team was awarded the "Best Volunteer Service Organisations in Guangdong Province".

In addition, we initiated warm-hearted live broadcasts during the Chung Yeung Festival, showing our care for incontinence people through communication and by contributing to the Shanghai Qingpu Red Cross, in which we donated a corresponding amount of adults diapers based on the number of likes we received for the live broadcast.

In Hong Kong, our employees participated in the Lifeline Express Charity Run/Walk fundraising activities for the third year in a row to offer free surgeries for cataract patients in impoverished areas of mainland China. Since 2008, the Tempo brand in Hong Kong has been providing product sponsorship to Orbis Moonwalkers. During the Year, Tempo also made donations to the Fu Hong Society.

In Taiwan, we donated diapers to social welfare institutions such as United Way of Taiwan (中華社會福利聯合勸募協會), and donated medium-sized diapers to every newborn in the neighborhood community. In addition, we regularly donated nutritional lunch to the elderly in community of Weixin village (維新村) and donated gifts to the elementary school graduates of Weixin each year.

In Malaysia, employees refurbished four children's home through a charity campaign entitled Drypers Share A Little Comfort which helped improve the living condition of impoverished children, providing them with a comfortable homes. In addition, A TENA Moments campaign called on Malaysians to nominate a caregiver in their lives for appreciation. This meaningful initiative aimed to raise awareness for the obscure caregivers, and to honour their dedication. TENA Empowering Tour was organised to convey that incontinence is nothing to be ashamed of, and people with incontinence are also able to enjoy happy life with support. During the campaign, 125 cartons of TENA products were given out to two old folks homes.

The Malaysian team has also been sharing knowledge and best practices with university students through collaboration with universities. Career talks were conducted in Sunway University, Monash University, Multimedia University, Heriott-Watt University, Infrastructure University Kuala Lumpur and University Malaya and etc. We have also done a marketing project with Victoria University MBA students to give business insights.

In Singapore, Vinda was honoured Prime Minister's social responsibility award, recognising our contributions towards caring and improving the quality of life in the elderly community.

Vinda Charity Foundation

We offer assistance to underprivileged students, the elderly and critically ill patients through the Vinda Charity Foundation. We built four new service centres in Xinhui to provide free meals to the elderly under the Five-Guarantees System or with low guarantees in 2017. The first service centre opened in 2013, and 11 service centres have been built over the years. In 2017, approximately 115,000 meals were served and 220 people benefited thereby.

In terms of educational aids, in 2017, "You Are the Best" Education Fund under the foundation provided financial assistance to 35 students who also participated in volunteer activities to give back to society. Those undergraduates who have received subsidies also donated their salaries to people in need. We continued the "Save the Heart" programme to offer assistance to the critically ill or 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. Moreover, we sponsored the infrastructure upgrade of a health centre in Shuangshui town to improve the medical environment for local residents.

At the same time, Vinda has set up a "Vinda Love Care Fund" to provide assistance for autism students at the Qizhi School in Jiangmen, aiming to supporting them in their social communication, emotional management and behavioral control. We have also built a "Love House" for orphan families, visiting children from broken homes and providing assistance to them.

Conducting Studies on Family Relationships

Vinda has conducted studies on the theme of "family situations" for four consecutive years. The "2017 Report on the Parent-child Relationship of National Families" focused on the communication modes between post-80s and post-90s parents and their children, which provided practical and meaningful advices to young parents.

Our Promise

Looking forward, Vinda will continue its ceaseless efforts to ensure sustainable development. For environmental protection, we will continue to reduce emissions, save energy and reduce pollution through any possible ways. In terms of corporate governance, we will ensure that all internal policies, systems and processes are lawful and legally complied. We promise to do our best to fulfil our social responsibilities.

A. Environmental

		KPI	
Aspect A1: Emissions			
Types of emissions and respective emissions data Greenhouse gas emissions in total	Mainland China – Carbon dioxide emissions per 10,000 tons of products: 11,189 tons (2016: 14,378 tons) – Sulfur dioxide emissions per 10,000 tons of products: 0.84 tons (2016: 1.54 tons) Malaysia – CO_2 fuel emissions: 0.04 ktons (2016: 0.07 ktons) – CO_2 electricity emissions: 32.44 ktons (2016: 34.08 ktons) – NOx as NO_2: 0.07 tons (2016: 0.11 tons) Taiwan – CO_2 fuel emissions: 0.09 ktons (2016: 0.09 ktons) – CO_2 electricity emissions: 7.44 ktons (2016: 7.73 ktons) – NOx as NO_2: 0.13 tons (2016: 0.13 tons)	A1.1 A1.2	✓
Total hazardous and non-hazardous waste produced and intensity	– In response to government calls for a centralised and professional discharge and treatment of sewage by local industrial parks, the sewage discharge handling of our largest factory in Jiangmen is connected to the sewage treatment system of the local industrial park by the end of 2016 – Recovery of solid waste in Malaysia was 2,088 tons (2016: 2,932 tons) – Recovery of solid waste in Taiwan was 1,020 tons (2016: 1,145 tons)	A1.3 A1.4	✓
Measures to mitigate emissions and results achieved	Mainland China – Equipped with advanced de-sulfurisation and de-nitrification technologies to effectively reduce the amount of sulfur and nitrogen compounds in our waste gas – We employed a three-tier monitoring management system to ensure that waste gas emissions level is lower than the national standards such as GB1327-2001 "Emission Standard of Air Pollutants for Coal-burning Oil-burning Gas-fired Boilers" and GB3095-2012 "Ambient Air Quality Standards" – Sulfur dioxide emissions per 10,000 tons of products: 0.84 tons, decreased by 45.5% (2016: 1.54 tons) – Carbon dioxide emissions per 10,000 tons of products: 11,189 tons, decreased by 22.2% (2016: 14,378 tons) Changed fluorescent lights to LED lights in Malaysia and Taiwan factories; Warehouse MHE in Malaysia changed from liquefied petroleum gas to rechargeable battery Malaysia – CO_2 fuel emissions: 0.04 ktons, decreased by 42.9% (2016: 0.07 ktons) – CO_2 electricity emissions: 32.44 ktons, decreased by 4.8% (2016: 34.08 ktons) – NOx as NO_2: 0.07 tons, decreased by 36.4% (2016: 0.11 tons) Taiwan – CO_2 fuel emissions: 0.09 ktons (2016: 0.09 ktons) – CO_2 electricity emissions: 7.44 ktons, decreased by 3.8% (2016: 7.73 ktons) – NOx as NO_2 emissions: 0.13 tons (2016: 0.13 tons)	A1.5	✓

		KPI	
Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	Mainland China Handling of hazardous and non-hazardous wastes – Hazardous waste is handled by professional contractors licensed by the environmental authorities – Non-hazardous waste is sorted, classified and recycled to the largest extents by eligible contractors – Set up paper-making water re-use projects – Installed water recycling systems in all of our production bases – Equipped our bases with three-tier effluent treatment facilities Result achieved – The emission concentration of all types of pollutants fully met the national standards Malaysia and Taiwan – Strictly comply with local laws and regulations, including "Environmental Quality (Scheduled Wastes) Regulation 2005" in Malaysia and "Waste Disposal Act 2017" in Taiwan etc. Results achieved – Recovery of solid waste in Malaysia was 2,088 tons (2016: 2,932 tons) – Recovery of solid waste in Taiwan was 1,020 tons (2016: 1,145 tons)	A1.6	✓
Aspect A2: Use of Resources			
Direct and indirect energy consumption by type	Mainland China – Average overall energy consumption for every ton of paper (ton of standard coal): 0.32 (2016: 0.38) – Electricity (kilowatt hours/ton of paper): 629.39 (2016: 887.89) – Coal (ton of standard coal/ton of paper): 0.13 (2016: 0.15) – Natural gas (cubic metre/ton of paper)：27.83 (2016: 29.19) – Steam (ton/ton of paper): 0.79 (2016: 0.93) Malaysia – Energy – Electricity (GWh): 47.21 (2016: 49.60) – Energy – Fuels (terajoule): 0.65 (2016: 1.12) Taiwan – Energy – Electricity (GWh): 12.8 (2016: 13.2) – Energy – Fuels (terajoule): 1.27 (2016: 1.38)	A2.1	✓
Water consumption	Mainland China – Average water consumption for every ton of paper: 8.48 tons (2016: 8.28 tons) – Water recycling rate (estimates): over 95% (2016: over 95%) Malaysia – Water consumption (Mm^3): 0.09 (2016: 0.10) Taiwan – Water consumption (Mm^3): 0.05 (2016: 0.04)	A2.2	✓

		KPI	
Energy use efficiency initiatives and results achieved Water efficiency improving initiatives and results achieved	For energy use efficiency initiatives Mainland China – Selected the energy source for each factory based on the availability and feasibility of the natural resources and infrastructure composition by referring to "The Norm of Energy Consumption per Unit Product of Pulp and Paper" Malaysia – Comply with "Environmental Quality Act 1974", "Environmental Quality (Clean Air) Regulation 2014" and "Environmental Quality (amendment) Act 2012" Taiwan – Strictly comply with "Air Pollution Control Act 2012" Results achieved Mainland China – All plants met the national standards of energy use – Consumption of steam decreased by 15.1% – Average overall energy consumption per ton of paper (ton of standard coal) decreased by 15.8% – Electricity consumption (kilowatt hours/ton of paper) decreased by 29.1% – Coal consumption (tons of standard coal/ton of paper) decreased by 13.3% Malaysia – CO_2 fuel emissions decreased by 42.9% – CO_2 electricity emissions decreased by 4.8% – NOx as NO_2 decreased by 36.4% Taiwan – Energy – electricity decreased by 3.0% – Energy – fuels decreased by 8.0% – CO_2 electricity decreased by 3.8% For water efficiency improving initiatives – Our production bases in mainland China are equipped with water recycling systems and devices for shallow air flotation, fiber ball and disc filtration systems – The recycling of water system in the Cooling Tower for air-conditioning of factories in Malaysia and Taiwan Results achieved Mainland China – The average water consumption for every ton of paper was 8.48 tons, which was significantly lower than the national upper limit of 30 tons of water consumption for every ton of product as stipulated in GB/T18916.5 "Norm of Water Intake – Part 5: Pulp, Paper and Paper Board Production" – The water recycling rate remained above 95% Malaysia – Total water consumption decreased by 10.0% to 0.09Mm^3	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	A2.5	
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 and age group	Number of employees of Vinda Group: 11,277 Workforce by nature of work – Percentage of employees engaged in production-related duties: 41% – Percentage of employees engaged in sales and marketing-related duties: 21% – Others: 38% Workforce by gender: – Male: 54% – Female: 46%	B1	✓
Employee turnover rate	Turnover rate: 18%		
Aspect B2: Health and Safety			
Number and rate of work-related fatalities	– Number of occupational fatalities: 0 – Rate of occupational fatalities: 0	B2.1	
Lost days due to work injury	Mainland China – LTA: 22,576 hours (2016: 14,240 hours) – DLA: 2,822 days (2016: 1,780 days) Malaysia and Taiwan – LTA: 1 case (2016: 3 cases) and DLA: 37 days (2016: 43 days) in Malaysia – No LTA and DLA in Taiwan	B2.2	
Occupational health and safety measures adopted, how they are implemented and monitored	Occupational health and safety measures adopted, how they are implemented and monitored Mainland China – Continuously improve our internal safety management system, such as "Fire Safety Management System", "An Identification and Evaluation Management System for Dangerous Points" and "An Operations Safety Management System in Limited Spaces". We standardise safety management requirements at the group level to ensure that operational projects with high risks can be effectively monitored – Continue to perfect our feedback mechanism for work safety. Each factory has to convey safety messages, conduct data analysis and summarise the daily work safety condition of all factories. All information will be reported to the management and those in charge of work safety at each factory on monthly basis Malaysia – Continuously improve Workplace Unsafe Conditions and Behaviour safety program reporting by using Omniesafe mobile apps system Taiwan – Formulated the "Life Protection Rules". We hold a safety and health committee and management review meeting on a monthly basis to monitor the progress and the performance of safety management measures	B2.3	✓

Employment and Labour Practices		KPI	
Aspect B3: Development and Training			
Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities	Mainland China – Number of participants: 83,271 – Average training hours per staff: 13 hours Malaysia – Number of participants: 566 – Average training hours per staff: 25.1 hours Taiwan – Number of participants: 328 – Average training hours per staff: 10.8 hours	B3	✓
Aspect B4: Labour Standards			
Employment practices to avoid child and forced labour	Mainland China – Strictly comply with national and local laws, such as the "Labour Law", "Labour Contract Law", "Labour Union Law" and "Employment Promotion Law of the People's Republic of China" – Develop various rules and regulations related to the benefits of employees such as the "Remuneration Management System", "Benefit Management System, Leave and Business Trip Management System" and "Benefit System for Dispatched Employees" – Protect the legal interests of female employees in strict compliance with applicable laws and regulations such as the "Law on the Protection of Women's Rights" and the "Rules on the Labour Protection of Female Employees" Malaysia – Follow "Child and Young Persons (Employment) Act 1966" and comply with all the mandatory employment benefits stipulated in "Employment Act" – Offer additional benefits, for instance, longer maternity and paternity leaves, medical benefit and insurance benefit Taiwan – Abide by relevant labour acts such as the "Labour Standards Act" and the "Employment Service Act" – Comply with the "Act of Gender Equality in Employment" strictly, and formulated the "Employee Working Rules" and the "Measures of Prevention, Correction, Complaint and Punishment of Sexual Harassment", to strengthen the protection of female employees' working rights	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	✓

Employment and Labour Practices		**KPI**	
Aspect B5: Supply Chain Management			
Policies on managing environmental and social risks of the supply chain	During the year, the Group mainly sourced its wood pulp from Europe, South and North America – Engage and manage suppliers in strict compliance with the "Measures Governing Contracts", "Guidelines on Internal Control" and "Measures Governing Tender Invitations" – Give priority to selecting environmentally certified raw material Malaysia – Comply with "Occupational Safety And Health (Classification, Packaging and SDS of Hazardous Chemicals) 2013" Taiwan – Comply with "Regulations for the Labeling and Hazard Communication of Hazardous Chemicals" All our chemicals suppliers obtained MSDS/SDS certificates	B5	✓
Aspect B6: Product Responsibility			
Percentage of total products sold or shipped subject to recalls for safety or health reasons	No recall actions due to safety or health issues were taken by the Group	B6.1	✓
Number of products and service related complaints received and how they are dealt with	– The "Procedures for Handling Customers' Comments" sets forth rules for responding to customers' comments and its summary analysis provides measures on compensations, procedures for handling returned products, remedial measures and preventive measures – We would recall 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 Please refer to "Product Recall and Complaint Handling"	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 assurancing process – Developed a three-tier quality monitoring mechanism, covering 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 business partners by fair and lawful means	B6.5	✓
Aspect B7: Anti-corruption			
Policies relating to bribery, extortion, fraud and money laundering prevention and compliance with relevant laws and regulations	– Regularly update our internal control policies, procedures and guidelines as well as rules and regulations governing anti-corruption, including "Guidelines on Internal Control", "Measures on Business Transactions and Cost Approval Authorities", "Measures Governing Contracts", "Management System on Confidentiality", "Measures Governing Tender Invitations" and "Code of Conduct" – Reviewed and updated our policies, including communications with shareholders, handling and dissemination of inside information, and the code for securities transactions by directors and relevant employees	B7	✓

Employment and Labour Practices			KPI	
Aspect B8: Community				
Focus areas of contribution	–	Published the "Vinda 2017 Report on the Parent-child Relationship of National Families", focused on the communication modes between post-80s and post-90s parents and their children	B8.1	✓
	–	Encourage volunteers to participate in community services and visit orphans, the elderly and the disabled. During the Year, the Team was awarded the "Best Volunteer Service Organisations in Guangdong Province"		
	–	In Hong Kong, participated in the Lifeline Express Charity Run/Walk fundraising activities to offer free surgeries for cataract patients in impoverished areas of mainland China. Since 2008, the Tempo brand in Hong Kong has been providing product sponsorship to Orbis Moonwalkers. During the Year, Tempo also made donations to the Fu Hong Society		
	–	In Taiwan, donated diapers to social welfare institutions such as United Way of Taiwan（中華社會福利聯合勸募協會）, regularly donate nutritional lunch to the elderly in community of Weixin village（維新村）, etc.		
	–	In Malaysia, helped impoverished children to improve their living condition through a charity campaign entitled Drypers Share A Little Comfort, organised a TENA Moments campaign to reward caregivers, held TENA Empowering Tour and conducted career talks at local universities, etc.		
	–	In Singapore, being honoured Prime Minister's social responsibility award		
	–	Offered assistance to underprivileged students, the elderly and critically ill patients through the Vinda Charity Foundation		
	–	"You Are the Best" Education Fund provided financial assistance to 35 students in 2017		
	–	Continued the "Save the Heart" programme to offer assistance to the critically ill or 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, and sponsored the infrastructure upgrade of a health centre in Shuangshui town to improve the medical environment for local residents		
	–	Set up a "Vinda Love Care Fund" to provide assistance for autism students at the Qizhi School in Jiangmen		
Resources contributed	–	Total hours of community service provided: 3,558 hours	B8.2	✓
	–	Number of volunteers participating: 730		
	–	Number of meals provided to the elderly by eleven service centres in Xinhui: approximately 115,000 meals, which benefited 220 people		

Biographies of Directors

Executive Directors

1. Mr. LI Chao Wang (李朝旺), aged 59, 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 the Vice President of the Household Paper Professional Committee of the China Paper Association, Consultant to China Paper Industry Chamber of Commerce, a member of Jiangmen Political Consultative Committee and Honorary President of Jiangmen Federation of Industry and Commerce. Mr. LI graduated from the Business Administration program of Guangdong Radio and Television University. Mr. LI is the father of Ms. LI Jielin.

2. Ms. YU Yi Fang (余毅昉), aged 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 Officer of the Group on 1 October 2015. Before acting as an Executive Director and Chief Executive Officer of the Group, Mr. MICHALSKI had acted as a Non-Executive Director of the Group 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, China. Prior to joining SCA, he had held a number of senior management positions in a New Zealand dairy group, Fonterra, as well as a global FMCG company, Unilever. Mr. MICHALSKI has a master's degree in Economics from Kiel University, Germany.

4. Ms. LI Jielin (李潔琳), aged 31, was appointed as Executive Director and Deputy Chief Executive Officer of the Group 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 54, 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.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Non-Executive Directors

6. Mr. Jan Christer JOHANSSON, aged 63, was appointed as a Non-Executive Director on 1 January 2014 and as the Vice Chairman of the Board on 1 January 2015. Mr. JOHANSSON was the President and Chief Executive Officer of SCA, from 2007 to February 2015. Prior to joining SCA, from 2001 to 2007, Mr. JOHANSSON was the President and Chief Executive Officer of Boliden AB, a metals company with core competence in the fields of exploration, mining, smelting and metals recycling. In 2001, Mr. JOHANSSON served as the President of Network Operations in Telia AB. From 1994 to 2000, Mr. JOHANSSON was the Executive Vice President of Vattenfall and, before that from 1990, the Business Area President of Svenska Shell. Mr. JOHANSSON has taken up professional roles like General Counsel in Shell International Petroleum, Svenska Shell and Lycksele and Sunne district courts from 1983 to 1990. Mr. JOHANSSON is the Chairman of Suominen Oy and Organoclick AB. Mr. JOHANSSON has a master's degree in Laws from Stockholm University, Sweden.

7. Mr. Carl Magnus GROTH, aged 54, was appointed as a Non-Executive Director on 1 July 2015. Mr. GROTH is the President and Chief Executive Officer of Essity, a leading global hygiene and health company, dedicated to improving well-being through leading hygiene and health solutions. Before that Mr. GROTH was the President and Chief Executive Officer of SCA. Mr. GROTH joined SCA in 2011 as President, SCA Consumer Goods Europe (a business unit of SCA). Mr. GROTH also has extensive experience among other things as Chief Executive Officer of Studsvik AB, a company listed on the Stockholm Stock Exchange, Senior Vice President of Vattenfall AB. Mr. GROTH received a master of Science in Economics and Business from the Stockholm School of Economics and a master of Science in Avionics and Naval Technology from Royal Institute of Technology in Stockholm.

8. Mr. Carl Fredrik Stenson RYSTEDT, aged 54, was appointed as a Non-Executive Director on 1 March 2017. He had been the alternate director to Mr. Ulf Olof Lennart SODERSTROM from 18 April 2016 to 28 February 2017. Mr. RYSTEDT is the Executive Vice President and Chief Financial Officer of Essity, a leading global hygiene and health company, dedicated to improving well-being through leading hygiene and health solutions. Before that Mr. RYSTEDT was the Executive Vice President and Chief Financial Officer of SCA from 2014 to 2017. Prior to joining SCA, from 2008 to 2012, Mr. RYSTEDT was the Executive Vice President and Chief Financial Officer of Nordea Bank AB (publ) and the Country Senior Executive of Nordea Sweden. From 2001 to 2008, Mr. RYSTEDT was the Senior Vice President and Chief Financial Officer of Electrolux Group. Mr. RYSTEDT was the Chief Financial Officer of Sapa Group from 2000 to 2001 and was the head of business development of Sapa Group from 1998 to 1999. Mr. RYSTEDT has a master of Science degree in Finance and Accounting from the Stockholm School of Economics.

Alternate Directors

9. Mr. Gert Mikael SCHMIDT, aged 57, was appointed as the Alternate Director to Mr. JOHANSSON and Mr. GROTH on 1 January 2014. Mr. SCHMIDT is the Senior Vice President and General Counsel of Essity. Before that, Mr. SCHMIDT was the Senior Vice President and General Counsel of SCA. He has extensive experience from being Director of the Board in companies around the world. Mr. SCHMIDT joined SCA in 1992 as Assistant General Counsel and has experience among other things as Vice President and General Counsel of SCA Packaging in Belgium and SCA Forest Products in Sweden respectively from 1994 to 2012. From 1986 to 1992, Mr. SCHMIDT held different positions in the legal profession. He has a master's degree in Laws from Uppsala University, Sweden.

10. Mr. Herve Stephane ROSE, aged 56, was appointed as an Alternate Director to Mr. RYSTEDT on 26 October 2017. Mr. ROSE is the Vice President of Business Development of Global Hygiene Supply Personal Care in Essity. He has over 32 years of experience in supply chain and management. Prior to his role in Essity, Mr. ROSE held various positions in the global and regional supply chain as well as in commercial regional management areas in SCA. Mr. ROSE also gained experience by working in Renault and Nestle. Mr. ROSE holds two engineering degrees in mechanical and automation processes from ParisTech University and an MBA from ISG Paris University. He is the president and founder of the management development association in Munich Germany.

Independent Non-Executive Directors

11. Mr. CHIA Yen On (謝鉉安), aged 67, was appointed as an Independent Non-Executive Director on 12 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 has been appointed to be a Committee Member of the Hong Kong Exchanges and Clearing Limited, Gold User Committee in 2017. Mr. CHIA was the Investment Commissioner, Greater China to the Australian Consulate, Hong Kong from 1992 to 2003. Mr. CHIA has over 30 years of 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.

12. Mr. KAM Robert (甘廷仲), aged 60, 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.

13. Mr. TSUI King Fai (徐景輝), aged 68, 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.

14. Mr. WONG Kwai Huen, Albert (王桂壎), aged 66, 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., 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 currently 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 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.

Biographies of Senior Management

15. Mr. ZHANG Jian (張健), aged 45, is the Deputy CEO of the Group. He joined the Group in 1992. He has served as a Manager in the production, marketing, and procurement departments, and Deputy General Manager, General Manager, Chief Operating Officer and President, mainland China. Mr. ZHANG is the Vice President of Guangdong Paper Association. He graduated from Wuyi University in Electronic Technology.

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16. Ms. TAN Yi Yi (譚奕怡), aged 36, is the Chief Financial Officer of the Group. Ms. TAN was appointed as the Deputy Financial Officer on 15 September 2014 and was appointed as the Company Secretary on 11 September 2013. Ms. TAN began her career in audit in one of the Big Four international accountancy firms. After that, Ms. TAN pursued her career in various public enterprises and gained extensive experience in finance and listing work. She joined the Company in 2012 and has served as the Director of Corporate Finance, Acting Chief Financial Officer and Company Secretary. Ms. TAN holds a bachelor's degree from the University of Auckland, New Zealand and an MBA from the University of Hong Kong. Ms. TAN is also a fellow member of the Association of Chartered Certified Accountants in the United Kingdom.

17. Ms. WANG Bo (王波), aged 44, 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 is the Executive Vice President of Guangdong Technical Association of Paper Industry. 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.

18. Mr. Richard SU (蘇洛夫), aged 61, 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.

19. Mr. HU Yong Jin (胡永進), aged 44, is the President -mainland China. Mr. HU previously held the position of Chief Sales Officer of the Group and President, Sales-mainland China. He joined the Group in October 1998 and served sequentially as a branch Manager as well as the Deputy General Manager and General Manager of the Group and the Executive Vice President (sales of southern region) and Senior Vice President of Sales & Marketing of the Group. Mr. HU graduated from Anhui Institute of Technology in 1996 as a bachelor majoring in Automobile Design and Manufacturing.

20. Mr. TANG Hai Tang (湯海棠), aged 46, 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.

21. Ms. SU Ting Nee (徐珍妮), aged 47, 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. Ms. ZHAO Xiao Yu (趙小妤), aged 41, 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.

23. Ms. ZHANG Cui Ling (張翠玲), aged 49, is the Director of Internal Control. Ms. ZHANG graduated from Guangdong Mechanical College in industrial management engineering with a bachelor's degree in Engineering, and holds an MBA degree of Wuhan University of Technology. She is also a Certified Internal Auditor (CIA) and holds a Certification in Risk Management Assurance (CRMA) of the Institute of Internal Auditors (IIA). She joined the Group in July 1991 and has served as the branch Manager of finance, purchasing logistics, quality control, and administration departments.

Corporate Governance

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 2017, 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 2017.

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 2018) 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. Carl Fredrik Stenson RYSTEDT (appointed on 1 March 2017)

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

Alternate Directors
Mr. Gert Mikael SCHMIDT (alternate to Mr. JOHANSSON and Mr. GROTH)
Mr. Herve Stephane ROSE (alternate to Mr. RYSTEDT) (appointed on 26 October 2017)

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 49 to 54 under the section headed "Biographies of Directors and Senior Management" of this annual report.

Board meetings are held regularly at approximately quarterly intervals and also held on ad hoc basis as required by business needs. Regular and ad hoc Board meetings are attended by a majority of the Directors in person or through other electronic means of communication. During the year ended 31 December 2017, other than resolutions passed in writing by all the Directors, the Board held a total of 9 regular and ad hoc Board meetings.

During the year ended 31 December 2017, the Company convened an annual general meeting.

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

Directors	Number of regular and ad hoc Board meetings attended	Number of general meeting attended
Executive Directors		
Mr. LI Chao Wang (Chairman)	9 (9)	1 (1)
Ms. YU Yi Fang (Vice Chairman)	9 (9)	1 (1)
Mr. Johann Christoph MICHALSKI (Chief Executive Officer)	9 (9)	1 (1)
Mr. DONG Yi Ping (Chief Technology Officer)	8 (9)	1 (1)
Ms. LI Jielin (Deputy Chief Executive Officer)	9 (9)	1 (1)
Non-Executive Directors		
Mr. Jan Christer JOHANSSON (Vice Chairman)	8 (9)	1 (1)
Mr. Carl Magnus GROTH	8 (9)	0 (1)
Mr. Carl Fredrik Stenson RYSTEDT (appointed on 1 March 2017)	9 (9)	1 (1)
Mr. Ulf Olof Lennart SODERSTROM (alternate to Mr. RYSTEDT) (resigned on 30 September 2017)	4 (6)	1 (1)
Mr. Gert Mikael SCHMIDT (alternate to Mr. JOHANSSON and Mr. GROTH)	6 (9)	1 (1)
Mr. Herve Stephane ROSE (alternate to Mr. RYSTEDT) (appointed on 26 October 2017)	2 (2)	0 (0)
Independent Non-Executive Directors		
Mr. KAM Robert	8 (9)	1 (1)
Mr. TSUI King Fai	9 (9)	1 (1)
Mr. WONG Kwai Huen, Albert	9 (9)	0 (1)
Mr. CHIA Yen On	9 (9)	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 2017 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 appointed for a term of 3 years and may be extended for such period as the Company and the respective Director agree in writing. The term of appointment of each Director is subject to retirement by rotation and re-election at each annual general meeting in accordance with the Articles of Association of the Company (the "Articles") and the Listing Rules.

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

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

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

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

Company Secretary

Ms. TAN Yi Yi ("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 2017.

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 courses
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. Carl Fredrik Stenson RYSTEDT (appointed on 1 March 2017)	✓		✓
Independent Non-Executive Directors			
Mr. CHIA Yen On	✓		✓
Mr. KAM Robert	✓		✓
Mr. TSUI King Fai	✓		✓
Mr. WONG Kwai Huen, Albert	✓		✓
Alternate Directors			
Mr. Ulf Olof Lennart SODERSTROM (alternate to Mr. RYSTEDT) (resigned on 30 September 2017)	✓		
Mr. Gert Mikael SCHMIDT (alternate to Mr. JOHANSSON and Mr. GROTH)	✓		✓
Mr. Herve Stephane ROSE (alternate to Mr. RYSTEDT) (appointed on 26 October 2017)	✓	✓	

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 Company's remuneration committee has five members comprising three Independent Non-Executive Directors, namely Mr. TSUI King Fai, Mr. KAM Robert and Mr. CHIA Yen On, an Executive Director, Ms. LI Jielin and a Non-Executive Director, Mr. Jan Christer JOHANSSON (appointed on 7 April 2017). The chairman of the remuneration committee is Mr. TSUI King Fai.

The remuneration committee is responsible for formulating and making recommendation to the Board on the Group's remuneration policy, the determination of specific remuneration packages of all Executive Directors and senior management and making recommendations to the Board the remuneration of Non-Executive Directors. It takes into consideration factors such as salaries paid by comparable companies, time commitment and responsibilities of Directors and senior management, employment conditions elsewhere in the Group and desirability of performance-based remuneration. Details of remuneration of the Directors and senior management for the year ended 31 December 2017 are set out in Note 35(b)(8) and Note 37 to the consolidated financial statements.

During the year ended 31 December 2017, 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 recommendations to the Board.

The attendance of each member at the remuneration committee meetings during the year ended 31 December 2017 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 (resigned on 7 April 2017)	2 (2)
Ms. LI Jielin	3 (3)
Mr. KAM Robert	3 (3)
Mr. CHIA Yen On	3 (3)
Mr. Jan Christer JOHANSSON (appointed on 7 April 2017)	1 (1)

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 Company's nomination committee has five members comprising three Independent Non-Executive Directors, namely, Mr. KAM Robert, Mr. WONG Kwai Huen, Albert and Mr. CHIA Yen On, an Executive Director, Mr. LI Chao Wang and a Non-Executive Director, Mr. Jan Christer JOHANSSON. The chairman of the nomination committee is Mr. LI Chao Wang.

The nomination committee considers and recommends to the Board suitably qualified persons to become Directors and to review the structure, size, diversity 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 2017, the nomination committee held 3 meetings. The nomination committee reviewed the current structure, size, diversity and composition of the Board.

The attendance of each member at the nomination committee meeting during the year ended 31 December 2017 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	3 (3)
Mr. Jan Christer JOHANSSON	3 (3)
Mr. KAM Robert	1 (3)
Mr. WONG Kwai Huen, Albert	3 (3)
Mr. CHIA Yen On	3 (3)

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 Company's audit committee has four members comprising three Independent Non-Executive Directors, namely, Mr. KAM Robert, Mr. WONG Kwai Huen, Albert and Mr. TSUI King Fai and a Non-Executive Director, Mr. Carl Fredrik Stenson RYSTEDT (appointed on 1 March 2017). The chairman of the audit committee is Mr. KAM Robert. The audit committee is accountable to the Board and the principal duties of the audit committee include the review and supervision of the financial reporting process. It also reviews the effectiveness of internal audit, internal controls and risk evaluation.

During the year ended 31 December 2017, 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 2017.

The attendance of each member at the audit committee meetings during the year ended 31 December 2017 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 (resigned on 1 March 2017)	1 (1)
Mr. Carl Fredrik Stenson RYSTEDT (appointed on 1 March 2017)	1 (2)

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 Company's risk management committee has five members comprising two Executive Directors, Mr. Johann Christoph MICHALSKI and Ms. YU Yi Fang; two Non-Executive Directors, namely, Mr. Jan Christer JOHANSSON and Mr. Carl Fredrik Stenson RYSTEDT (appointed on 1 March 2017); and an Independent Non-Executive Director, Mr. TSUI King Fai. The chairman of the risk management committee is Mr. Jan Christer JOHANSSON. The principal duties of the risk management committee are to assist the Board in deciding the Group's risk level and risk appetite, advising on major decisions affecting the Group's risk profile or exposure and to give directions where appropriate, and reviewing and reporting to the Board the identified key risks, risk register and related risk mitigating actions including crisis management.

During the year ended 31 December 2017, the RMC held 1 meeting. The attendance of each member at the RMC meetings during the year ended 31 December 2017 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	1 (1)
Ms. YU Yi Fang	1 (1)
Mr. Johann Christoph MICHALSKI	1 (1)
Mr. Ulf Olof Lennart SODERSTROM (resigned on 1 March 2017)	0 (0)
Mr. TSUI King Fai	1 (1)
Mr. Carl Fredrik Stenson RYSTEDT (appointed on 1 March 2017)	0 (1)

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 include to develop and make recommendations to the Board the Company's annual budgets, CAPEX budget, material business plans, and to review and approve proposals for restructuring and major asset disposal as well as annual salaries for senior management and senior executives of the Group within the annual budget approved by the remuneration committee of the Company.

During the year ended 31 December 2017, 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	12 (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 Company's 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. The principal duties of the strategic development committee are (a) to advise on strategy of the Group, namely to review and advise the mid to long term strategic positioning, business plans, brand strategies, investment decisions and mergers and acquisitions of the Group and make recommendations to the Board/executive committee of the Company; and (b) to monitor, review and advise the implementations of strategic plans.

During the year ended 31 December 2017, the strategic development committee held 2 meetings. The members of the strategic development committee during the year ended 31 December 2017 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	2 (2)
Mr. DONG Yi Ping	2 (2)
Mr. Johann Christoph MICHALSKI	2 (2)
Ms. LI Jielin	1 (2)
Mr. CHIA Yen On	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 2017 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 2017, 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 92 to 96 of this annual report.

Internal Controls

The Board is responsible for overseeing the Company's system of internal control. To facilitate the effectiveness and efficient operations and to ensure compliance with relevant laws and regulations, the Group emphasizes the importance of a sound internal control system which is also indispensable for mitigating the Group's risk exposures. The Group's system of internal control is designed to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage and eliminate risks of failure in operational systems and fulfillment of the business objectives. The internal control system is reviewed on an on-going basis by the Board in order to make it practical and effective in providing reasonable assurance in relation to protection of material assets and identification of business risks. The Board is satisfied that, based on information furnished to it and on its own observations, the present internal controls of the Group are satisfactory. The Group is committed to the identification, monitoring and management of risks associated with its business activities and has implemented a practical and effective control system which includes a defined management structure with limits of authority, a sound cash management system and periodic review of the Group's performance by the audit committee and the Board. The Board has conducted review of the effectiveness of the system of internal control and is of the view that the system of internal control adopted for the year ended 31 December 2017 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 Group's strategic objectives, and ensuring that the Group establishes and maintains appropriate and effective risk management and internal control systems.

Risk Management

The Group established the RMC on 8 November 2013. The Board has adopted the terms of reference for the RMC. 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. Carl Fredrik Stenson RYSTEDT (appointed on 1 March 2017) and one Independent Non-Executive Director, namely Mr. TSUI King Fai. The principal duties of the risk management committee are to assist the Board in deciding the Group's risk level and risk appetite, advising on major decisions affecting the Group's risk profile or exposure and to give directions where appropriate, and reviewing and reporting to the Board the identified key risks, risk register and related risk mitigating actions including crisis management. The Corporate Leadership Team ("CLT") which consisting of senior management members has facilitated the RMC in reporting significant risks, material changes and the associated mitigating actions to enhance the accountability and quality of the risk management process.

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

Review of Risk Management and Internal Control Effectiveness

Through the RMC and Audit Committee, the Board has conducted annual review of the effectiveness of the Group's risk management and internal control systems for the year ended 31 December 2017, 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 2017 is set out as follows:

Services rendered	**Fee paid/payable HK$'000**
Audit services	8,786

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 2017, there had been no significant change in the Company's constitutional documents.

The Directors have pleasure in presenting herewith the Directors' report together with the audited accounts for the year ended 31 December 2017.

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 99.

The Directors recommend the payment of a final dividend of 14.0 HK cents (2016: 12.0 HK cents) per ordinary share, totaling HK$167,183,432 on the 1,194,167,373 (31 December 2016: 1,137,412,373) issued shares as at 31 December 2017.

Business Review

The business review of the Group for the year ended 31 December 2017 is set out in the section headed "Management Discussion and Analysis" on pages 12 to 22 of this annual report. An analysis of the Group's performance during the year ended 31 December 2017 using financial Key performance indicators is provided in the section "Management Discussion and Analysis" of this annual report.

Environmental Policies, Performance and Compliance with Laws and Regulations

The Company has been selected as a constituent of the Hang Seng Corporate Sustainability Benchmark Index under Hang Seng Corporate Sustainability Index Series with effect from 4 September 2017.

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

Natural gas and coal are our main sources of energy to supply heat in mainland China. We encourage our workers and frontline management to suggest any possible solution to enhance the energy efficiency of production equipment based on their experience. In 2017, the average overall energy consumption for every ton of paper of all factories in mainland China was 0.32 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 in mainland China are equipped with three-tier effluent treatment facilities. 1st Stage: we monitor and upload real-time discharge data through a round-the-clock system installed at discharge points to which local eco-authorities have access. 2nd Stage: we establish environmental division in each production base to collect data such as suspended solids (SS), biochemical oxygen demand (BOD) and pH and examine the water and gas effluent emissions on a daily basis. 3rd Stage: local eco-authorities conduct regular inspections on the condition of production bases on a quarterly basis.

We give priority to selecting environmentally friendly wood-pulp certified by the Forest Stewardship Council™ (FSC™), the Programme for the Endorsement of Forest Certification (PEFC) or China Forest Certification Council (CFCC) as our raw materials. In 2017, the wood pulp sourced by Vinda was all environmentally certified.

For details, please refer to the section headed "Environmental, Social and Governance (ESG) Report" on pages 23 to 48 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.

(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.

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

(ii) *Cash Flow and Fair Value Interest Rate Risk*
The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest-rate risk arises from borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk.

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

As at 31 December 2016 and 2017, all cash and cash equivalents were deposited in state owned banks and reputable financial institutions and were hence without significant credit risk. Management does not expect any losses from non-performance by these counterparties.

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

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

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

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

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. 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. The RMC, the CLT and Audit Committee also assist in the Group's risk management, details of which are outlined on page 67 of the Corporate Governance Report in this annual report.

Key Relationships with Employees, Customers and Suppliers

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

The Group's major customers are divided into four categories: traditional distributors, B2B corporate clients, key account hypermarkets and supermarkets and e-commerce. As disclosed in Note 12 to the consolidated financial statements on page 151 to page 153 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 2017 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 2017, the reserves of the Company available for distribution to shareholders amounted to HK$4,515,874,106 (2016: HK$3,659,945,690), as stated in Note 14 and Note 36 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 201 and 202 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. Carl Fredrik Stenson RYSTEDT (appointed on 1 March 2017)
Mr. Ulf Olof Lennart SODERSTROM (resigned on 1 March 2017)

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 (resigned on 1 March 2017))*
Mr. Ulf Olof Lennart SODERSTROM *(alternate to Mr. RYSTEDT (resigned on 30 September 2017))*
Mr. Gert Mikael SCHMIDT *(alternate to Mr. JOHANSSON and Mr. GROTH)*
Mr. Herve Stephane ROSE *(alternate to Mr. RYSTEDT (appointed on 26 October 2017))*

Biographical Details of Directors and Senior Management

Brief biographical details of Directors and senior management are set out on pages 49 to 54.

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.

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

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

Save as the (i) agreements between the Group and the group of companies of which Essity (formerly known as SCA) is the ultimate holding company but excluding the Group ("Essity Group") as set out in paragraphs (A) to (C) of the "Continuing Connected Transactions" section on page 76 to page 79; (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 the "Connected Transactions" section on page 75; 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 (D) of the "Continuing Connected Transactions" section on page 79 to page 81, no transactions, arrangements or contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director or 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

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 was completed on 31 March 2017. Jiangmen Dynasty Fortune Paper Limited has upon completion become an indirect wholly owned subsidiary of the Company.

Continuing Connected Transactions

(A) Vinda Master Procurement Agreement

On 31 March 2016, SCA Group Holding BV (currently known as Essity Group Holding BV, "SCA Group Holding"), a controlling shareholder of the Company, as vendor and the Company as purchaser entered into a master procurement agreement ("Vinda Master Procurement Agreement"). Pursuant to and on the terms set out in the Vinda Master Procurement Agreement, SCA Group Holding shall sell (or procure the relevant member(s) of Essity Group to sell) such quantities of the personal care products and raw materials as required by the Company for the personal care business of the Group in certain agreed countries (the "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.

(B) 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 Essity Group), and shall be exclusive of any value added tax and business tax. The actual cost of the Vinda Products shall be determined on a quarterly basis with reference to, without limitation, the nature of the relevant Vinda Products and the cost of producing such Vinda Products.

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

The 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.

(C) 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 Care Product Supply Agreement will be negotiated and agreed between the parties with reference to prevailing market rates of the specific products concerned, taking into account 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 the Vinda Master Procurement Agreement (which are aggregated under Rule 14A.81 of the Listing Rules) for each of the years ended 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	300,000,000	300,000,000
Total:	390,000,000	560,000,000	560,000,000

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 SCA Master Procurement Agreement and Vinda Master Procurement Agreement for the year ended 31 December 2017 are as follows:

Continuing connected transactions	Annual cap for the year ended 31 December 2017 HK$	Actual transaction amount for the year end 31 December 2017 HK$
Transactions under Asaleo Care Product Supply Agreement	60,000,000	35,293,325
Transactions under Vinda Master Procurement Agreement	300,000,000	207,718,065
Transactions under SCA Master Procurement Agreement	200,000,000	117,686,877
Total:	560,000,000	360,698,267

(D) 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 Director 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, 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 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 Supplemental Lease Agreement for the three years ended 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.

As announced by the Company on 26 January 2017, the Board reviewed the annual rental under each of the Lease Agreement, the Second Lease Agreement and the Supplemental Lease Agreement and was of the view that the respective annual rental under each of the Lease Agreement, the Second Lease Agreement and the Supplemental Lease Agreement for the year ended 31 December 2017 shall remain unchanged as follows:

	Year ended 31 December 2017 (RMB'000)
Lease Agreement	29,000
Second Lease Agreement	16,800
Supplemental Lease Agreement	16,200
Aggregated Annual Caps	62,000

Since each of the applicable percentage ratios (other than the profits ratio) calculated with reference to the aggregated annual caps of the transactions under the Supplemental Lease Agreement, the Lease Agreement and the Second Lease Agreement for the year ended 31 December 2017 are more than 0.1% but less than 5%, the continuing connected transactions contemplated under the Supplemental Lease Agreement, the Lease Agreement and the Second Lease Agreement are subject to the reporting, announcement and annual review requirements but are exempt from the independent shareholders' approval requirements under the Chapter 14A of the Listing Rules.

Details of the Lease Agreement, the Second Lease Agreement and the Supplemental Lease Agreement for the year ended 31 December 2017 are as follows:

Continuing connected transactions	Annual cap for the year ended 31 December 2017	Actual transaction amount for the year ended 31 December 2017
Lease Agreement	RMB29,000,000	RMB7,250,000
Second Lease Agreement	RMB16,800,000	RMB4,200,000
Supplemental Lease Agreement	RMB16,200,000	RMB4,050,000
Total:	RMB62,000,000	RMB15,500,000

The transactions under the Lease Agreement, the Second Lease Agreement and the Supplemental Lease Agreement ceased to be continuing connected transactions of the Company following completion of the transactions under the Equity Transfer Agreement as mentioned under the "Connected Transaction" section on 31 March 2017 because the Landlord has become an indirect wholly owned subsidiary of the Company.

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 35 to the consolidated financial statements.

The related party transactions mentioned in Note 35(b)(1) and (2) were continuing connected transactions contemplated under the SCA Master Procurement Agreement, the Asaleo Care Product Supply Agreement or the Vinda Master Procurement Agreement (as the case may be) mentioned in paragraphs (B), (C) and (A) of the "Continuing Connected Transactions" section, respectively.

The related party transactions mentioned in Note 35(b)(5) were continuing connected transactions contemplated under the Lease Agreement, the Second Lease Agreement and the Supplemental Lease Agreement mentioned in paragraph (D) of the "Continuing Connected Transactions" section.

The related party transactions mentioned in Note 35(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 2017, 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

		Number of shares and underlying shares held under equity derivatives			
Name		Personal interests (held as beneficial owner)	Corporate interests (interests of controlled corporations)	Total interests	Approximate percentage (%) of interests[3]
LI Chao Wang	Shares	–	271,341,581[2]	271,341,581	22.72
	Equity Derivatives – Share options	1,998,000[1]	–	1,998,000	0.17
				273,339,581	**22.90**
YU Yi Fang	Shares	50,000	–	50,000	0.004
	Equity Derivatives – Share options	240,000[1]	–	240,000	0.02
				290,000	**0.02**
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**
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 271,341,581 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.

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	Essity Aktiebolag (publ)	Class B shares	70	–	70	0.00001
Jan Christer JOHANSSON	Essity Aktiebolag (publ)	Class B shares	1,000	–	1,000	0.0001
Carl Magnus GROTH	Essity Aktiebolag (publ)	Class B shares	34,000	–	34,000	0.0048
Carl Fredrik Stenson RYSTEDT	Essity Aktiebolag (publ)	Class B shares	13,200	–	13,200	0.0019
Gert Mikael SCHMIDT	Essity Aktiebolag (publ)	Class B shares	19,000	–	19,000	0.0027
Herve Stephane ROSE	Essity Aktiebolag (publ)	Class B shares	2,243	–	2,243	0.0003

Notes:

1. As at 31 December 2017, the total number of registered shares in the share capital of Essity Aktiebolag (publ) was 702,342,489, of which 64,140,438 are Class A shares and 638,202,051 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 2017, none of the Directors and chief executives of the Company are, under Divisions 7 and 8 of Part XV of the SFO, taken to be interested or deemed to have any other interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations, that are required to be entered in the register kept by the Company pursuant to Section 352 of the SFO or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Share Option Scheme

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

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

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

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

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

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

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

As at the date of this annual report, the total number of Shares available for issue under the Scheme considering the Options already granted under the Scheme was 30,587,669, representing approximately 2.56% 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 2017 are as follows:

			Number of Shares issuable under the Options							
	Date of Grant	Exercise price per Share HK$	as at 01/01/2017	granted during the period	exercised during the period	lapsed during the period	cancelled during the period	as at 31/12/2017	Exercise period	Weighted average closing price of the Share immediately before the exercise date HK$
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 (resigned on 30 September 2017)	15/04/2011	8.648	80,000	–	(80,000)	–	–	–	15/04/2011 to 14/04/2021	15.60
	02/05/2012	14.06	140,000	–	(140,000)	–	–	–	(Note 2)	15.60
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	1,230,000	–	–	–	–	1,230,000	15/04/2011 to 14/04/2021	–
	02/05/2012	14.06	6,195,000	–	(1,535,000)	–	–	4,660,000	(Note 2)	15.23
	02/05/2013	10.34	120,000	–	–	–	–	120,000	(Note 3)	–
Total			11,283,000	–	(1,755,000)	–	–	9,528,000		–

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 2017 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 2017, 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]
Essity Group Holding BV	Shares	620,737,112[2]	–	620,737,112	51.98
Essity Aktiebolag (publ)	Shares	–	620,737,112[2]	620,737,112	51.98
Fu An International Company Limited	Shares	271,341,581[3] & [5]	–	271,341,581	22.72
Sentential Holdings Limited	Shares	–	271,341,581[3]	271,341,581	22.72
Nordinvest AB	Shares	97,000,000[4]	–	97,000,000	8.12
Floras Kulle AB	Shares	–	97,000,000[4]	97,000,000	8.12
AB Industrivarden (publ)	Shares	–	97,000,000[4]	97,000,000	8.12

Notes:

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

2. Essity Group Holding BV (formerly known as SCA Group Holding BV) is wholly-owned by Essity Aktiebolag (publ), a company whose shares are quoted and traded on NASDAQ OMX Stockholm, and as American Depository Receipts (ADR level 1) in the United States through Deutsche Bank. Essity Aktiebolag (publ) is deemed to be interested in the 620,737,112 shares in the Company held by Essity Group Holding BV for the purpose of Part XV of the SFO.

3. Fu An International Company Limited is held as to 74.21% by Sentential Holdings Limited, 15.79% by Join Pride International Limited and 10.00% by Daminos Management Limited. The entire issued share capital of Sentential Holdings Limited, Join Pride International Limited and Daminos Management Limited are held by each of LI Chao Wang, YU Yi Fang and DONG Yi Ping, respectively. Sentential Holdings Limited is deemed to be interested in the 271,341,581 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 271,341,581 shares are the same shares in the Company referred to in Note 2 of LI Chao Wang as disclosed in the table under the sub-section headed "Long Positions In Shares, Underlying Shares and Debentures in the Company" under the section headed "Directors' and Chief Executives' Interests in the Shares, Underlying Shares and Debentures of the Company or any Associated Corporation" above.

Save as disclosed above, as at 31 December 2017, there are no other persons (other than Directors or chief executives of the Company) who had or are taken to have interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which are recorded in the register required to be kept by the Company under Section 336 of the SFO, or which are notified to the Company.

Directors' Interests in Competing Business

In 2017, 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 21.4%.

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

– the largest supplier	19.2%
– five largest suppliers combined	40.1%

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

Likely Future Development of the Company's Business

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

Issue of Shares

During the year, the Company issued shares as follows:

(a) 1,755,000 ordinary shares of the Company were issued for cash of HK$24,242,340 on the exercise of options granted under the Share Option Scheme.

(b) Upon the completion and in consideration of the acquisition by the Group of the entire equity interest in Dynasty Paper from Fu An Trading (Hong Kong) Limited pursuant to the Equity Transfer Agreement, the Company issued 55,000,000 consideration Shares at the issue price of HK$15.868 per consideration Share on 31 March 2017 to Fu An International Company Limited pursuant to the Equity Transfer Agreement.

Equity-linked Agreements

Share Option Scheme

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

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 Paper (China)")), and Fu An Trading entered into the Equity Transfer Agreement. Pursuant to the Equity Transfer Agreement, Vinda Paper (China) has conditionally agreed to acquire, and Fu An Trading has conditionally agreed to sell, the entire equity interest in 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. The transfer of Sale Interest by Fu An Trading to the Group was completed on 31 March 2017. An aggregate of 55,000,000 consideration Shares were allotted and issued to Fu An International Company Limited, as nominee of Fu An Trading, at the issue price of HK$15.868 per consideration Share in accordance with the Equity Transfer Agreement. Following the completion, Dynasty Paper became an indirect wholly-owned subsidiary of the Company. 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 and the completion, are set out in the announcements of the Company dated 2 November 2015 and 7 April 2017 and the circular of the Company dated 28 December 2015.

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 out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which he/she may incur or sustain in or about the execution of his/her duties in his/her office. The Company has arranged appropriate insurance cover in respect of legal action against its Directors and officers.

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 2018

羅兵咸永道

To the shareholders of Vinda International Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

Opinion

What we have audited

The consolidated financial statements of Vinda International Holdings Limited (the "Company") and its subsidiaries ("the Group") set out on pages 97 to 200, which comprise:

- the consolidated balance sheet as at 31 December 2017;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include 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 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRS") 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
- Revenue recognition

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$1,621million as at 31 December 2017) and intangible assets with indefinite useful lives including trademarks and licensing agreement (HK$584million as at 31 December 2017). 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 2017 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
Revenue recognition *Refer to Note 2.23 and Note 5 to the consolidated financial statements.* Revenue is recognised when the amount and the related costs are reliably measured, the risks and rewards of the underlying products have been transferred to the customers, and when it is probable that future economic benefits will flow to the entity. We focused on this area due to the huge volume of revenue transactions generated in many different locations and mainly through numerous distributors, supermarkets and E-commerce customers. The return of good receipt notes from supermarkets takes time in some remote locations. There is potential misstatement on occurrence and cut-off of the revenue transactions.	We understood, evaluated and tested management's controls in respect of the Group's sales transactions from contract approval, recording of sales based on contract terms, through reconciliations with cash receipts and customers' records. In addition, we tested the general IT control environment of the Group's system used to record revenue followed by testing of the processes to assess the completeness and accuracy of the revenue entries generated by the system. Furthermore, we conducted testing of revenue recorded covering different locations and customers, using sampling techniques, by examining the relevant customer orders, goods delivery notes and customer's receipt notes. In addition, we sent confirmations to certain customers to confirm their balance and transaction with the Group. One of our focuses was on sales transactions that took place shortly before and after the balance sheet date, including inspection of credit notes issued after that date, to assess whether revenue was recognised in the correct reporting periods. No exception was noted from our testing.

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.

Other Information *(continued)*

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 HKFRS 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.

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with 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 2018

	Note	As at 31 December 2017 HK$	2016 HK$
ASSETS			
Non-current assets			
Property, plant and equipment	7	**8,739,887,326**	7,281,873,804
Leasehold land and land use rights	6	**1,042,127,885**	432,130,671
Intangible assets	8	**2,913,888,055**	2,796,001,162
Deferred income tax assets	19	**348,762,906**	268,225,330
Investment properties		**7,660,539**	4,859,059
		13,052,326,711	10,783,090,026
Current assets			
Inventories	10	**3,048,179,318**	1,785,142,568
Trade receivables, other receivables and prepayments	12	**2,309,863,202**	1,938,829,069
Prepayments to and receivables from related parties	35(c)	**28,949,331**	106,197,276
Cash and cash equivalents	13	**534,589,786**	1,015,254,277
		5,921,581,637	4,845,423,190
Total assets		**18,973,908,348**	15,628,513,216
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	14	**119,416,737**	113,741,237
Share premium	14	**4,345,689,034**	3,498,754,174
Other reserves	16	**4,271,362,605**	3,167,068,811
Total equity		**8,736,468,376**	6,779,564,222

	Note	As at 31 December 2017 HK$	2016 HK$
LIABILITIES			
Non-current liabilities			
Borrowings	18	**3,310,130,427**	2,879,551,662
Loans from a related party	18,35(c)	**1,236,403,002**	915,499,741
Deferred government grants	20	**142,848,544**	90,486,296
Deferred income tax liabilities	19	**211,437,204**	203,135,117
Post-employment benefits	21	**33,214,008**	36,601,481
Other non-current liabilities	22	**17,675,709**	–
		4,951,708,894	4,125,274,297
Current liabilities			
Trade payables, other payables and accrued expenses	17	**4,493,818,093**	3,384,235,435
Borrowings	18	**689,740,941**	1,221,694,623
Due to related parties	35(c)	**37,687,965**	37,775,333
Current income tax liabilities		**64,484,079**	79,969,306
		5,285,731,078	4,723,674,697
Total liabilities		**10,237,439,972**	8,848,948,994
Total equity and liabilities		**18,973,908,348**	15,628,513,216

The financial statements were approved by the Board of Directors on 25 January 2018 and were signed on its behalf

LI Chao Wang
Director

Johann Christoph MICHALSKI
Director

The notes on pages 103 to 200 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2017

	Note	For the year ended 31 December 2017 HK$	2016 HK$
Revenue	5	**13,485,960,780**	12,056,548,935
Cost of sales	24	**(9,486,047,682)**	(8,239,615,131)
Gross profit		**3,999,913,098**	3,816,933,804
Selling and marketing costs	24	**(2,351,849,995)**	(2,074,739,697)
Administrative expenses	24	**(727,035,386)**	(728,394,604)
Other income and losses – net	23	**62,498,407**	(6,226,887)
Operating profit		**983,526,124**	1,007,572,616
Finance income and costs – net	26	**(214,027,686)**	(199,265,704)
Profit before income tax		**769,498,438**	808,306,912
Income tax expense	27(a)	**(148,541,984)**	(154,772,358)
Profit attributable to equity holders of the Company		**620,956,454**	653,534,554
Other comprehensive income:			
Items that may be reclassified to profit or loss			
Currency translation differences		**692,642,246**	(531,450,105)
Item that will not be reclassified subsequently to profit or loss			
Remeasurements of post-employment benefit obligations	21	**2,491,047**	(273,967)
Total comprehensive income attributable to equity holders of the Company		**1,316,089,747**	121,810,482
Earnings per share for profit attributable to equity holders of the Company for the year (expressed in HK$ per share)			
– basic earnings per share	29	**0.526**	0.598
– diluted earnings per share	29	**0.525**	0.597

The notes on pages 103 to 200 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes In Equity

For the year ended 31 December 2017

	Note	Attributable to equity holders of the Company			
		Share capital HK$	Share premium HK$	Other reserves HK$	Total HK$
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	30	–	–	(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
Balance at 1 January 2017		**113,741,237**	**3,498,754,174**	**3,167,068,811**	**6,779,564,222**
Profit for the year		**–**	**–**	**620,956,454**	**620,956,454**
Other comprehensive income					
– Currency translation differences		**–**	**–**	**692,642,246**	**692,642,246**
– Remeasurements of post-employment benefit obligations		**–**	**–**	**2,491,047**	**2,491,047**
Total comprehensive income for 2017		**–**	**–**	**1,316,089,747**	**1,316,089,747**
Transaction with owners					
Employees share option scheme					
– Exercise of share options	15,16	**175,500**	**32,934,860**	**(8,868,020)**	**24,242,340**
Allotment of shares	14	**5,500,000**	**814,000,000**	**–**	**819,500,000**
Dividends	30	**–**	**–**	**(202,927,933)**	**(202,927,933)**
Transaction with owners		**5,675,500**	**846,934,860**	**(211,795,953)**	**640,814,407**
Balance at 31 December 2017		**119,416,737**	**4,345,689,034**	**4,271,362,605**	**8,736,468,376**

The notes on pages 103 to 200 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	Note	For the year ended 31 December 2017 HK$	 2016 HK$
Cash flows generated from operating activities			
Cash generated from operations	31(a)	**1,450,394,542**	2,474,317,860
Interest paid		**(231,198,820)**	(176,469,869)
Income tax paid		**(232,802,650)**	(82,493,987)
Net cash generated from operating activities		**986,393,072**	2,215,354,004
Cash flows used in investing activities			
Cash (paid to)/acquired through acquisition of subsidiaries	34,33	**(81,716,451)**	301,808,005
Purchase of property, plant and equipment		**(1,243,552,114)**	(1,234,409,827)
Proceeds from disposal of property, plant and equipment	31(b)	**31,807,475**	2,808,522
Proceeds from government grants	20	**53,157,005**	9,157,723
Payment for leasehold land and land use rights	6	**(6,880,281)**	(81,552,655)
Purchase of intangible assets	8	**(38,907,355)**	(28,618,295)
Interest received	26	**9,170,849**	4,700,126
Net cash used in investing activities		**(1,276,920,872)**	(1,026,106,401)
Cash flows used in financing activities			
Proceeds from shares issued		**24,242,340**	401,169,913
Proceeds from borrowings		**5,080,559,653**	5,239,059,652
Proceeds from loans from a related party		**300,000,000**	–
Repayments of borrowings		**(5,502,116,055)**	(4,556,236,373)
Repayments of loans from a related party		**–**	(1,502,702,986)
Dividends paid	30	**(202,927,933)**	(110,584,955)
Net cash used in financing activities		**(300,241,995)**	(529,294,749)
Net (decrease)/increase in cash and cash equivalents		**(590,769,795)**	659,952,854
Effect of foreign exchange rate changes		**110,105,304**	(37,946,563)
Cash and cash equivalents, beginning of the year	13	**1,015,254,277**	393,247,986
Cash and cash equivalents, end of the year	13	**534,589,786**	1,015,254,277

Non-cash transactions

The principal non-cash transaction is the issue of shares, convertible notes and shareholder loan as consideration for the acquisitions disclosed in Note 33 and 34.

The notes on pages 103 to 200 are an integral part of these consolidated financial statements.

The reconciliation of liabilities arising from financing activities is as follows:

	Borrowings (Non-Current) HK$	Borrowings (Current) HK$	Loans from related parties (Non-current) HK$	Total HK$
As at 31 December 2016	2,879,551,662	1,221,694,623	915,499,741	5,016,746,026
Cash flows				
– Inflow from financing activities	971,101,614	4,109,458,039	300,000,000	5,380,559,653
– Outflow from financing activities	(547,156,081)	(4,954,959,974)	–	(5,502,116,055)
Non-cash changes				
– Reclassification	(236,008,014)	236,008,014	–	–
– Addition to loans through acquisition of a subsidiary (i)	47,572,933	–	–	47,572,933
Currency translations	195,068,313	77,540,239	20,903,261	293,511,813
As at 31 December 2017	3,310,130,427	689,740,941	1,236,403,002	5,236,274,370

(i) On 31 March 2017, the Group completed the acquisition of 100% equity interest of Jiangmen Dynasty Fortune Paper Limited. As a result, loans amounting to HK$47,572,933 were carried into the Group.

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.

Svenska Cellulosa Aktiebolaget ("SCA") was the ultimate holding company of the Group. SCA spun off its hygiene unit into a new listed company, namely Essity Aktiebolag (publ) ("Essity") in June 2017. Essity has become Vinda's ultimate controlling shareholder in place of SCA from 14 June 2017.

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 2018.

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 other non-current liabilities and plan assets of defined benefit pension plans measured at fair value.

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 2017:

HKAS 7 (Amendments) "Statement of cash flows" is effective for annual periods beginning on or after 1 January 2017. The amendments introduced an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

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.

(b) *Standards, amendments and interpretations to existing standards effective in 2017 but not relevant to the Group.*

		Effective for annual periods beginning on or after
HKAS 12 (Amendments)	Income taxes	1 January 2017
HKFRS 12 (Amendment)	Disclosure of interest in other entities	1 January 2017

2 Summary of significant accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

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

(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 2017 and have not been early adopted:

		Effective for annual periods beginning on or after	
HKFRS 1 (Amendment)	First time adoption of HKFRS	1 January 2018	
HKFRS 2 (Amendments)	Classification and measurement of share-based payment transactions	1 January 2018	
HKFRS 4 (Amendments)	Insurance contracts	1 January 2018	
HKFRS 9	Financial instruments	1 January 2018	(i)
HKFRS 15	Revenue from contracts with customers	1 January 2018	(ii)
HK (IFRIC) 22	Foreign currency transactions and advance consideration	1 January 2018	
HKAS 28 (Amendment)	Investments in associates and joint ventures	1 January 2018	
HKAS 40 (Amendments)	Transfers of investment property	1 January 2018	
HKFRS 16	Leases	1 January 2019	(iii)
HK (IFRIC) 23	Uncertainty over income tax treatments	1 January 2019	
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined	
HKFRS 17	Insurance contracts	1 January 2021 or when apply HKFRS 15 and HKFRS 9	

(i) HKFRS 9, *Financial Instruments*

Nature of change

HKFRS 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

2 Summary of significant accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

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

(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 2017 and have not been early adopted: (continued)

(i) HKFRS 9, *Financial Instruments (continued)*

Impact

The Group does not expect the new guidance to have significant impact on the classification and measurement of its financial assets as the Group does not have:

- Debt instrument that are classified as available-for-sale financial assets;
- Debt instrument classified as held-to-maturity and measured at amortised cost;
- Equity investment measured at fair value through profit or loss.

The group has reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard on 1 January 2018:

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 *Financial Instruments: Recognition and Measurement* and have not been changed.

The new hedge accounting rules will align the accounting for hedging instruments more closely with the Group's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. The Group does not have any hedge instrument. Therefore, the Group does not expect any impact on the new hedge accounting rules.

The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through other comprehensive income, contract assets under HKFRS 15 *Revenue from Contracts with Customers*, lease receivables, loan commitments and certain financial guarantee contracts. Based on the assessments undertaken to date, the Group does not expect material change to the loss allowance for trade debtors.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

2 Summary of significant accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

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

(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 2017 and have not been early adopted: (continued)

(i) HKFRS 9, *Financial Instruments (continued)*

Date of adoption by Group

Must be applied for financial years commencing on or after 1 January 2018. The Group will apply the new rules retrospectively from 1 January 2018, with the practical expedients permitted under the standard. Comparatives for 2017 will not be restated.

(ii) HKFRS 15, *Revenue from Contracts with Customers*

Nature of change

The HKICPA issued HKFRS 15 as a new standard for the recognition of revenue to replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts and the related literature.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Impact

When applying HKFRS 15, revenue shall be recognized by applying following steps:

- identify the contract with customer;
- identify the performance obligations in the contract;
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contracts;
- recognize revenue when (or as) the entity satisfies a performance obligation.

The Group engaged in providing paper and personal care consumer products business. The Group didn't introduce any customer loyalty programme which is likely to be affected by the new HKFRS 15.

2 Summary of significant accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

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

(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 2017 and have not been early adopted: (continued)

(ii) HKFRS 15, *Revenue from Contracts with Customers* *(continued)*

Impact *(continued)*

Management has assessed the effects of applying the new standard on the group's financial statements and has identified the following areas that will be affected:

- rights of return – HKFRS 15 requires separate presentation on the balance sheet of the right to recover the goods from the customer and the refund obligation. Due to the large size and low value of the Group's products, the historical goods return rate is very low. The financial impact of applying new HKFRS 15 is not material.

- Presentation of contract assets and contract liabilities in the balance sheet – HKFRS 15 requires separate presentation of contract assets and contract liabilities in the balance sheet. This will result in some reclassifications as of 1 January 2018 in relation to contract liabilities which are currently included in other balance sheet line items.

Date of adoption by Group

Mandatory for financial years commencing on or after 1 January 2018. The Group will adopt the new standard from 1 January 2018. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption (if any) will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated. The Group will adopt two practical expedients under modified retrospective approach. One is completed contract which is a contract for which the entity has transferred all the goods or services identified in accordance with HKAS 11, HKAS 18 and related interpretations. Under modified retrospective method, the Group can elect to apply the HKFRS 15 only to contracts that are not completed as at 1 January 2018. Another is contract modification, for contracts that were modified before the beginning of the earliest period presented, an entity need not retrospectively restate the contract for those contract modifications in accordance with IFRS 15. As the nature of the Group's business is to deliver consumer products to various customers, management estimates no material financial impact due to the effectiveness of new HKFRS 15.

2 Summary of significant accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

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

(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 2017 and have not been early adopted: (continued)

(iii) HKFRS 16, *Leases*

Nature of change

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognized on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

Impact

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the group has non-cancellable operating lease commitments of HK$151,286,620. The Group estimates that approximately 5%-10% of these relate to payments for short-term and low-value leases which will be recognised on a straight-line basis as an expense in profit or loss.

However, the Group has not yet assessed what other adjustments, if any, are necessary for example because of the change in the definition of the lease term and the different treatment of variable lease payments and of extension and termination options. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognised on adoption of the new standard and how this may affect the Group's profit or loss and classification of cash flows going forward.

Date of adoption by Group

The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

The Group is assessing the full impact of the new standards, new interpretations and amendments to standards and interpretations. According to the preliminary assessment, other than the assessment results of HKFRS 9, 15 and 16 stated above, none of these is expected to have a significant effect on the consolidated financial statements of the Group.

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.

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

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

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.

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

Acquisition-related costs are expensed as incurred.

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 (Note 2.8).

2 Summary of significant accounting policies *(continued)*

2.2 Subsidiaries *(continued)*

2.2.1 Consolidation *(continued)*

Business Combinations (continued)

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.

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.

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.

2 Summary of significant accounting policies *(continued)*

2.3 Associate *(continued)*

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

Gains or losses on dilution of equity interest in associates are recognised in the 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 and costs – net'. All other foreign exchange gains and losses are presented in the consolidated statement of comprehensive income within 'other income and losses – net'.

2 Summary of significant accounting policies *(continued)*

2.5 Foreign currency translation *(continued)*

(c) Group companies

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

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

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

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

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

(d) Disposal of foreign operation and partial disposal

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

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

2 Summary of significant accounting policies *(continued)*

2.6 Property, plant and equipment

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.

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	7 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 losses – 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 Summary of significant accounting policies *(continued)*

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.

2.8 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 licences that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Other trademarks and licences have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licences over their estimated useful lives of 3 to 15 years.

(c) Contractual customer relationships

Contractual customer relationships acquired in a business combination are recognised at fair value at the acquisition date. The contractual customer 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

2 Summary of significant accounting policies *(continued)*

2.8 Intangible assets *(continued)*

(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).

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

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

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

Deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income. In this case, the tax is also recognised in other comprehensive income.

(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.

2 Summary of significant accounting policies *(continued)*

2.19 Employee benefits *(continued)*

(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.

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.

The group operates 2 cash settled share-based long term incentive plans. The liabilities for these long term incentive plans are measured at fair value which was determined by corresponding valuation model with relevant inputs. The obligations will be presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period.

2 Summary of significant accounting policies *(continued)*

2.20 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.

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

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

2 Summary of significant accounting policies *(continued)*

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.

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, 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)

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

Exposure

The group's major exposure to foreign currency risk at the end of the reporting period, expressed in Hong Kong dollar, was as follows:

	31 December 2017		
	USD	**HKD**	**RMB**
	HK$	**HK$**	**HK$**
Cash	**21,554,219**	**1,858,004**	**7,404,684**
Trade receivables	**48,921,412**	**–**	**7,069,650**
Bank loans	**–**	**–**	**411,527,557**
Trade payables	**1,517,891,295**	**–**	**23,134**

	31 December 2016		
	USD	HKD	RMB
	HK$	HK$	HK$
Cash	17,819,801	2,890,420	8,520,238
Trade receivables	14,290,781	–	1,867,373
Bank loans	–	–	402,459,475
Trade payables	933,500,809	–	–

3 Financial risk management *(continued)*

3.1 Financial risk factors *(continued)*

(a) Market risk *(continued)*

(i) Foreign exchange risk (continued)

Amounts recognised in profit or loss and other comprehensive income

During the year, nil foreign-exchange related amounts were recognised in other comprehensive income. Detail amounts recognised in profit or loss can be found in note 28.

As at 31 December 2017 and 2016, 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:

	2017 **HK$**	2016 HK$
For the year ended:		
Post-tax profit increase/(decrease)		
– Strengthened by 10%	**1,742,577**	2,514,881
– Weakened by 10%	**(1,742,577)**	(2,514,881)
As at:		
Owners' equity increase/(decrease)		
– Strengthened by 10%	**1,742,577**	2,514,881
– Weakened by 10%	**(1,742,577)**	(2,514,881)

3 Financial risk management *(continued)*

3.1 Financial risk factors *(continued)*

(a) Market risk *(continued)*

(i) Foreign exchange risk (continued)

As at 31 December 2017 and 2016, 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:

	2017 HK$	2016 HK$
For the year ended:		
Post-tax profit increase/(decrease)		
– Strengthened by 10%	**6,599,899**	5,077,347
– Weakened by 10%	**(6,599,899)**	(5,077,347)
As at:		
Owners' equity increase/(decrease)		
– Strengthened by 10%	**6,599,899**	5,077,347
– Weakened by 10%	**(6,599,899)**	(5,077,347)

As at 31 December 2017 and 2016, 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:

	2017 HK$	2016 HK$
For the year ended:		
Post-tax profit increase/(decrease)		
– Strengthened by 10%	**33,153,944**	32,433,823
– Weakened by 10%	**(33,153,944)**	(32,433,823)
As at:		
Owners' equity increase/(decrease)		
– Strengthened by 10%	**33,153,944**	32,433,823
– Weakened by 10%	**(33,153,944)**	(32,433,823)

3 Financial risk management *(continued)*

3.1 Financial risk factors *(continued)*

(a) Market risk *(continued)*

(ii) Cash flow and fair value interest rate risk

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

As at 31 December 2017 and 2016, 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:

	2017 HK$	2016 HK$
For the year ended:		
Post-tax profit (decrease)/increase		
– 10 basis points higher	**(3,024,202)**	(2,500,022)
– 10 basis points lower	**3,024,202**	2,500,022
As at:		
Owners' equity (decrease)/increase		
– 10 basis points higher	**(3,024,202)**	(2,500,022)
– 10 basis points lower	**3,024,202**	2,500,022

(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 2017 and 2016, 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.

As at 31 December 2017, unutilized credit facilities amounted to approximately HK$2.94 billion (31 December 2016: HK$4.03 billion).

	Less than 1 year HK$	Between 1 and 2 years HK$	Between 2 and 5 years HK$
As at 31 December 2017			
Bank loans (i)	**799,442,304**	**1,861,278,298**	**1,642,951,706**
Loans from a related party (i)	**35,538,875**	**1,247,554,540**	**–**
Other borrowings	**59,815,052**	**–**	**–**
Trade payables	**2,358,159,286**	**–**	**–**
Other payables	**771,339,647**	**–**	**–**
As at 31 December 2016			
Bank loans (i)	1,343,842,152	1,839,719,042	1,154,503,107
Loans from a related party (i)	30,147,341	30,147,341	920,954,241
Other borrowings	5,589,715	–	–
Trade payables	1,570,545,171	–	–
Other payables	670,687,368	–	–

(i) The interest on borrowings is calculated based on borrowings held as at 31 December 2017 and 2016 without taking account of future issues. Floating-rate interest is estimated using interest rate prevailing as at 31 December 2017 and 2016 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 2017 and 2016 were as follows:

	As at 31 December	
	2017	2016
	HK$	HK$
Total borrowings (Note 18)	**5,236,274,370**	5,016,746,026
Less: Cash and cash equivalents (Note 13)	**(534,589,786)**	(1,015,254,277)
Net debt	**4,701,684,584**	4,001,491,749
Total equity	**8,736,468,376**	6,779,564,222
Net gearing ratio	**53.82%**	59.02%

3.3 Fair value estimation

As at 31 December 2017 and 2016, 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 equipment

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

(c) Current tax and deferred 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 annual consolidated income statement.

The Company is domiciled in Hong Kong. The amount of its revenue from external customers by country or area are analysed as follows:

	For the year ended 31 December	
	2017 **HK$**	2016 HK$
Mainland China	**10,047,416,565**	9,137,962,932
Hong Kong	**1,063,419,125**	1,073,350,612
Malaysia	**1,211,443,501**	902,628,296
Taiwan	**320,877,450**	225,885,809
Others	**842,804,139**	716,721,286
Total revenue	**13,485,960,780**	12,056,548,935

The total non-current assets are analysed as follows:

	As at 31 December	
	2017 **HK$**	2016 HK$
Total non-current assets other than deferred tax assets		
– Mainland China	**9,335,005,596**	7,225,031,254
– Hong Kong and overseas	**3,368,558,209**	3,289,833,442
Deferred tax assets	**348,762,906**	268,225,330
Total non-current assets	**13,052,326,711**	10,783,090,026

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.

5 Segment information *(continued)*

The segment information for the years ended 31 December 2017 and 2016 are as follows:

Year ended 31 December 2017	For the year ended 31 December 2017 Household paper products HK$	Personal care products HK$	Elimination HK$	Total HK$
Segment revenue	10,907,902,750	2,578,058,030	–	13,485,960,780
Segment results	928,437,053	158,081,228	–	1,086,518,281
Amortisation of trademarks, licences and contractual customer relationships	(18,880,595)	(56,754,440)	–	(75,635,035)
Segment profit	909,556,458	101,326,788	–	1,010,883,246
Other income and losses – net				62,498,407
Unallocated costs				(89,855,529)
Operating profit				983,526,124
Finance income and costs – net				(214,027,686)
Profit before income tax				769,498,438
Income tax expense				(148,541,984)
Profit for the year				620,956,454
Other segment items included in the income statement				
Depreciation of property, plant and equipment	(597,211,117)	(105,139,534)	–	(702,350,651)
Amortisation of leasehold land and land use rights, investment property and intangible assets other than trademarks, licences and contractual customer relationships	(39,256,171)	(2,606,409)	–	(41,862,580)
Additions to non-current assets	2,111,408,797	134,404,334	–	2,245,813,131

5 Segment information *(continued)*

Year ended 31 December 2016	For the 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 income and costs – net				(199,265,704)
Profit before income tax				808,306,912
Income tax expense				(154,772,358)
Profit for the year				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 property and 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)*

As at 31 December 2017	Household paper products HK$	Personal care products HK$	Elimination HK$	Total HK$
Segment assets	14,647,757,242	3,965,254,881	–	18,613,012,123
Deferred income tax assets				348,762,906
Prepaid income tax recoverable				12,133,319
Total assets				18,973,908,348
Segment liabilities	8,843,848,525	1,117,670,164	–	9,961,518,689
Deferred income tax liabilities				211,437,204
Current income tax liabilities				64,484,079
Total liabilities				10,237,439,972

As at 31 December 2016	Household paper products HK$	Personal care products HK$	Elimination HK$	Total HK$
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

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	
	2017	2016
	HK$	HK$
At 1 January	**432,130,671**	387,818,653
Acquisition of a subsidiary (Note 34)	**578,105,752**	–
Additions	**6,880,281**	81,552,655
Amortisation (Note 24)	**(20,290,589)**	(9,659,959)
Disposal (i)	**(19,719,890)**	–
Exchange differences	**65,021,660**	(27,580,678)
	1,042,127,885	432,130,671

(i) The disposal of leasehold land and land use rights mainly refers to Everbeauty Industry (Fujian) Company Limited ("Everbeauty (Fujian)"), a subsidiary of the Group sold back the land use rights to local government in 2017.

In March 2016, Vinda Personal Care (China) Limited merged two other subsidiaries in Hubei province. The related land use right certificates amounting to HK$77,240,382 are pending for renewal as at 31 December 2017.

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 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 33)	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 24)	(61,768,411)	(13,388,775)	(467,212,584)	(30,550,418)	(8,922,311)	–	(581,842,499)
Impairment charges (Note 24)	–	–	(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
Year ended 31 December 2017							
Opening 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**
Acquisition of a subsidiary (Note 34)	**339,668,524**	**–**	**5,677,986**	**–**	**–**	**–**	**345,346,510**
Additions	**16,965,229**	**1,483,542**	**59,668,970**	**19,542,274**	**3,753,923**	**1,175,159,295**	**1,276,573,233**
Disposals	**(7,562,464)**	**–**	**(5,783,834)**	**(361,479)**	**(711,713)**	**–**	**(14,419,490)**
Reclassification	**309,893,640**	**(22,716,491)**	**981,570,101**	**11,080,498**	**11,536,685**	**(1,291,364,433)**	**–**
Transfers	**(3,010,867)**	**–**	**–**	**–**	**–**	**–**	**(3,010,867)**
Depreciation (Note 24)	**(93,366,181)**	**(5,292,738)**	**(555,490,386)**	**(39,366,007)**	**(8,835,339)**	**–**	**(702,350,651)**
Impairment charges (Note 24)	**–**	**–**	**(9,165,525)**	**–**	**–**	**–**	**(9,165,525)**
Exchange differences	**155,346,413**	**1,118,009**	**353,937,526**	**7,248,792**	**2,865,474**	**44,524,098**	**565,040,312**
Closing net book amount	**2,461,023,814**	**3,719,028**	**5,425,030,503**	**98,052,405**	**49,219,605**	**702,841,971**	**8,739,887,326**
At 31 December 2017							
Cost	**3,119,209,184**	**8,478,992**	**8,313,767,462**	**230,419,783**	**85,722,266**	**703,515,268**	**12,461,112,955**
Accumulated depreciation and impairment	**(658,185,370)**	**(4,759,964)**	**(2,888,736,959)**	**(132,367,378)**	**(36,502,661)**	**(673,297)**	**(3,721,225,629)**
Net book amount	**2,461,023,814**	**3,719,028**	**5,425,030,503**	**98,052,405**	**49,219,605**	**702,841,971**	**8,739,887,326**

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 amounting to HK$472,406,392 are pending for renewal as at 31 December 2017.

During the year, the Group has capitalised borrowing costs amounting to HK$37,519,675 (2016: HK$16,663,219) on qualifying assets. Borrowing costs were capitalised at the weighted average rate of its general borrowings of 4.90% (2016: 2.83%).

During the year ended 31 December 2016, the Group assessed and provided certain impairment provision for a group of household paper production machineries amounting to HK$2,022,608.

During the year ended 31 December 2017, the Group assessed and provided certain impairment provision for a group of diaper production machineries amounting to HK$9,165,525.

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

	For the year ended 31 December	
	2017	2016
	HK$	HK$
Cost of sales	**599,041,778**	485,276,067
Administrative expenses	**103,308,873**	96,566,432
	702,350,651	581,842,499

8 Intangible assets

	Goodwill HK$	Trademarks and licences HK$	Contractual customer relationships HK$	Computer software HK$	Total HK$
At 1 January 2016					
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 33)	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 24)	–	(35,763,297)	(29,751,522)	(18,416,460)	(83,931,279)
Impairment charge (i) (Note 23)	–	(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	1,527,103,999	884,641,790	440,640,265	100,253,842	2,952,639,896
Accumulated amortisation and impairment	(2,466,414)	(60,083,629)	(41,522,403)	(52,566,288)	(156,638,734)
Net book amount	1,524,637,585	824,558,161	399,117,862	47,687,554	2,796,001,162
Year ended 31 December 2017					
Opening net book amount	1,524,637,585	824,558,161	399,117,862	47,687,554	2,796,001,162
Additions	–	–	–	38,907,355	38,907,355
Disposal	–	–	–	(353,921)	(353,921)
Amortisation expense (Note 24)	–	(39,809,305)	(35,825,730)	(21,262,804)	(96,897,839)
Impairment charge (i) (Note 23)	–	(3,323,091)	–	–	(3,323,091)
Exchange differences	96,408,365	51,374,283	27,745,570	4,026,171	179,554,389
Closing net book amount	1,621,045,950	832,800,048	391,037,702	69,004,355	2,913,888,055
At 31 December 2017					
Cost	1,623,685,238	941,439,552	471,706,056	146,626,484	3,183,457,330
Accumulated amortisation and impairment	(2,639,288)	(108,639,504)	(80,668,354)	(77,622,129)	(269,569,275)
Net book amount	1,621,045,950	832,800,048	391,037,702	69,004,355	2,913,888,055

(i) The carrying amount of certain trademarks and licences has been fully impaired after reviewing the personal care business strategy of the Group.

8 Intangible assets *(continued)*

During the year ended 31 December 2017, amortisation of intangible assets charged to the consolidated statement of comprehensive income is as follows:

	For the year ended 31 December	
	2017	2016
	HK$	HK$
Administrative expenses	**61,072,109**	54,179,757
Selling expenses	**35,825,730**	29,751,522
	96,897,839	83,931,279

(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:

2017	**Opening HK$**	**Addition HK$**	**Exchange differences HK$**	**Closing HK$**
Personal care products	**957,509,763**	**–**	**96,129,252**	**1,053,639,015**
Household paper products	**567,127,822**	**–**	**279,113**	**567,406,935**
	1,524,637,585	**–**	**96,408,365**	**1,621,045,950**

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

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 of 10 years. 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 2017 are as follows:

	Personal care products	Household paper products
Sales amount (% annual growth rate)	4%~35%	5%~11%
Gross margin (% of revenue)	29%~57%	30.8%~32%
Long term growth rate	3.00%	3.00%
Pre-tax discount rate	12.50%	12.00%

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 were 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%

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)*

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

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

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

2017	Opening HK$	Addition HK$	Exchange differences HK$	Closing HK$
Personal care products	223,829,284	–	23,750,825	247,580,109
Household paper products	334,241,789	–	2,294,914	336,536,703
	558,071,073	–	26,045,739	584,116,812

8 Intangible assets *(continued)*

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

2016	Opening HK$	Addition HK$	Exchange differences HK$	Closing HK$
Personal care products	9,378,885	244,620,052	(30,169,653)	223,829,284
Household paper products	320,587,348	–	13,654,441	334,241,789
	329,966,233	244,620,052	(16,515,212)	558,071,073

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 2017 are as follows:

	Personal care products trademark and licence	**Household paper products trademark and licence**
Sales amount (% annual growth rate)	4%~35%	5%~11%
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 2016 are as follows:

	Personal care products trademark and licence	**Household paper products trademark and licence**
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%

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 licences.

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

9 Subsidiaries

As at 31 December 2017, the Company had direct and indirect interests in the following subsidiaries:

Name	Place of incorporation/ operation and kind of legal entity	Principal activities	Issued and fully paid capital	Interest held (directly)	Interest held (indirectly)
Vinda Household Paper (China) Limited	British Virgin Islands, limited liability company	Investment holding and trading of wood pulp and machinery	US$1	100%	–
Vinda Household Paper (Hong Kong) Limited	British Virgin Islands, limited liability company	Investment holding	US$10,002	100%	–
Vinda Household Paper (U.S.A.) Limited	British Virgin Islands, limited liability company	Investment holding	US$1	100%	–
Vinda Household Paper (Australia) Limited	British Virgin Islands, limited liability company	Investment holding	US$1	100%	–
Vinda Paper (U.S.A.) Inc.	United States of America, limited liability company	Service for import and export	US$1	–	100%
Vinda Paper (Australia) Pty Limited	Australia, limited liability company	Manufacturing and sale of household paper products	Australian dollar 100,000	–	100%
Forton Enterprises Limited ("Forton Enterprises")	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%	–
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	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 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	–	100%
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%
Guangdong Xinjiang Energy Company Limited ("Xinjiang Energy")	The PRC, limited liability company	Manufacturing and sale of steam	RMB30,000,000	–	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$150,000,000 (Note(i))	–	100%
PT SCA Hygiene Indonesia ("SCA Indonesia")	Indonesia, limited liability company	Trading of personal care products	Indonesian Rupiah 12,499,033,100	–	100%
Vinda Malaysia Sdn Bhd "Vinda Malaysia", formerly known as "SCA Hygiene Malaysia Sdn Bhd")	Malaysia, limited liability company	Manufacturing and sale of personal care products	MYR23,800,000	–	100%
Vinda Korea Co., Ltd. ("Vinda Korea", formerly known as "SCA Hygiene Korea Co., Ltd.")	Korea, limited liability company	Trading of household paper and personal care products	Korea Won ("KRW") 310,000,000	–	100%
Vinda Taiwan Ltd. ("Vinda Taiwan", formerly known as "SCA Taiwan Ltd.")	Taiwan, limited liability company	Manufacturing and sale of personal care products	New Taiwan Dollar ("NT$") 560,879,450	–	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 Marketing (M) Sdn. Bhd. ("Vinda Marketing", formerly known as "SCA Hygiene Marketing (M) Sdn. Bhd.")	Malaysia, limited liability company	Trading of personal care products	MYR10,000	–	100%
Vinda Singapore Pte. Ltd. ("Vinda Singapore", formerly known as "SCA Hygiene Singapore Pte. Ltd.")	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%
Jiangmen Dynasty Fortune Paper Limited ("Dynasty Fortune")	The PRC, limited liability company	Providing property management services	RMB315,380,000	–	100%

(i) The paid in capital of VPC (Guangdong) was increased from RMB123,000,000 to RMB150,000,000 during the current year.

10 Inventories

	As at 31 December	
	2017	2016
	HK$	HK$
Raw materials	**1,793,658,353**	898,478,051
Finished goods	**1,254,520,965**	886,664,517
	3,048,179,318	1,785,142,568

The cost of inventories recognised as expenses and included in cost of sales amounted to HK$7,638,838,146 (2016: HK$6,591,692,105) for the year ended 31 December 2017.

11a Financial Instruments by Category

	Loans and receivables As at 31 December	
	2017	2016
	HK$	HK$
Assets as per balance sheet		
Trade and other receivables excluding prepayments	**2,274,070,121**	1,895,238,072
Due from related parties excluding prepayments	**28,949,331**	54,212,927
Cash and cash equivalents	**534,589,786**	1,015,254,277
Total	**2,837,609,238**	2,964,705,276

	Financial liabilities at amortised cost As at 31 December	
	2017	2016
	HK$	HK$
Liabilities as per balance sheet		
Loans from a related party	**1,236,403,002**	915,499,741
Bank borrowings	**3,940,056,316**	4,095,656,570
Other borrowings	**59,815,052**	5,589,715
Trade and other payables excluding non-financial liabilities	**3,129,498,933**	2,241,232,539
Due to related parties	**37,687,965**	37,775,333
Total	**8,403,461,268**	7,295,753,898

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	
	2017	2016
	HK$	HK$
Group 1	**269,440,628**	781,029,512
Group 2	**214,052,794**	177,059,998
Group 3	**50,975,565**	56,962,245
Total	**534,468,987**	1,015,051,755

12 Trade Receivables, Other Receivables and Prepayments

	As at 31 December	
	2017	2016
	HK$	HK$
Trade receivables	1,879,614,993	1,677,649,089
Less: Provision for impairment of trade receivables	(25,730,315)	(15,984,956)
Trade receivables, net	1,853,884,678	1,661,664,133
Other receivables		
– creditable input VAT	264,291,894	148,497,154
– prepaid income tax recoverable	12,133,319	4,621,930
– purchase rebates	25,321,575	18,513,340
– subsidy income receivable	17,020,533	–
– sales of investment property receivable	10,731,420	–
– others	87,085,166	56,969,294
Other receivables	416,583,907	228,601,718
Trade and other receivables, net	2,270,468,585	1,890,265,851
Notes receivable	3,601,536	4,972,221
Prepayments		
– purchase of raw materials	4,925,274	4,117,169
– prepayment of utility fee	6,829,921	17,589,520
– prepaid expenses	9,082,290	8,962,843
– others	14,955,596	12,921,465
	35,793,081	43,590,997
	2,309,863,202	1,938,829,069

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	
	2017	2016
	HK$	HK$
RMB	**1,683,476,812**	1,381,065,402
MYR	**260,503,486**	228,273,374
HK$	**183,148,475**	172,518,124
US$	**78,699,847**	61,458,827
NT$	**43,626,570**	42,116,783
SG$	**23,872,769**	22,696,451
KRW	**17,268,050**	16,240,775
Other currencies	**19,267,193**	14,459,333
	2,309,863,202	1,938,829,069

As at 31 December 2017 and 2016, 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 2017 and 2016 is as below:

	As at 31 December	
	2017	2016
	HK$	HK$
Within 3 months	**1,758,571,667**	1,585,320,865
4 months to 6 months	**87,153,393**	62,558,295
7 months to 12 months	**13,958,877**	24,863,757
Over 1 year	**19,931,056**	4,906,172
	1,879,614,993	1,677,649,089

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

As at 31 December 2017, trade receivables of HK$95,313,011 (2016: HK$76,343,268) 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	
	2017	2016
	HK$	HK$
4 months to 6 months	**87,153,393**	62,558,295
7 months to 12 months	**8,041,121**	13,784,973
Over 1 year	**118,497**	–
	95,313,011	76,343,268

As at 31 December 2017, trade receivables of HK$25,730,315 (2016: HK$15,984,956) 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	
	2017	2016
	HK$	HK$
7 months to 12 months	**5,917,756**	11,078,784
Over 1 year	**19,812,559**	4,906,172
	25,730,315	15,984,956

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	
	2017	2016
	HK$	HK$
As at 1 January	**(15,984,956)**	(11,590,775)
Provision for impairment of receivables (Note 24)	**(8,581,128)**	(6,404,393)
Receivables written off	**267,699**	1,054,511
Exchange differences	**(1,431,930)**	955,701
As at 31 December	**(25,730,315)**	(15,984,956)

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

13 Cash and Cash Equivalents

	As at 31 December	
	2017	2016
	HK$	HK$
Cash in hand	**120,799**	202,522
Cash at bank	**534,468,987**	1,015,051,755
	534,589,786	1,015,254,277

The effective weighted average annual interest rate on cash at bank was 1.02% (2016: 0.83%) for the year ended 31 December 2017.

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

	As at 31 December	
	2017	2016
	HK$	HK$
RMB	**267,694,159**	788,430,390
NT$	**153,895,504**	119,768,287
HK$	**15,539,355**	30,540,086
MYR	**33,226,388**	21,639,628
US$	**21,626,022**	17,857,737
Other currencies	**42,608,358**	37,018,149
	534,589,786	1,015,254,277

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 2016	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
Employee share option scheme (Note 15)					
– Exercise of share options	–	1,755,000	175,500	32,934,860	33,110,360
Allotment of shares (ii)	–	55,000,000	5,500,000	814,000,000	819,500,000
At 31 December 2017	**80,000,000,000**	**1,194,167,373**	**119,416,737**	**4,345,689,034**	**4,465,105,771**

As at 31 December 2017 and 2016, 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 BV for the acquisition of entire issued share capital in Vinda Malaysia Group, Vinda Korea and Vinda Taiwan.

On 26 May 2016, Essity Group fully converted the convertible note into 31,639,653 shares, representing 3% of the equity interest of the Company at the market price of HK$13.90 per conversion share.

(ii) On 31 March 2017, the Group completed the acquisition of 100% equity interest of Jiangmen Dynasty Fortune Paper Limited at a consideration of HK$924,275,889 by way of allotment of 55,000,000 shares at the price of HK$14.90 per share and cash of HK$104,775,889.

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 years ended 31 December 2017 and 2016 were as follows:

	For the year ended 31 December			
	2017		2016	
	Weighted average exercise price in HK$	**Number of options**	Weighted average exercise price in HK$	Number of options
At 1 January	**12.57**	**11,283,000**	12.67	12,191,000
Exercised (Note (a))	**13.81**	**(1,755,000)**	13.85	(788,000)
Lapsed (Note (b))	**–**	**–**	14.06	(120,000)
At 31 December	**12.34**	**9,528,000**	12.57	11,283,000

(a) All of the outstanding options are exercisable. Options exercised during the year ended 31 December 2017 resulted in 1,755,000 shares (2016: 788,000 shares) being issued with net proceeds of HK$24,242,340 (2016: HK$10,916,920). The related weighted average share price at the time of exercise was HK$15.35 (2016: HK$15.23) per share.

(b) Option lapsed during the year ended 31 December 2017 was nil (2016:120,000 options) due to employee resignation.

15 Share-based Payment *(continued)*

Share options outstanding as at 31 December 2017 have the following expiry dates and exercise prices:

Expiry date	Exercise price HK$ per share	Number of options
23 February 2019	2.98	460,000
14 April 2021	8.648	1,310,000
01 May 2022	14.06	6,639,000
01 May 2023	10.34	1,119,000

16 Other Reserves

	Statutory reserves (Note (a)) HK$	Retained earnings HK$	Translation reserve HK$	Other reserves HK$	Total HK$
At 1 January 2016	510,473,564	2,335,024,080	253,808,139	60,531,605	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)
Remeasurement on post-employment benefit obligation	–	–	–	(273,967)	(273,967)
At 31 December 2016	600,645,936	2,787,801,307	(277,641,966)	56,263,534	3,167,068,811
At 1 January 2017	**600,645,936**	**2,787,801,307**	**(277,641,966)**	**56,263,534**	**3,167,068,811**
Employee share options scheme:					
– Exercise of options	**–**	**–**	**–**	**(8,868,020)**	**(8,868,020)**
Profit for the year	**–**	**620,956,454**	**–**	**–**	**620,956,454**
Appropriation of reserves	**47,291,256**	**(47,291,256)**	**–**	**–**	**–**
Dividends	**–**	**(202,927,933)**	**–**	**–**	**(202,927,933)**
Currency translation differences	**–**	**–**	**692,642,246**	**–**	**692,642,246**
Remeasurement on post-employment benefit obligation	**–**	**–**	**–**	**2,491,047**	**2,491,047**
At 31 December 2017	**647,937,192**	**3,158,538,572**	**415,000,280**	**49,886,561**	**4,271,362,605**

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 2017, the appropriation for the Reserve Fund is 15% (2016: 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	
	2017	2016
	HK$	HK$
Trade payables	**2,358,159,286**	1,570,545,171
Notes payable	**323,445,538**	143,880,249
Other payables		
– salaries payable	**240,097,903**	185,858,472
– taxes payable other than income tax	**58,751,689**	74,129,262
– advances from customers	**86,890,937**	60,722,605
– payables for property, plant and equipment	**278,657,250**	311,678,369
– others	**169,236,859**	215,128,750
Accrued expenses		
– promotion fees	**612,314,989**	512,025,664
– utility charges	**41,243,258**	46,488,979
– transportation fees	**140,666,083**	106,547,223
– advertising fee	**61,642,389**	55,292,418
– accrued interest	**6,258,278**	7,584,601
– professional services	**2,734,323**	1,392,014
– others	**113,719,311**	92,961,658
	4,493,818,093	3,384,235,435

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

As at 31 December 2017 and 2016, 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	
	2017	2016
	HK$	HK$
RMB	**1,644,103,800**	1,215,086,029
US$	**1,496,148,991**	961,584,349
MYR	**189,767,926**	205,737,772
HK$	**84,881,559**	32,395,778
NT$	**67,214,196**	64,919,163
KRW	**9,362,953**	4,445,730
SG$	**2,992,169**	4,227,000
Other currencies	**20,767,868**	73,547,057
	3,515,239,462	2,561,942,878

The credit period granted by the creditors generally ranged from 30 to 90 days. Ageing analysis of trade and notes payable as at 31 December 2017 and 2016 is as follows:

	As at 31 December	
	2017	2016
	HK$	HK$
Within 3 months	**2,147,550,537**	1,450,098,495
4 months to 6 months	**528,324,145**	259,108,821
7 months to 12 months	**2,374,856**	5,076,188
Over 1 year	**3,355,286**	141,916
	2,681,604,824	1,714,425,420

18 Borrowings

	As at 31 December 2017 HK$	As at 31 December 2016 HK$
Non-current		
Unsecured bank borrowings	3,310,130,427	2,879,551,662
Loans from a related party (Note 35(c))	1,236,403,002	915,499,741
Total non-current borrowings	4,546,533,429	3,795,051,403
Current		
Portion of loans from banks due for repayment within one year		
– Unsecured	629,925,889	1,216,104,908
Other borrowings due for repayment within one year		
– Unsecured (Note (a))	59,815,052	5,589,715
Total current borrowings	689,740,941	1,221,694,623
Total borrowings	5,236,274,370	5,016,746,026

(a) Other borrowings of RMB50,000,000 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	
	2017 HK$	2016 HK$	2017 HK$	2016 HK$	2017 HK$	2016 HK$
Portion of loans due for repayment within 1 year:	629,925,889	1,216,104,908	–	–	59,815,052	5,589,715
Loans due for repayment after 1 year (Note i):						
Between 1 and 2 years	1,739,621,026	1,751,126,647	1,236,403,002	–	–	
Between 2 and 5 years	1,570,509,401	1,128,425,015	–	915,499,741	–	
	3,940,056,316	4,095,656,570	1,236,403,002	915,499,741	59,815,052	5,589,715

Note i: Loan amounts due for repayment after 1 year are based on the scheduled repayment dates set out in the agreements ignoring effect of any repayment on demand clause.

As at 31 December 2017 and 2016, 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	
	2017	2016	**2017**	2016
HK$	**1.80%~2.43%**	1.01%~2.43%	**2.16%~2.68%**	1.66%~2.44%
US$	**1.57%~2.04%**	1.04%~2.07%	**–**	–
RMB	**3.70%~9.80%**	3.70%~9.80%	**4.97%~8.12%**	3.95%~9.63%
EUR	**0.80%**	0.80%	**–**	–
KRW	**2.20%~2.65%**	2.60%~3.25%	**–**	–
MYR	**3.13%~4.16%**	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	
	2017	2016
HK$	**2.40%**	2.16%
US$	**1.87%**	1.83%
RMB	**4.88%**	4.31%
EUR	**0.80%**	0.80%
KRW	**2.36%**	2.84%
MYR	**4.03%**	3.79%

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

	As at 31 December	
	2017 HK$	2016 HK$
RMB	**3,792,287,598**	3,470,054,987
HK$	**1,056,957,846**	1,079,607,931
MYR	**343,179,708**	415,210,553
KRW	**43,849,218**	51,872,555
	5,236,274,370	5,016,746,026

19 Deferred Income Tax

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

	As at 31 December	
	2017	2016
	HK$	HK$
Deferred tax assets		
– Deferred income tax assets to be recovered after 12 months	**54,824,556**	42,611,277
– Deferred income tax assets to be recovered within 12 months	**293,938,350**	225,614,053
	348,762,906	268,225,330
Deferred tax liabilities		
– Deferred income tax liability to be settled after 12 months	**(193,923,743)**	(194,656,517)
– Deferred income tax liability to be settled within 12 months	**(17,513,461)**	(8,478,600)
	(211,437,204)	(203,135,117)
Deferred income tax assets, net	**137,325,702**	65,090,213

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

	For the year ended 31 December	
	2017	2016
	HK$	HK$
Beginning of the year	**65,090,213**	163,262,683
Acquisition of subsidiaries (Note 33)	**–**	(96,204,969)
Credited to the consolidated statement of comprehensive income	**63,252,995**	9,385,834
Exchange differences	**8,982,494**	(11,353,335)
End of the year	**137,325,702**	65,090,213

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 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 33)	–	–	–	–	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
At 31 December 2016 and 1 January 2017	**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**
Credited/(charged) to the consolidated statement of comprehensive income	**5,013,804**	**11,153,188**	**(7,525,718)**	**(232,471)**	**59,913,855**	**(6,617,504)**	**521,597**	**(4,159,545)**	**2,364,911**	**(1,169,323)**	**59,262,794**
Exchange differences	**750,473**	**1,949,128**	**1,989,867**	**1,611,990**	**10,336,414**	**3,877,606**	**(79,279)**	**200,210**	**240,643**	**397,730**	**21,274,782**
At 31 December 2017	**19,037,185**	**35,370,685**	**26,591,983**	**24,493,428**	**183,170,606**	**52,016,196**	**3,367,721**	**–**	**4,715,102**	**–**	**348,762,906**

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$14,639,137 (2016: HK$16,966,576) in respect of losses amounting to HK$65,737,881 (2016: HK$75,777,061), which are not subject to expiration, that can be carried forward against future taxable income.

19 Deferred Income Tax *(continued)*

The movement of the deferred tax liabilities is as follows:

	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 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 33)	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
At 31 December 2016 and 1 January 2017	**1,444,188**	**20,850,001**	**141,827,950**	**34,988,669**	**2,660,451**	**1,363,858**	**203,135,117**
(Credited)/charged to the consolidated statement of comprehensive income	**(5,811)**	**7,920,705**	**(6,589,399)**	**(4,920,166)**	**–**	**(395,530)**	**(3,990,201)**
Exchange differences	**(165,722)**	**1,737,171**	**6,860,556**	**3,497,146**	**237,877**	**125,260**	**12,292,288**
At 31 December 2017	**1,272,655**	**30,507,877**	**142,099,107**	**33,565,649**	**2,898,328**	**1,093,588**	**211,437,204**

Deferred income tax liabilities of HK$196,317,443 (2016: HK$162,224,011) 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$3,576,273,874 as at 31 December 2017 (2016: HK$3,005,883,210).

20 Deferred Government Grants

	HK$
At 1 January 2016	
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 23)	(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
Year ended 31 December 2017	
Opening net book amount	**90,486,296**
Additions	**53,157,005**
Amortisation (Note 23)	**(8,685,378)**
Exchange differences	**7,890,621**
Closing net book amount	**142,848,544**
At 31 December 2017	
Cost	**186,909,448**
Accumulated amortisation	**(44,060,904)**
Net book amount	**142,848,544**

In 2017, certain subsidiaries of the Group received government grants with total amount of RMB45,981,500 (equivalent to HK$53,157,005) (2016: RMB7,850,000 (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.

21 Post-employment Benefits

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

	2017 HK$	2016 HK$
Balance sheet obligations for:		
– Defined pension benefits	33,214,008	36,601,481
Liability in the balance sheet	33,214,008	36,601,481
Statement of profit or loss charge included in operating profit for:		
– Defined pension benefits (Note 25)	721,511	1,383,098
	721,511	1,383,098
Remeasurements for:		
– Defined pension benefits	(2,999,723)	342,104
	(2,999,723)	342,104

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.

21 Post-employment Benefits *(continued)*

(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 Vinda 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:

	2017 HK$	2016 HK$
Present value of funded obligations	47,257,288	47,712,823
Fair value of plan assets	(19,521,391)	(15,406,829)
Deficit of funded plans	27,735,897	32,305,994
Present value of unfunded obligations	5,478,111	4,295,487
Total deficit of defined benefit pension plans	33,214,008	36,601,481
Impact of minimum funding requirement/asset ceiling	–	–
Liability in the balance sheet	33,214,008	36,601,481

21 Post-employment Benefits *(continued)*

	Present value of obligation HK$	Fair value of plan assets HK$	Total HK$
At 1 January 2017	52,008,310	(15,406,829)	36,601,481
Current service cost	1,542,798	–	1,542,798
Past service cost	(1,335,654)	–	(1,335,654)
Interest expense/(income)	717,927	(203,560)	514,367
Remeasurements	(3,030,893)	31,170	(2,999,723)
Contributions	(2,422,637)	(2,500,399)	(4,923,036)
Currency translation differences	5,255,548	(1,441,773)	3,813,775
At 31 December 2017	**52,735,399**	**(19,521,391)**	**33,214,008**

	Present value of obligation HK$	Fair value of plan assets HK$	Total HK$
At 1 January 2017	52,008,310	(15,406,829)	36,601,481
Current service cost	1,542,798	–	1,542,798
Past service cost	(1,335,654)	–	(1,335,654)
Interest expense/(income)	717,927	(203,560)	514,367
	52,933,381	(15,610,389)	37,322,992
Remeasurements:			
– Return on plan assets, excluding amounts included in interest income	–	31,170	31,170
– Loss from change in demographic assumptions	219,812	–	219,812
– Loss from change in financial assumptions	(311,065)	–	(311,065)
– Experience gains	(2,939,640)	–	(2,939,640)
	(3,030,893)	31,170	(2,999,723)
Contributions:			
– Employers	–	(4,361,504)	(4,361,504)
Payments from plans:			
– Benefit payments	(2,422,637)	1,861,105	(561,532)
Currency translation differences	5,255,548	(1,441,773)	3,813,775
At 31 December 2017	**52,735,399**	**(19,521,391)**	**33,214,008**

21 Post-employment Benefits *(continued)*

	Present value of obligation HK$	Fair value of plan assets HK$	Total HK$
At 1 January 2016	–	–	–
Acquired in a business combination (Note 33)	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

	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 33)	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:

	2017			2016		
	Taiwan HK$	Korea HK$	Total HK$	Taiwan HK$	Korea HK$	Total HK$
Present value of obligation	47,257,288	5,478,111	52,735,399	47,850,533	4,157,777	52,008,310
Fair value of plan assets	(19,521,391)	–	(19,521,391)	(15,406,829)	–	(15,406,829)
	27,735,897	5,478,111	33,214,008	32,443,704	4,157,777	36,601,481
Impact of minimum funding requirement/asset ceiling	–	–	–	–	–	–
Total	27,735,897	5,478,111	33,214,008	32,443,704	4,157,777	36,601,481

The significant actuarial assumptions were as follows:

	2017		2016	
	Taiwan	Korea	Taiwan	Korea
Discount rate	1.25%	2.50%	1.25%	2.00%
Salary growth rate	3.00%	5.00%	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 2.68%~3.00%	Increase by 2.80%~3.12%
Salary growth rate	0.25%	Increase by 2.73%~3.06%	Decrease by 2.62%~2.95%
		Increase by 1 year in assumption	Decrease by 1 year in assumption
Life expectancy		Increase by 0.05%~0.10%	Decrease by 0.05%~0.10%

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.

21 Post-employment Benefits *(continued)*

The plan assets are comprised of cash and cash equivalents as at 31 December 2017 and 2016.

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 12.0 years and 11.0 years respectively.

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

At 31 December 2017	**Less than a year** HK$	**Between 1-2 years** HK$	**Between 2-5 years** HK$	**Over 5 years** HK$	**Total** HK$
Pension benefits	**1,193,232**	**1,928,492**	**4,982,784**	**52,403,333**	**60,507,841**

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 Non-current Liabilities

	As at 31 December	
	2017 **HK$**	2016 HK$
Long term incentive plans (i) (Note 25)	**17,675,709**	–

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

22 Other Non-current Liabilities *(continued)*

Long Term Incentive Plan for Executive Directors and CFO

A total of 6,840,000 compensation units ("CU") were granted to Executive Directors and CFO at a nominal price of HK$15.31. The exercise price of a CU is capped at HK$30. The vesting period is from 1 January 2017 to 1 July 2020.

As at 31 December 2017, the fair value of each CU granted determined by using the Binomial Model was HK$4.50. The significant inputs into the model were share price at the valuation date, the grant price, volatility of 35%, dividend yield of 1.20%, and annual risk-free interest rate of 1.77%. The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices of the Company over relevant period matching the life of the incentive plan.

Long Term Incentive Program For Selected Senior Management

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

As at 31 December 2017, the TSR is determined by using the Monte Carlo Simulation Model. The significant inputs into the model were annualized drift rate of 12.15% of the Company and 9.52% of the peer group, dividend yield of 1.06% of the Company and 2.39% of the peer group and annualized asset price volatility of 30% of the Company and 15% of the peer group matching the life of the incentive program.

23 Other Income and Losses – net

	For the year ended 31 December	
	2017	2016
	HK$	HK$
Subsidy income received from local government (Note (a))	**48,926,004**	28,726,840
Amortisation of deferred government grants (Note 20)	**8,685,378**	5,134,395
Loss on disposal of land use rights	**(310,329)**	–
Loss on disposal of property, plant and equipment	**(3,567,877)**	(9,332,965)
Gain on disposal of investment property	**11,923,800**	–
Foreign exchange loss – net (Note 28)	**(498,139)**	(25,000,576)
Rental income	**2,655,407**	743,837
Depreciation of investment property	**(309,187)**	(41,242)
Impairment charge of trademark (Note 8)	**(3,323,091)**	(11,363,709)
Others	**(1,683,559)**	4,906,533
	62,498,407	(6,226,887)

(a) In 2017, certain subsidiaries of the Group, which were mainly in the PRC have received subsidy income from government authorities amounting to RMB42,321,630 (equivalent to HK$48,926,004) (2016: RMB24,624,646 (equivalent to HK$28,726,840)).

24 Expenses by Nature

	For the year ended 31 December	
	2017	2016
	HK$	HK$
Raw materials and trading merchandise consumed	**7,105,711,376**	6,047,927,399
Staff costs (Note 25)	**1,480,996,899**	1,358,817,708
Utilities	**849,739,006**	798,010,324
Transportation expenses	**642,270,308**	520,380,269
Promotion expenses	**787,081,564**	768,931,785
Depreciation of property, plant and equipment (Note 7)	**702,350,651**	581,842,499
Operating lease rent	**174,753,171**	208,054,296
Advertising costs	**132,571,325**	70,629,381
Travel and office expenses	**72,523,957**	76,614,138
Real estate tax, stamp duty and other taxes	**40,754,911**	39,753,685
Bank charges	**5,964,877**	5,845,459
Provision for impairment of receivables (Note 12)	**8,581,128**	6,404,393
Auditor's remuneration	**8,785,995**	8,866,076
Amortisation of leasehold land and land use rights (Note 6)	**20,290,589**	9,659,959
Amortisation of intangible assets (Note 8)	**96,897,839**	83,931,279
Provision for write-down of inventories	**4,762,242**	2,199,662
Impairment charge on property, plant and equipment (Note 7)	**9,165,525**	2,022,608
Other expenses	**421,731,700**	452,858,512
Total cost of sales, selling and marketing costs and administrative expenses	**12,564,933,063**	11,042,749,432

25 Employee Benefit Expenses

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

	For the year ended 31 December	
	2017	2016
	HK$	HK$
Defined contribution for Hong Kong employees		
– MPF	**1,181,908**	1,207,461
Defined contribution for overseas employees	**31,526,929**	19,697,948
Defined benefits for overseas employees (Note 21)	**721,511**	1,383,098
Long-term incentive plan (Note 22)	**17,675,709**	–
Social security and benefits for the PRC employees	**166,510,274**	154,873,952
	217,616,331	177,162,459
Wages, salaries and bonus	**1,181,692,023**	1,115,200,386
Staff welfare	**81,688,545**	66,454,863
	1,480,996,899	1,358,817,708

(a) Five Highest Paid Individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2017 include three directors (2016: three directors) whose emoluments are reflected in the analysis show in Note 37. The emoluments payable to the remaining two individuals (2016: two individuals) for the year ended 31 December 2017 is as follows:

	For the year ended 31 December	
	2017	2016
	HK$	HK$
– Basic salaries, housing allowances, other allowances and benefits-in-kind	**10,514,707**	17,231,579
– Long-term incentive plans	**2,317,955**	–
– Contributions to retirement plans	**25,902**	15,077
	12,858,564	17,246,656

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 2017 and 2016.

26 Finance Income and Costs – net

	For the year ended 31 December	
	2017	2016
	HK$	HK$
Interest expense		
– borrowings (a)	**(196,317,004)**	(165,722,432)
Other financial costs (b)	**–**	(17,815,460)
Foreign exchange loss – net (a) (Note 28)	**(26,881,531)**	(20,427,938)
Interest income		
– bank deposits	**9,170,849**	4,700,126
Net finance costs	**(214,027,686)**	(199,265,704)

(a) During the year, the Group has capitalised borrowing costs amounting to HK$37,519,675 (2016: HK$16,663,219) on qualifying assets. Borrowing costs were capitalised at the weighted average rate of its general borrowings of 4.90% (2016: 2.83%).

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

27 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	
	2017 HK$	2016 HK$
Current income tax		
– Hong Kong and overseas profits tax	**114,544,242**	54,416,867
– PRC enterprise income tax	**98,885,211**	93,684,744
– Over provision of income tax for prior year	**(4,839,166)**	(7,096,241)
Deferred income tax (Note 19)	**(63,252,995)**	(9,317,697)
Withholding tax	**3,204,692**	23,084,685
	148,541,984	154,772,358

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	
	2017 HK$	2016 HK$
Profit before income tax	**769,498,438**	808,306,912
Applicable tax rates	**21.23%**	21.39%
Tax calculated at weighted average tax rate	**163,402,288**	172,896,848
Income not subject to tax	**(4,975,732)**	(8,312,230)
Expenses not deductible for tax purposes	**28,641,029**	38,208,292
Unrecognised tax losses	**2,276,724**	697,156
Utilisation of previously unrecognised tax losses	**(2,402,260)**	(14,100,238)
Over provision of income tax for prior year	**(4,839,166)**	(7,096,241)
Tax benefit from HNTE qualification	**(34,502,824)**	(27,672,886)
Capital reinvestment	**(2,262,767)**	(22,933,028)
Withholding tax	**3,204,692**	23,084,685
Income tax expense	**148,541,984**	154,772,358

27 Taxation *(continued)*

(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%. 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.

28 Net Foreign Exchange Losses

	For the year ended 31 December	
Included in –	**2017** **HK$**	2016 HK$
Other income and losses – net (Note 23)	**(498,139)**	(25,000,576)
Finance income – exchange loss (Note 26)	**(26,881,531)**	(20,427,938)
	(27,379,670)	(45,428,514)

29 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	
	2017	2016
Profit attributable to equity holders of the Company (HK$)	**620,956,454**	653,534,554
Weighted average number of ordinary shares in issue	**1,180,225,239**	1,093,392,635
Basic earnings per share (HK$ per share)	**0.526**	0.598

29 Earnings per Share *(continued)*

(b) Diluted

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

	For the year ended 31 December	
	2017	2016
Profit attributable to equity holders of the Company (HK$)	**620,956,454**	653,534,554
Weighted average number of ordinary shares in issue	**1,180,225,239**	1,093,392,635
Adjustments for share options	**1,427,087**	1,224,001
Weighted average number of ordinary shares for diluted earnings per share	**1,181,652,326**	1,094,616,636
Diluted earnings per share (HK$ per share)	**0.525**	0.597

30 Dividends

	2017 **HK$**	2016 HK$
Interim dividend paid of HK$0.050 (2016: HK$0.050) per ordinary share	**59,707,169**	56,835,719
Proposed final dividend of HK$0.140 (2016: HK$0.120) per ordinary share	**167,183,432**	136,489,485
	226,890,601	193,325,204

On 25 January 2018, the Board of Directors proposed a final dividend in respect of the year ended 31 December 2017 of HK$167,183,432, representing HK$0.140 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 2016 was HK$143,220,764 based on the 1,193,506,375 issued shares outstanding at that time.

The dividends actually paid in 2017 and 2016 were HK$202,927,933 and HK$110,584,955 respectively based on the number of issued shares outstanding at relevant time.

31 Cash Generated from Operations

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

	For the year ended 31 December	
	2017	2016
	HK$	HK$
Profit before income tax	**769,498,438**	808,306,912
Adjustments for:		
– Depreciation of property, plant and equipment (Note 7)	**702,350,651**	581,842,499
– Depreciation of investment property	**309,187**	41,242
– Amortisation of intangible assets (Note 8)	**96,897,839**	83,931,279
– Amortisation of leasehold land and land use rights (Note 6)	**20,290,589**	9,659,959
– Amortisation of deferred government grants (Note 20)	**(8,685,378)**	(5,134,395)
– Loss on disposals of property, plant and equipment (Note 23)	**3,567,877**	9,332,965
– Loss on disposal of land use rights (Note 23)	**310,329**	–
– Gain on disposal of investment property (Note 23)	**(11,923,800)**	–
– Provision for impairment of receivables (Note 12)	**8,581,128**	6,404,393
– Provision for inventory impairment	**4,762,242**	2,199,662
– Impairment charge on property, plant and equipment (Note 7)	**9,165,525**	2,022,608
– Impairment charges of trademark (Note 8)	**3,323,091**	11,363,709
– Net finance costs (Note 26, Note 28)	**214,525,825**	206,510,147
– Change in fair value in convertible notes	**–**	17,756,133
	1,812,973,543	1,734,237,113
Changes in working capital (excluding the effect of exchange differences on consolidation):		
– (Increase)/Decrease in inventories	**(1,104,391,435)**	694,767,551
– Increase in trade receivables, other receivables and prepayments	**(160,489,458)**	(207,902,601)
– Decrease/(Increase) in amount due from related parties	**81,842,040**	(14,714,126)
– Increase in trade payables, other payables and accrued expenses	**811,993,823**	312,838,669
– Increase/(Decrease) in amount due to related parties	**8,466,029**	(44,908,746)
Cash generated from operations	**1,450,394,542**	2,474,317,860

31 Cash Generated from Operations *(continued)*

(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	
	2017	2016
	HK$	HK$
Net book amount of leasehold land and land use rights (Note 6)	**19,719,890**	–
Net book amount of property, plant and equipment (Note 7)	**14,419,490**	12,141,487
Net book amount of intangible assets (Note 8)	**353,921**	–
Loss on disposal of property, plant and equipment	**(3,567,877)**	(9,332,965)
Loss on disposal of land use rights	**(310,329)**	–
Gain on disposal of investment property	**11,923,800**	–
Increase in trade receivables, other receivables and prepayments	**(10,731,420)**	–
Proceeds from disposal of property, plant and equipment	**31,807,475**	2,808,522

32 Commitments

(a) Capital Commitments

	As at 31 December	
	2017	2016
	HK$	HK$
Property, plant and equipment and intangible assets	**948,727,954**	770,104,565
Investment in an associate (i)	**2,871,122**	–
	951,599,076	770,104,565

(i) On 1 December 2017, CEHM, a subsidiary of the Company entered into an investment agreement with Wu Yi Charity Federation, an independent third party, pursuant to which, CEHM and Wu Yi Charity Federation agreed to invest RMB2,400,000 and RMB9,600,000 respectively to set up China-Euro Healthcare Management (Guangdong) Limited, a limited liability company. Upon completion, CEHM will hold 20% of the equity interest of China-Euro Healthcare Management (Guangdong) Limited.

32 Commitments *(continued)*

(b) Commitments Under Operating Leases

As at 31 December 2017, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	As at 31 December	
	2017	2016
	HK$	HK$
Not later than one year	**66,220,097**	125,295,733
Later than one year but not later than two years	**47,469,621**	102,913,054
Later than two years but not later than five years	**37,249,679**	262,765,885
Later than five years	**347,223**	299,866,082
	151,286,620	790,840,754

33 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 %
Vinda Malaysia	100%
Vinda Korea	100%
Vinda Taiwan	100%
SCA Indonesia	100%
Vinda Singapore	100%
Vinda Marketing	100%
SCA Thailand	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.

33 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 (Note 21)	(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.

34 Acquisition of a Subsidiary

On 31 March 2017, the Group completed the acquisition of 100% equity interest of Jiangmen Dynasty Fortune Paper Limited at a consideration of HK$924,275,889 by way of allotment of 55,000,000 shares at the price of HK$14.90 per share and cash of HK$104,775,889. Jiangmen Dynasty Fortune Paper Limited was established on 12 October 2015 from a spin-off of Jiangmen Taiyuan Paper Limited ("Taiyuan Paper"). Taiyuan Paper is principally engaged in wholesale and retail of household paper products in the PRC. Jiangmen Dynasty Fortune Paper Limited's major properties including two land use rights, together with all of the factories, buildings and the ancillary infrastructures and facilities thereon were leased to the Group under the three lease agreements signed on 22 November 2011, 27 March 2012 and 10 April 2014 between Vinda Paper (China) Company Limited ("Vinda Paper (China)") and Taiyuan Paper.

The Group acquired Jiangmen Dynasty Fortune Paper Limited in order to obtain the ownership of the aforesaid leasing properties. As a result, the accounting treatment for this acquisition is acquisition of assets and liabilities instead of business combination.

The fair value of assets acquired and liabilities assumed at the acquisition date are analysed as follows:

	HK$
Consideration as at 31 March 2017:	
– Allotment of shares	819,500,000
– Cash	104,775,889
Total consideration	**924,275,889**
Assets and liabilities	
Property, plant and equipment (Note 7)	345,346,510
Land use rights (Note 6)	578,105,752
Prepayments to and receivables from related parties	62,930,074
Prepayments, deposits and other receivables	238,692
Cash and cash equivalents	23,059,438
Trade and other payables	(1,244,866)
Due to related parties	(34,917,774)
Current income tax liabilities	(1,669,004)
Borrowings	(47,572,933)
Total identifiable net assets acquired	**924,275,889**
Cash consideration	104,775,889
Less: cash and cash equivalents acquired	(23,059,438)
Net cash outflow	**81,716,451**

35 Related Party Transactions

The immediate holding company of the Group is Essity Group Holding BV ("Essity BV", formerly known as SCA Group Holding BV) (incorporated in Netherlands). SCA spun off its hygiene unit into a new listed company, namely Essity in June 2017. Essity has become Vinda's ultimate controlling shareholder in place of SCA from 14 June 2017.

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

Name of related party	Relationship
Uni-Charm Mölnlycke KK ("Uni-Charm")	Subsidiary of Essity Aktiebolag (publ)
Asaleo Care Australia Pty Ltd.	Associate of Essity Aktiebolag (publ)
Asaleo Care (Fiji) Limited	Associate of Essity Aktiebolag (publ)
SCA North America-Canada, Inc. ("SCA NAC")	Subsidiary of Essity Aktiebolag (publ)
SCA Hygiene Products AB ("SCA HP")	Subsidiary of Essity Aktiebolag (publ)
Asaleo Care New Zealand Ltd.	Associate of Essity Aktiebolag (publ)
SCA Yildiz Kagit ve Kisise ("SCA YKK")	Subsidiary of Essity Aktiebolag (publ)
SCA Hygiene Products Hoogezand B.V. ("SCA HP Hoogezand B.V.")	Subsidiary of Essity Aktiebolag (publ)
SCA Hygiene Products India Pvt. Ltd. ("SCA HP India")	Subsidiary of Essity Aktiebolag (publ)
SCA (China) Holding Co., Ltd. ("SCA (China)")	Subsidiary of Essity Aktiebolag (publ)
Vinda Malaysia	Subsidiary of Essity Aktiebolag (publ)
SCA Hygiene FZCO ("SCA FZCO")	Subsidiary of Essity Aktiebolag (publ)
Everbeauty Industry (Shanghai) Co., Ltd. ("EB Shanghai")	Subsidiary of Essity Aktiebolag (publ)
Essity Higiene y Salud Mexico S.A. de C.V. ("Essity Mexico", formerly known as SCA Consumidor Mexico S.A. de C.V.)	Subsidiary of Essity Aktiebolag (publ)
Vinda Singapore	Subsidiary of Essity Aktiebolag (publ)
SCA Hygiene Products Gennep B.V. ("SCA HP B.V.")	Subsidiary of Essity Aktiebolag (publ)
SCA Hygien Sp. Z o.o ("SCA HP sp. Z o.o")	Subsidiary of Essity Aktiebolag (publ)
SCA Hygiene Products GmbH ("SCA HP GMBH")	Subsidiary of Essity Aktiebolag (publ)
SCA Hygiene Products GmbH, Mainz-Kostheim ("SCA Kostheim")	Subsidiary of Essity Aktiebolag (publ)

35 Related Party Transactions *(continued)*

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

Name of related party	Relationship
SCA Graphic Sundsvall AB (" SCA GS AB") (i)	Subsidiary of Svenska Cellulosa Aktiebolaget
SCA Logistics AB (i)	Subsidiary of Svenska Cellulosa Aktiebolaget
SCA Hygiene Products GmbH, Mannheim ("SCA Mannheim")	Subsidiary of Essity Aktiebolag (publ)
SCA Hygiene Products Slovakia, S.R.O. ("SCA HPS S.R.O.")	Subsidiary of Essity Aktiebolag (publ)
SCA Hygiene Products GmbH Neuss ("SCA HP Neuss")	Subsidiary of Essity Aktiebolag (publ)
SCA Tissue France SAS	Subsidiary of Essity Aktiebolag (publ)
SCA Hygiene Products GmbH, Wiesbaden ("SCA Wiesbaden")	Subsidiary of Essity Aktiebolag (publ)
SCA Tissue North America LLC ("SCA LLC")	Subsidiary of Essity Aktiebolag (publ)
Vinda Taiwan	Subsidiary of Essity Aktiebolag (publ)
SCA Hygiene Products GMBH IDC Kostheim ("SCA IDC")	Subsidiary of Essity Aktiebolag (publ)
SCA Hygiene Products SA-NV, Belgium ("SCA HP Belgium")	Subsidiary of Essity Aktiebolag (publ)
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 Essity Aktiebolag (publ)
Essity BV	Shareholder
SCA Personal Care Inc. ("SCA PC")	Subsidiary of Essity Aktiebolag (publ)
SCA GmbH	Subsidiary of Essity Aktiebolag (publ)

(i) Due to the spin-off of SCA, these companies ceased to be related parties of the Company from 14 June 2017. The disclosed amount represents the transactions between the Group and these companies during the period from 1 January 2017 to 14 June 2017.

35 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 2017 include:

(1) Sales of Products to Related Parties:

	For the year ended 31 December	
	2017	2016
	HK$	HK$
– Uni-Charm	**104,440,673**	79,288,579
– Asaleo Care Australia Pty Ltd	**23,987,243**	19,033,782
– Asaleo Care Fiji Ltd	**7,825,243**	5,633,124
– SCA NAC	**4,442,341**	2,566,121
– SCA HP	**3,514,001**	4,517,497
– Asaleo Care New Zealand Ltd	**3,480,839**	5,645,943
– SCA YKK	**2,621,169**	1,176,751
– SCA HP Hoogezand B.V.	**1,475,334**	1,482,073
– SCA HP India	**1,193,359**	44,977,572
– SCA (China)	**–**	640,315
– Vinda Malaysia (i)	**–**	568,870
– SCA FZCO	**–**	273,445
– EB Shanghai	**–**	262,012
– Essity Mexico	**–**	10,836
– Vinda Singapore (i)	**–**	78,490
	152,980,202	166,155,410

35 Related Party Transactions *(continued)*

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

(2) Purchase of Products from Related Parties:

	For the year ended 31 December	
	2017	2016
	HK$	HK$
– SCA HP	**54,151,528**	33,709,785
– SCA HP B.V.	**42,925,452**	27,182,442
– SCA HP sp. Z o.o	**41,018,009**	15,408,958
– SCA HP Hoogezand B.V.	**28,989,516**	16,038,105
– SCA HP GMBH	**11,573,423**	13,244,761
– SCA Kostheim	**9,810,341**	–
– SCA GS AB	**4,767,544**	4,730,427
– SCA Logistics AB	**4,630,345**	4,164,150
– SCA Mannheim	**4,035,516**	–
– SCA HPS S.R.O.	**3,983,632**	2,185,038
– SCA HP Neuss	**1,118,443**	195,038
– SCA Tissue France SAS	**559,114**	835,137
– SCA Wiesbaden	**150,220**	–
– SCA LLC	**4,982**	–
– Vinda Taiwan (i)	**–**	11,871,094
– Vinda Malaysia (i)	**–**	4,946,764
– EB Shanghai	**–**	1,811,726
– SCA IDC	**–**	606,229
– SCA HP Belgium	**–**	14,580
	207,718,065	136,944,234

(i) On 1 April 2016, the Group acquired 100% equity interest in SCA Asia business. From the start of the following month, i.e. 1 April, 2016, Vinda Malaysia Group, Vinda Taiwan and Vinda Korea were consolidated in the accounts of the Group as wholly-owned subsidiaries.

35 Related Party Transactions *(continued)*

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

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

	For the year ended 31 December	
	2017	2016
	HK$	HK$
– SCA HP	**10,837,990**	10,139,485

(4) IT costs charged to the Group by a related party:

	For the year ended 31 December	
	2017	2016
	HK$	HK$
– SCA HP	**11,313,761**	9,107,986

(5) Rental expenses paid to a related party:

	For the year ended 31 December	
	2017	2016
	HK$	HK$
– Taiyuan Paper (Note (a))	**17,859,200**	72,328,511

(a) 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.

On 1 April 2017, the Group acquired 100% equity interest in Dynasty Paper. Following the completion of the acquisition, the above transactions ceased to be continuing connected transactions.

35 Related Party Transactions *(continued)*

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

(6) Loans from a Related Party:

	For the year ended 31 December	
	2017	2016
	HK$	HK$
– SCA Finans (Note (b))	**300,000,000**	1,140,116,846

(7) Interest Expenses Accrued to a Related Party:

	For the year ended 31 December	
	2017	2016
	HK$	HK$
– SCA Finans (Note (b))	**39,657,279**	50,611,933
– Essity BV	**–**	1,196,667
	39,657,279	51,808,600

(b) On 19 December 2014, 1 April 2016 and 8 June 2017, the Group entered into three term facility agreements with SCA Finans, in relation to term loans of an aggregate amount not exceeding HK$3,000,000,000, HK$1,140,116,846 and HK$400,000,000 (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 the loan's maturity date is 31 March 2019. The interest rate of the agreement was 2.27%.

On 20 June 2017, the Group made one loan drawdown under the term facility agreement dated 8 June 2017 with principal amounts of HK$300,000,000 and the loan's maturity date is 20 June 2019. The interest rate of the agreement was 2.16%.

35 Related Party Transactions *(continued)*

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

(8) Key Management Compensation:

	For the year ended 31 December	
	2017	2016
	HK$	HK$
Directors		
– Basic salaries, housing allowances, other allowances, benefits-in-kind, pensions and other benefits	**31,160,807**	24,496,776
– Long-term incentive plans	**7,576,906**	–
Senior management		
– Basic salaries, housing allowances, other allowances, benefits-in-kind, pensions and other benefits	**25,685,835**	31,446,575
– Long-term incentive plans	**5,686,444**	–
	70,109,992	55,943,351

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

	Number of individuals	
	2017	2016
– HK$1,000,000 to HK$1,500,000	**3**	1
– HK$1,500,000 to HK$2,000,000	**1**	1
– Above HK$2,000,000	**6**	6

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 2017 and 2016.

35 Related Party Transactions *(continued)*

(c) Year-end Balances with Related Parties

	As at	
	31 December 2017 HK$	31 December 2016 HK$
(1) Trade and other receivables from related parties:		
– Uni-Charm	**10,038,967**	13,062,151
– Asaleo Care Australia Pty Ltd	**6,350,770**	6,811,813
– SCA HP	**6,818,032**	7,000,002
– Essity BV	**2,055,910**	3,811,325
– Asaleo Care Fiji Ltd	**1,123,733**	769,060
– Asaleo Care New Zealand Ltd	**876,272**	1,001,261
– SCA NAC	**685,875**	273,373
– SCA HP Hoogezand B.V.	**370,646**	119,396
– Essity	**300,000**	–
– SCA YKK	**288,860**	3,191
– SCA PC	**40,266**	–
– SCA HP India	**–**	21,050,527
– SCA	**–**	300,000
– Essity Mexico	**–**	10,828
	28,949,331	54,212,927

All the above receivables are aged within 3 months based on invoice date as at 31 December 2017 and 31 December 2016.

35 Related Party Transactions *(continued)*

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

	As at	
	31 December 2017 HK$	31 December 2016 HK$
(2) Rental prepayments to a related party		
– Taiyuan Paper	**–**	51,984,349

	As at	
	31 December 2017 HK$	31 December 2016 HK$
(3) Trade and other payables to related parties		
– SCA HP	**9,463,573**	10,116,223
– SCA HP B.V.	**7,744,202**	6,121,384
– SCA HP sp. Z o.o	**6,203,225**	3,805,151
– SCA HP Hoogezand B.V.	**3,764,979**	4,501,442
– SCA HP GMBH	**2,752,095**	837,646
– SCA HPS S.R.O.	**826,903**	–
– SCA HP Neuss	**612,184**	–
– SCA Kostheim	**194,700**	–
– SCA Tissue France SAS	**69,997**	55,667
– Uni-Charm	**316**	–
– SCA IDC	**–**	2,507,492
– SCA Logistics AB	**–**	607,060
– SCA Mannheim	**–**	143,274
– SCA GmbH	**–**	11,231
– SCA (China)	**–**	5,159
– SCA LLC	**–**	1,375
	31,632,174	28,713,104

All the above payables are aged within 3 months based on invoice date as at 31 December 2017 and 31 December 2016.

35 Related Party Transactions *(continued)*

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

	As at	
	31 December 2017 HK$	31 December 2016 HK$
(4) Loans from a related party – SCA Finans (Note (c))	**1,236,403,002**	915,499,741
(5) Interest payable to a related party – SCA Finans	**6,055,791**	9,062,229

(c) As at 31 December 2016, loans from a related party represents long term loans with principal of RMB150,000,000, RMB150,000,000 and HK$580,116,846 respectively. The weighted average interest rate is 3.97%. These loans are due on 19 January 2019, 11 March 2019 and 31 March 2019.

As at 31 December 2017, loans from a related party represents long term loans with principal of RMB150,000,000, HK$580,116,846, HK$300,000,000 and HK$176,841,000 respectively. The weighted average interest rate is 3.66%. These loans are due on 19 January 2019, 31 March 2019, 20 June 2019 and 11 December 2019.

36 Balance Sheet and Reserve Movement of the Company

	As at 31 December	
	2017	2016
	HK$	HK$
ASSETS		
Non-current assets		
Investments in and balances with subsidiaries	**3,933,322,490**	3,512,891,756
Current assets		
Other receivables and prepayments	**3,460,309**	1,768,219
Dividends receivable	**171,800,000**	206,885,411
Due from subsidiaries	**50,813,845**	27,553,072
Cash and cash equivalents	**1,883,274**	3,131,199
	227,957,428	239,337,901
Total assets	**4,161,279,918**	3,752,229,657
EQUITY		
Capital and reserves attributable to the Company's equity holders		
Share capital	**119,416,737**	113,741,237
Share premium	**4,345,689,034**	3,498,754,174
Other reserves (Note (a))	**(355,720,928)**	113,986,355
Total equity	**4,109,384,843**	3,726,481,766
LIABILITIES		
Current liabilities		
Other payables and accrued expenses	**14,695,321**	4,068,805
Due to subsidiaries	**37,199,754**	21,679,086
Total liabilities	**51,895,075**	25,747,891
Total equity and liabilities	**4,161,279,918**	3,752,229,657

The balance sheet of the Company was approved by the Board of Directors on 25 January 2018 and were signed on its behalf

LI Chao Wang
Director

Johann Christoph MICHALSKI
Director

36 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 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
At 1 January 2017	**(103,742,661)**	**161,191,516**	**56,537,500**	**113,986,355**
Employee share options scheme:				
– Exercise of options	**–**	**–**	**(8,868,020)**	**(8,868,020)**
Dividends	**–**	**(202,927,933)**	**–**	**(202,927,933)**
Profit for the year	**–**	**211,921,489**	**–**	**211,921,489**
Currency translation differences	**(469,832,819)**	**–**	**–**	**(469,832,819)**
At 31 December 2017	**(573,575,480)**	**170,185,072**	**47,669,480**	**(355,720,928)**

37 Benefits and Interests of Directors

(a) Directors' Emoluments

	For the year ended 31 December	
	2017 HK$	2016 HK$
Directors		
– Basic salaries, housing allowances, other allowances and benefits-in-kind	**31,088,807**	24,424,776
– Long-term incentive plans	**7,576,906**	–
– Contributions to retirement plans	**72,000**	72,000
	38,737,713	24,496,776

37 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 2017:

	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$	Long-term incentive plans HK$	Total HK$
Chairman							
– Mr. LI Chao Wang	–	4,219,031	1,869,540	14,645	18,000	1,858,970	7,980,186
Executive directors							
– Ms. YU Yi Fang	–	2,737,567	1,458,020	14,645	18,000	1,192,305	5,420,537
– Mr. Johann Christoph MICHALSKI	–	4,918,400	2,570,100	–	–	2,141,021	9,629,521
– Ms. LI Jielin	–	2,583,531	2,002,383	374,721	18,000	1,192,305	6,170,940
– Mr. DONG Yi Ping	–	2,737,567	1,458,020	14,645	18,000	1,192,305	5,420,537
Non-executive directors							
– Mr. Jan Christer JOHANSSON	2,617,001	–	–	–	–	–	2,617,001
– Mr. Carl Magnus GROTH	26,945	–	–	–	–	–	26,945
– Mr. Ulf Olof Lennart SODERSTROM (c)	22,046	–	–	–	–	–	22,046
– Mr. Carl Fredrik Stenson RYSTEDT (d)	–	–	–	–	–	–	–
Independent non-executive directors							
– Mr. KAM Robert	400,000	–	–	–	–	–	400,000
– Mr. CHIA Yen On	310,000	–	–	–	–	–	310,000
– Mr. WONG Kwai Huen, Albert	360,000	–	–	–	–	–	360,000
– Mr. TSUI King Fai	380,000	–	–	–	–	–	380,000
Alternative directors							
– Mr. Herve Stephane ROSE (e)	–	–	–	–	–	–	–
– Mr. Gert Mikael SCHMIDT	–	–	–	–	–	–	–
	4,115,992	17,196,096	9,358,063	418,656	72,000	7,576,906	38,737,713

Notes:

(a) Salaries paid to a director is generally an emolument paid or receivable in respect of that person's 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. Ulf Olof Lennart SODERSTROM was appointed as an alternate director, who was alternate to Mr. RYSTEDT on 1 March 2017 and resigned on 30 September 2017.

(d) Mr. Carl Fredrik Stenson RYSTEDT was appointed as a non-executive director on 1 March 2017.

(e) Mr. Herve Stephane ROSE was appointed as an alternate director, who was alternate to Mr. RYSTEDT on 26 October 2017.

37 Benefits and Interests of Directors *(continued)*

(a) Directors' Emoluments *(continued)*

(ii) 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 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
Alternate directors						
– Mr. CHIU Bun	–	–	–	–	–	–
– Mr. Gert Mikael SCHMIDT	–	–	–	–	–	–
– Mr. Carl Fredrik Stenson RYSTEDT	–	–	–	–	–	–
	4,011,048	15,717,070	4,288,866	407,792	72,000	24,496,776

37 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
2017	2016	**2017**	2016	**2017**	2016
HK$	HK$	**HK$**	HK$	**HK$**	HK$
38,737,713	24,496,775	**–**	–	**38,737,713**	24,496,775

Notes:

Emoluments above include estimated money value of non-cash benefits: medical and insurance premium.

For the year ended 31 December 2017 and 2016, 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.

Consolidated Statement of Comprehensive Income

	For the year ended 31 December				
	2013 HK$	2014 HK$	2015 HK$	2016 HK$	**2017** **HK$**
Revenue	6,797,959,594	7,985,222,304	9,695,997,657	12,056,548,935	**13,485,960,780**
Cost of sales	(4,826,278,040)	(5,576,508,718)	(6,737,327,688)	(8,239,615,131)	**(9,486,047,682)**
Gross profit	1,971,681,554	2,408,713,586	2,958,669,969	3,816,933,804	**3,999,913,098**
Selling and marketing costs	(945,647,960)	(1,188,369,898)	(1,565,457,775)	(2,074,739,697)	**(2,351,849,995)**
Administrative expenses	(371,666,865)	(472,403,420)	(577,688,065)	(728,394,604)	**(727,035,386)**
Other income and losses – net	58,091,368	74,371,838	(62,896,404)	(6,226,887)	**62,498,407**
Operating profit	712,458,097	822,312,106	752,627,725	1,007,572,616	**983,526,124**
Finance income and costs, net	(12,991,659)	(80,503,475)	(303,751,333)	(199,265,704)	**(214,027,686)**
Share of post-tax loss of an associate	(26,976,817)	(4,805,242)	–	–	**–**
Profit before income tax	672,489,621	737,003,389	448,876,392	808,306,912	**769,498,438**
Income tax expense	(129,581,932)	(143,536,257)	(134,435,280)	(154,772,358)	**(148,541,984)**
Profit attributable to equity holders of the Company	542,907,689	593,467,132	314,441,112	653,534,554	**620,956,454**
Other comprehensive income:					
Items that may be reclassified to profit or loss					
Currency translation differences	136,338,309	(13,756,533)	(285,983,288)	(531,450,105)	**692,642,246**
Hedging reserve	4,588,901	1,805,786	–	–	**–**
Items that will not be reclassified subsequently to profit or loss					
Remeasurements of post-employment benefit obligations	–	–	–	(273,967)	**2,491,047**
Total comprehensive income attributable to equity holders of the Company	683,834,899	581,516,385	28,457,824	121,810,482	**1,316,089,747**

Consolidated Balance Sheet

	As at 31 December				
	2013 HK$	2014 HK$	2015 HK$	2016 HK$	2017 HK$
ASSETS					
Property, plant and equipment	5,101,881,171	5,901,730,851	6,261,216,698	7,281,873,804	**8,739,887,326**
Leasehold land and land use rights	290,468,442	297,758,758	387,818,653	432,130,671	**1,042,127,885**
Intangible assets	21,235,148	1,400,041,901	1,306,968,419	2,796,001,162	**2,913,888,055**
Deferred income tax assets	204,808,552	267,405,812	259,511,539	268,225,330	**348,762,906**
Investment properties	32,427,614	–	–	4,859,059	**7,660,539**
Investment in an associate	58,757,692	–	–	–	**–**
Inventories	1,642,844,200	2,029,115,081	2,367,407,631	1,785,142,568	**3,048,179,318**
Trade receivables, other receivables and prepayments	1,286,276,545	1,523,602,317	1,463,321,731	1,938,829,069	**2,309,863,202**
Prepayments to and receivables from related parties	40,961,155	61,753,224	64,444,039	106,197,276	**28,949,331**
Restricted bank deposits	3,567,270	1,301,535	–	–	**–**
Cash and cash equivalents	689,702,649	720,283,714	393,247,986	1,015,254,277	**534,589,786**
Total Assets	9,372,930,438	12,202,993,193	12,503,936,696	15,628,513,216	**18,973,908,348**
EQUITY					
Capital and reserves attributable to the Company's equity holders					
Share capital	99,836,269	99,840,269	99,908,769	113,741,237	**119,416,737**
Share premium	1,676,529,981	1,677,023,606	1,688,013,706	3,498,754,174	**4,345,689,034**
Other reserves	2,870,510,147	3,304,140,930	3,159,837,388	3,167,068,811	**4,271,362,605**
Total equity	4,646,876,397	5,081,004,805	4,947,759,863	6,779,564,222	**8,736,468,376**
LIABILITIES					
Long-term borrowings	1,705,003,809	878,667,606	2,177,485,991	2,879,551,662	**3,310,130,427**
Loans from a related party	–	2,030,138,167	1,308,080,688	915,499,741	**1,236,403,002**
Deferred government grants	102,873,484	98,726,406	92,493,668	90,486,296	**142,848,544**
Derivative financial instruments	12,918,422	–	–	–	**–**
Deferred income tax liabilities	7,222,427	94,787,849	96,248,856	203,135,117	**211,437,204**
Post-employment benefits	–	–	–	36,601,481	**33,214,008**
Other non-current liabilities	–	–	–	–	**17,675,709**
Other current liabilities	2,898,035,899	4,019,668,360	3,881,867,630	4,723,674,697	**5,285,731,078**
Total Liabilities	4,726,054,041	7,121,988,388	7,556,176,833	8,848,948,994	**10,237,439,972**
Total equity and liabilities	9,372,930,438	12,202,993,193	12,503,936,696	15,628,513,216	**18,973,908,348**