Vinda International Holdings Limited

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

Healthy Lifestyle
Starts with Vinda

Annual Report
2019

To Become
A Leading
Hygiene
Company in Asia

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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

Independent Non-Executive Directors

Mr. CHIA Yen On
Ms. LEE Hsiao-yun Ann
Mr. TSUI King Fai
Mr. WONG Kwai Huen, Albert

Alternate Directors

Mr. Gert Mikael SCHMIDT (alternate to
Mr. JOHANSSON and Mr. GROTH)
Mr. Dominique Michel Jean DESCHAMPS
(appointed on 25 October 2019)
(alternate to Mr. RYSTEDT)

Audit Committee

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

Remuneration Committee

Mr. TSUI King Fai (Committee Chairman)
Mr. Jan Christer JOHANSSON
Ms. LI Jielin
Ms. LEE Hsiao-yun Ann
Mr. CHIA Yen On

Nomination Committee

Mr. LI Chao Wang (Committee Chairman)
Mr. Jan Christer JOHANSSON
Mr. CHIA Yen On
Ms. LEE Hsiao-yun Ann
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
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

DLA Piper Hong Kong (as to Hong Kong law)
Conyers Dill & Pearman (as to Cayman Islands law)

Registered Office

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

Principal Place of Business in Hong Kong

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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
BNP Paribas
China Construction Bank Corporation
Citibank
DBS Bank Limited
Industrial and Commercial Bank of China Limited
Skandinaviska Enskilda Banken AB
Svenska Handelsbanken AB (publ)

Company Website

http://www.vinda.com

Financial Highlights

	2019	2018
Revenue (HK$ million)	**16,074**	14,879
Gross profit (HK$ million)	**4,985**	4,187
EBITDA (HK$ million)	**2,678**	1,962
Operating profit (HK$ million)	**1,570**	1,020
Gross margin (%)	**31.0%**	28.1%
Operating margin (%)	**9.8%**	6.9%
EBITDA margin (%)	**16.7%**	13.2%
Earnings per share (HK$) – basic	**95.3 cents**	54.4 cents
Dividend per share (HK$)	**28.0 cents**	20.0 cents
– interim dividend (paid) (HK$)	**7.0 cents**	6.0 cents
– final dividend (proposed) (HK$)	**21.0 cents**	14.0 cents
Finished goods turnover[1]	**46 days**	49 days
Debtors turnover[2]	**42 days**	43 days
Creditors turnover[3]	**90 days**	87 days
Current ratio (times)	**1.1**	1.0
Net debt to EBITDA ratio (times)	**1.4**	2.4
Net gearing ratio (%)[4]	**41%**	54%

Notes:

1. Calculation: multiplying 12-month average finished goods by 360 days, and dividing the result by the cost of sales for the 12 months ended 31 December for the relevant year.

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

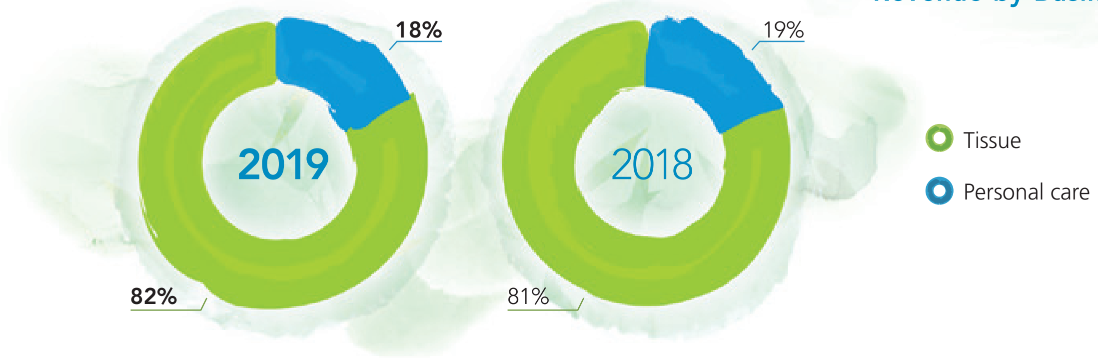
3. Calculation: multiplying 12-month average account payables by 360 days, and dividing the result by the cost of sales for the 12 months ended 31 December for the relevant year.

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

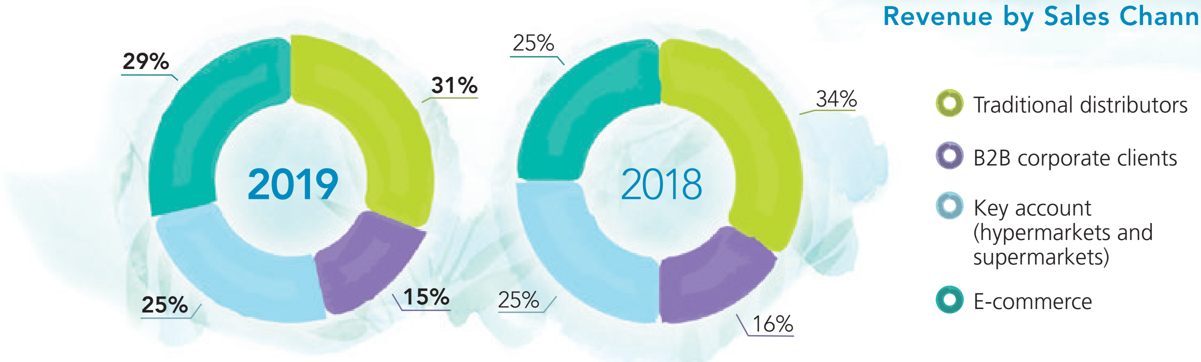
   Net debt: total debt including lease liabilities less cash and cash equivalents and restricted bank deposits.

   The net gearing ratio increased from 39% to 41% as a result of adoption of HKFRS 16 *Leases*, effective and adopted by the Group from 1 January 2019.

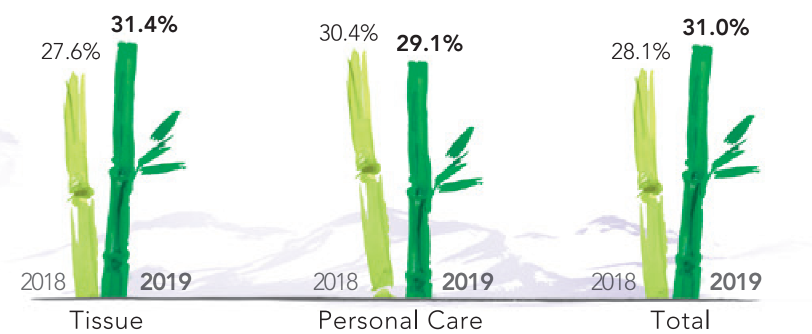
Revenue by Business Segment



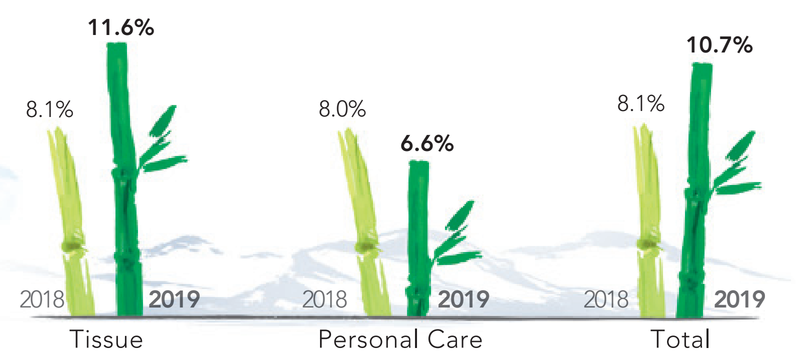
Revenue by Sales Channels



Gross Profit Margin



Segment Result Margin



Chairman's Statement

2019 was a year filled with challenges but also with opportunities to Vinda. Against the backdrop of a complex, ever-changing international landscape shaped primarily by the lingering Sino-US trade tensions, a slowdown in economic growth of China and fluctuation in Renminbi exchange rate that led to an intensified downward pressure on China economy, the Group nonetheless delivered encouraging results in 2019 and achieved sustainable revenue and profit growth by virtue of our long-standing commitment towards innovation and the well-established branding effect built over the years, making significant progress towards our vision of becoming the most preferred brand of household hygiene products and services in Asia.

China is one of the largest household paper markets in the globe. From the perspective of the consumption of household paper, the annual per capita consumption of household paper nationwide, as driven by the growth in the per capita GDP in China has been rising steadily year by year while several folds of improvement could be achieved as compared to other developed countries of the West. Vinda always stayed focused on the development of household paper products, whilst the personal care segment would be another focus development. It was widely known that the massive demand personal care market in China brought business opportunities to the quality incontinence care product market as a consequence of an aging population in the country. The Group was confident in reproducing the proven business model of our personal care segment in mainland China as underpinned by the dazzling performance of the personal care segment of Vinda in Southeast Asia. In view of this, the Group succeeded in increasing the domestic production capacity of feminine and incontinence care products during the year in order to cater for the Chinese consumers' appetite and preference for the feminine and incontinence care products and expedite the understanding and responses to market demands, which would help to reduce production costs and well-equipped for the further development of the personal care segment.

During the year, the businesses in Southeast Asia achieved stellar performance. Buoyed by the advantages of the sales channels in Malaysia, the Group successfully entered the Malaysian market by introducing the range of Vinda's high-end household paper products and maintained the growth momentum. With an aim to further strengthening the continuous growth in Southeast Asia, the Group set up its regional headquarters in Malaysia during the year, which will support product sales in over 25 markets in Southeast Asia when completed construction, reflecting the determination of the Group to expand its business in Southeast Asia and pursue the goal of becoming the leading hygiene products company in Asia.

As an enterprise with over three decades of flourishing operations, innovation has always been the core value of Vinda. The Group understands that the consumer market is highly dynamic and that only by persisting in product and technology innovation and keeping abreast of the times can an enterprise maintain sustainable development and gain trust and loyalty from the consumers. On the other hand, the Group devised strategies beforehand in the rapid reformation of sales channels which successfully seized market opportunities. According to the forecast of the Ministry of Industry and Information Technology of the People's Republic of China, the sales volume of e-commerce in China in 2020 will reach RMB11 trillion. The Group took initiative as the first mover and formed an e-commerce team as early as in 2012 and attached importance to building long-term and sound cooperative relationships with various e-commerce platforms. Through leveraging on our pioneer edges and outstanding performance, it is expected that China e-commerce penetration rate will continue to rise and deliver satisfactory growth.

Looking forward to 2020, despite a variety of headwinds from uncertainties in the global environment, the fluctuation of Renminbi exchange rate and a potential rally in wood pulp price, Vinda always persists in boosting business growth with innovative products and endeavours in optimising product portfolio instead of taking part in pricing competition and focusing on quality rather than low price, which is in line with the consumption model transformation in China from fast-moving consumer goods to quality-orientated products and caters for the consumption upgrade trend. Vinda implemented diverse measures last year which laid a solid foundation for the future growth and competitiveness enhancement. Leveraging on our highly experienced and professional team and the long-standing support with the consumers and shareholders, Vinda believes that the defensive business of the Group will be able to turn challenges into opportunities in spite of any difficulties that lie ahead and maximise value for the shareholders.

LI Chao Wang
Chairman

21 January 2020

Chief Executive Officer's Report

In 2019 Vinda continued to deliver on its financial and business objective namely driving double-digit growth and improving our business fundamentals to improve gross margins to achieve a sustainable double-digit operating margin in the mid-term.

Strong Top Line Growth

We achieved top line organic growth of 11.6% driven by our excellent performance in tissue, good growth in Southeast Asia and North Asia and an increasingly promising personal care performance in mainland China with the launch of incontinence pants and the relaunch of Feminine Hygiene business.

Outstanding performance of premium portfolio[1]

Our strong tissue performance was driven by strong growth of the premium segment of our portfolio fueled by strong innovation and continuous support by customers. *Tempo* grew more than 40% in mainland China at a constant exchange rate. *Vinda Deluxe* now represents more than 10% of the Vinda tissue portfolio. *Tork* had a significant growth performance through dispenser placement and the launch of comprehensive washroom hygiene solution. Compared to two years ago, our premium portfolio has grown from 13.1% to 24.5% of our tissue sales and is much more robust to the competitive environment and the challenging market condition. These premium brands tend to be less price sensitive than the lower margin segment and offer superior product quality to consumers.

Successful launch of new feminine and incontinence care products in mainland China

During the year we relaunched our Feminine Hygiene products in mainland China and initial consumer response was very positive. Creating awareness is our key priority for the years to come and initial repeat purchases are looking encouraging. We want to establish *Libresse* as a purposeful brand in creating a world where women can live the life they want, by breaking V Zone taboos. We are confident that a meaningful scale of Feminine Hygiene business will translate into a strong profitability driver in the medium term.

For incontinence care, we launched the incontinence pants in mainland China, a series of products that we believe will be the key growth and margin driver in this category. The overall incontinence care opportunity remains very strong with aging population in mainland China but also in North and Southeast Asia. Incontinence pants will play a major role to allow people to remain mobile and able to enjoy daily life in full.

Solid business in Southeast Asia & North Asia[2]

In Southeast Asia we saw a very good progress after a challenging start in the first quarter. We had overcome the challenges by the second quarter and since then the business has grown well. We grew market shares and maintained our leading positions in incontinence care in Malaysia and Singapore, we also maintained our leading positions in baby and feminine care categories in Malaysia. Innovation also played a major role in Southeast Asia markets across different categories. With the relaunch of Drypantz, the diapers' sizes can be adjusted to fit the baby at every stage of its growth. We also collaborated with the popular Pink Fong character in launching a limited edition of a range of products under the *Drypers* brand. The entire relaunch of Feminine Hygiene products with new packaging and product selection criteria were to help women to choose their right product.

North Asia also performed well despite the challenging business environment in the Hong Kong market with export to Japan and other Asian markets counterbalanced its slowdown. Despite the difficult retail environment in Hong Kong in the last few months, the new launches of *Vinda* toilet-roll and boxed facial tissue together with the *Tempo* prestige toilet-roll and Sakura series performed well.

The continuous shift in the retail environment towards e-commerce and new retail are reinforcing Vinda's competitive advantage. As the leading player in most e-commerce platforms, we continued the strong growth momentum of the past. We also start to see an increasing momentum of the e-commerce sales in Southeast Asia and are very well set-up to gain advantage of the channel shifting trend.

Profitability and cashflow

We continued to focus on the business fundamentals to improve profitability and cash flow.

Gross margin improved significantly this year not only helped by declining pulp prices but more specifically by a more premium brand portfolio in tissue (as discussed before) and the continuous cost savings in supply chain.

These efforts resulted in a significant margin expansion in operating profit and net profit from 6.9% to 9.8% and 4.4% to 7.1% respectively or in absolute terms a growth of respectively 53.9% and 75.3%. Improved profitability, together with well-planned CAPEX and working capital, helped to deliver a positive free cashflow (the cash generated from operations after deducting CAPEX required for operations and income tax paid) of HK$1,453 million during the year. This cash flow allowed us to further strengthen our balance sheet, with our net gearing level and net debt/EBITDA ratio reduced to 41% and 1.4% at the end of the year, respectively.

Capacity expansion and efficiency improvement projects

Our strong growth in tissue requires us to continue to expand our production capacity. While we are changing our strategy to invest mainly in premium tissue manufacturing and outsource some of the standard grades, the need for capacity expansion remains high. 2019 we added some capacities in Hubei while we also stopped an old paper machine in Guangdong. Currently, we are continuing to build further capabilities in Longyou and Yangjiang.

During the year we kicked start the construction for our new facilities in Malaysia. This project will allow us to consolidate our existing Southeast Asia factories and warehouses under one roof. This will significantly improve our operating efficiencies with all functions working at the same location.

Sustainability

In 2019 we also continued to work to reduce our environmental footprint. Over 99% of our pulp sourcing was certified or came from responsible sources. We have further reduced the water and energy consumption per ton of paper produced.

In addition, Vinda became the first FMCG company to obtain the "Green Finance Pre-Issuance Stage Certificate" issued by the Hong Kong Quality Assurance Agency **(HKQAA)** and raised a green loan of HK$300 million in Hong Kong. This breakthrough showed that Vinda had strong commitment to environmental protection and perseverance with sustainable development.

Outlook

The business outlook remains good despite a number of uncertainties such as pulp prices, Sino US trade relationship and exchange rate fluctuation. Competition remains tough but we believe that our improved brand portfolio is well equipped to compete.

While we are expecting pulp prices on the low level, we think it has reached the bottom of the cycle and it is probably not bouncing back in 2020. Price competition remains intense, in particular in mainland China, but our enhanced product and brand mix should be an effective margin protection.

2019 has taught us that the uncertainty of Sino US trade relationship had a strong impact on RMB and USD exchange rate. As the majority of our pulp purchases are in USD, this could have an impact on the year to come.

Finally, the economic outlook for mainland China remains uncertain. Lower consumer confidence during slowing-down growth economic cycle may have an impact on the premiumization of the market.

Despite these challenges and uncertainties, we are confident that we can continue to deliver strong profitability in 2020. Growth will be more of a challenge in particular with declining average market prices in tissue. We believe that our innovation program and our focus on strong brands will counterbalance most of these impacts.

Vinda remains committed to become a leading Asian Hygiene player. Our stable management, the capability of our people and the support from our key shareholder Essity in brands and research and development gives us all the means to continue to be successful in 2020 and beyond.

Remarks

[1] *Premium portfolio (Tempo, Vinda Deluxe, Tork and wet wipes)*

[2] *North Asia includes HKSAR, Taiwan China and South Korea*

Christoph MICHALSKI
Chief Executive Officer

21 January 2020

Management Discussion and Analysis

Overview

For the year ended 31 December 2019 (the "**Year**"), Vinda International Holdings Limited ("**Vinda**" or the "**Company**" and together with its subsidiaries as the "**Group**") managed to achieve a double-digit organic growth[1] in revenue and significant improvements in both gross profit margin and net profit margin due to lower wood pulp price, focus on premium brand portfolio, continuous product mix optimisation and strong innovations. Competition remained intense in particular in the Chinese tissue market.

Financial Highlights

Total revenue increased by 8.0% (growth at constant exchange rate: 11.6%) to HK$16,074 million.

In respect of business segment, Tissue and Personal Care contributed to 82% and 18% of total revenue, respectively. In respect of sales channels, traditional distributors, key account managed supermarkets and hypermarkets, B2B corporate customers and e-commerce accounted for 31%, 25%, 15% and 29% respectively. All sales channels recorded satisfactory growth, among which e-commerce recorded more than 30% organic growth[1] in revenue.

Gross profit rose by 19.1% to HK$4,985 million. Thanks to the effective pricing strategy, lower wood pulp price and focus on premium segment, gross margin increased 2.9 ppts to 31.0% despite the fierce market competition and downward pressure on RMB.

EBITDA grew by 36.5% to HK$2,678 million. EBITDA margin expanded 3.5 ppts to 16.7%, reflecting a sustainable cash generation ability.

RMB against USD and HKD remained fluctuated during the Year. Total foreign exchange loss for the Year decreased to HK$34.7 million (2018: HK$80.5 million loss), of which HK$37.2 million loss was from operating activities (2018: HK$74.3 million loss), and HK$2.5 million gain was from financing activities (2018: HK$6.2 million loss).

Operating profit grew by 53.9% to HK$1,570 million. Notwithstanding the market competition, selling and marketing cost as a percentage of sales remained at 16.0%. Administrative costs as a percentage of sales slightly increased by 0.2 ppt. Operating margin increased by 2.9 ppts to 9.8%.

Interest expense decreased by 6.3% to HK$213 million, which was mainly due to decreased borrowings. Effective interest rate was 4.1%, down by 0.1 ppt compared to last year. Net gearing ratio[2] (excluding lease liabilities) declined 15 ppts to 39%.

Effective tax rate decreased by 1.6 ppts to 17.0%.

Net profit grew by 75.3% to HK$1,138 million. Net margin was 7.1%, increased by 2.7 ppts compared to last year.

Basic earnings per share was 95.3 HK cents (2018: 54.4 HK cents).

The Board recommends the payment of a final dividend per share of 21 HK cents. Together with the interim dividend, total dividends per share for the Year would be 28 HK cents (2018: 20 HK cents).

Business Review

Tissue Segment

Revenue from the Tissue segment increased by 9.4% to HK$13,254 million, representing a growth of 13.3% at a constant exchange rate and accounted for 82% of the Group's total revenue (2018: 81%).

During the Year, we focused on the premium segment of our Tissue portfolio such as *Vinda Deluxe* and *Tempo*. The gross margin and segment result margin of the Tissue segment were 31.4% and 11.6% respectively.

Through a series of innovative and effective marketing campaigns, together with successful brand management strategies, the growth momentum of the Tissue segment carried on and the Group maintained its leading market share[3] in the Chinese tissue segment. During the Year, Vinda successfully secured the joint cooperation or licensing of a number of well-known cartoon(s) or IP rights. The limited edition products received overwhelming response from the public and broadened the customer base. In particular, *Vinda* collaborated with "Summer Palace" on attractive tissue packaging designs through the beautifully illustrated scenes of the world-famous, classical Chinese garden to capture the consumers' preference of national pride.

In addition, *Tempo* successfully invited William Chan（陳偉霆）, a famous celebrity to be *Tempo* ambassador in China, which significantly enhanced the brand awareness and marked a significant growth in sales. Apart from the launch of limited editions of the Sakura series in Hong Kong and China, *Tempo* also cooperated with the internationally renowned Metropolitan Museum of Art and a famed British artist named Lucy Sparrow to co-launch an art edition series, which further raised the brand awareness and the number of customers.

Tork achieved outstanding performance, which became a business partner with Beijing Daxing International Airport and Singapore Changi Airport (Terminal 4), respectively. The brand had been greatly affirmed and recognised by the international market and it had successfully expanded the business into another high-end commercial customer market.

In Malaysia, we continued to roll out *Vinda Deluxe* to develop our Tissue business. Softpack category was well received by the market. We also launched kitchen towels and kitchen wet wipes to enrich the product portfolio.

Personal Care Segment

Revenue from the Personal Care segment increased by 1.9% to HK$2,820 million, representing a growth of 4.4% at a constant exchange rate and accounted for 18% of the Group's total revenue (2018: 19%).

Gross profit margin and segment result margin of the Personal Care segment were 29.1% and 6.6% respectively. The segment result margin reflected that the Personal Care business in China was still in the early stage of business development.

Our incontinence care recorded promising performance in mainland China due to the satisfactory growth in both e-commerce and traditional distributors channels. Pant-type products also saw good development in market penetration in all regions outside China.

With regard to the feminine care, *Libresse* maintained its leading position[4] in Malaysia and the launch of *Libresse CurveFit* was warmly received in the market during the Year. Apart from the relaunch of *Libresse* in China, we have localised production which will not only reduce costs but also shorten the response time to the market.

Southeast Asia is the major market of our baby care business. Regarding the Malaysian market, *Drypers* has cooperated with Pink Fong, the creation team of the children song Baby Shark, to launch relevant baby diapers and baby care toiletries, which successfully enhanced the popularity. Sales volume of the brand thereby grew and we maintained our leading market position.

Production Capacity Plan

During the Year, 60,000 tons of new capacity have been added in Hubei, China. As planned, we discontinued the operation of one of the oldest and high energy-consuming paper-making machineries at Guangdong factory, which was equivalent to 30,000 tons of designed capacity, bringing the total annual designed production capacity for tissue paper to 1,250,000 tons as at 31 December 2019.

In the second half of 2019, we had a groundbreaking ceremony in Malaysia, where construction of the Group's Southeast Asia regional headquarters had officially started up. The state-of-the-art facility will comprise a double-storey manufacturing plant with raw material warehouse, a finished goods warehouse and the Vinda Innovation Centre. This facility will serve mainly the Southeast Asian market and support sales to more than 25 markets. This investment will increase our regional production capacity and support our long term growth in emerging markets.

Sustainability

Human Resources Management

Employees are the most valuable contributors to Vinda's sustainable development. We strive to offer equal opportunities to all qualified candidates regardless of age, nationality, race, religion, sexual orientation, gender and etc. We also offer fair and reasonable remunerations and performance incentives mechanism, and continuous career advancement training programmes to our employees. Vinda was recognised as "The National Model Enterprise of Harmonious Labour Relations" and awarded the "2019 Outstanding Human Resources Management Award" in China. Furthermore, Vinda was awarded the "Malaysia Employer Brand Awards 2019" by the World Human Resource Development (HRD) Congress in Malaysia.

During the Year, a total of 135,607 hours of training were conducted in mainland China for a total of 88,350 participants. In Malaysia, a total of 9,404 hours of trainings were provided to a total of 768 participants. In Taiwan, a total of 4,840 hours of trainings were provided to a total of 1,827 participants.

As of 31 December 2019, we had a total of 10,918 employees.

Health & Safety Performance

We attach great importance to occupational health and safety with our goal "zero accident". In mainland China, 2,149 safety seminars were held for a total of 99,040 participants during the Year. The number of production safety accidents remained at 14. The lost time accidents ("**LTA**") was 12,642 (2018: 14,952) hours. The lost days from above Accident ("**DLA**") was 1,578 (2018: 1,869) days. In Malaysia, LTA was 3 cases (2018: 1) and DLA was 35 (2018: 90) days. In Taiwan, both LTA and DLA were zero (2018: zero).

Green Production

We continued to devote every effort in reducing carbon footprints in 2019. In China, average overall energy consumption (ton of standard coal) per ton of paper was 0.33, far below the national standard upper limit of 0.42. Carbon dioxide emissions per 10,000 tons of product was 10,694 tons. Water recycling rate was over 95%. Additionally, we aim to source all wood pulp certified by forest certification system (including Forest Stewardship Council ("**FSC™**"), the Programme for the Endorsement of Forest Certification ("**PEFC**") or China Forest Certification Council ("**CFCC**")).

We are honored to be the first fast moving consumer goods company to obtain the "Green Finance Pre-Issuance Stage Certificate" issued by Hong Kong Quality Assurance Agency and raised a HK$300 million green loan. The loan is aimed at helping the Group to achieve eco-friendly operations and sustainable development. The green loan will be used for eligible green projects, including those for raising energy efficiency, prevention and control of pollution, resource conservation and recycling, etc., in order to further improve production efficiency and reduce production costs, thereby enhancing the overall competitive advantage and business performance of the Group and achieve the long-term goal of sustainable development.

For details, please refer to the section headed "Environmental, Social and Governance (ESG) Report 2019" on pages 24 to 54 of this annual report.

Outlook

The business outlook remains good despite a number of uncertainties such as the lingering Sino-US trade conflicts, continuous intense market competition and the volatility of the Renminbi exchange rate.

We believe in the medium-to-long term, there are many business opportunities ahead in the household paper and personal care businesses of the Group. China's fast-moving consumer goods continues to upgrade to premium consumption. The progressively rising household disposable income and the significant room for growth in the per capita consumption of household paper products will help the Group to expand further. The significant acceleration of aging population in China will also provide opportunities for our professional incontinence care business. In addition, Vinda's well-established channel layout and its advantages as an e-commerce leader will enable it to capture the potential market opportunities arising from the retail model of online-to-offline integration. With increasingly stringent environmental protection regulations, our focus on the sustainability development will further enhance our competitiveness.

We will stay focused on the following development strategies:

1. We will continue to focus on product innovation and strive to stand out from the peers by optimising our product mix to enhance our brand competitiveness and profit margin;

2. We will continue to develop sizable Personal Care business in China;

3. We will leverage the comprehensive layout of channels and our edges in e-commerce channel to tap every potential opportunity through excellent sales execution capabilities;

4. We will rigorously control the costs and make the best use of our resources to optimise cost-effectiveness;

5. We will continue to improve the efficiency of production and operation in order to support sustainable business growth; and

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

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 2019, the Group's bank and cash balances amounted to HK$460,387,446 (31 December 2018: HK$574,465,154), and short-term and long-term loans amounted to HK$4,156,187,795 (31 December 2018: HK$5,245,496,240), including the loans from a related party amounting to HK$1,274,928,072 (31 December 2018: HK$1,218,116,846). 85.9% of the borrowings are medium- to long-term (31 December 2018: 80.5%). The annual interest rates of bank loans ranged from 1.3% to 6.8%.

As at 31 December 2019, the net gearing ratio, which was calculated on the basis of the amount of net debt which is total borrowings plus lease liabilities less cash and cash equivalents and restricted bank deposits as a percentage of the total shareholders' equity, was 41% (31 December 2018: 54%). The net gearing ratio increased from 39% to 41% as a result of adoption of HKFRS 16 *Leases*, effective and adopted by the Group from 1 January 2019.

As at 31 December 2019, unutilized credit facilities amounted to approximately HK$7.66 billion (31 December 2018: HK$6.79 billion).

Charges on Group Assets

As at 31 December 2019, the Group did not have any charges on assets (31 December 2018: nil).

Contingent Liabilities

As at 31 December 2019, the Group had no material contingent liabilities (31 December 2018: nil).

Final Dividend

The board of directors of the Company (the "**Board**") has resolved to propose to shareholders of the Company the distribution of a final dividend for the Year of 21 HK cents (2018: 14 HK cents) per share totaling HK$250,971,708, subject to approval by shareholders at the annual general meeting of the Company (the "**AGM**") to be held on 1 June 2020. If so approved by shareholders, it is expected that the final dividend will be paid on or about 14 August 2020 to shareholders of the Company whose names appear on the register of member of the Company on 29 July 2020.

Material Acquisition and Disposal of Subsidiaries and Associated Companies

The Group had no material acquisition and disposal of subsidiaries and associated companies during the Year.

Significant Investment

Save as those disclosed under the section headed "Management Discussion and Analysis" and Notes 6, 7 and 9 to the consolidated financial statements, the Group did not have any significant investment during the Year.

Closure of Register of Members

The register of members of the Company will be closed from 27 May 2020 to 1 June 2020, both dates inclusive, during which period no transfer of shares will be registered. In order to ascertain shareholders' eligibility to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Computershare Hong Kong Investor Services Limited (the "**Share Registrar**"), at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 26 May 2020.

In addition, the register of members of the Company will be closed from 27 July 2020 to 29 July 2020, both dates inclusive, during which period no transfer of shares will be registered. In order to ascertain shareholders' entitlement to the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 24 July 2020.

Remarks

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

[2] *Net gearing ratio: Net debt divided by total shareholders' equity*
Net debt: Total debt including lease liabilities less cash and cash equivalents and restricted bank deposits
The net gearing ratio increased from 39% to 41% as a result of adoption of HKFRS 16 Leases, effective and adopted by the Group from 1 January 2019.

[3] *Source: Kantar Worldpanel, 2019 full year sales value*

[4] *Source: Kantar Worldpanel, sales value year-to-date at 3 November 2019*

Sustainability is one of Vinda's core principles.

All Vinda employees are required to follow the Code of Conduct and act on the principle of sustainability. We endeavour to operate our business in a responsible manner and also expect other business partners including customers, suppliers, consultants and independent contractors to meet our standards as reflected in the Code of Conduct or similar standards.

About the Report

Scope of the Report

Vinda's majority revenue is generated by the Tissue segment in mainland China and Personal Care segment in Southeast Asia and Taiwan.

The scope of disclosure of the 2019 Environmental, Social and Governance Report (the "Report") covers the initiatives and the performance of sustainability of the Group's ten factories in operation (or eight as classified by "legal entities"[1]) in mainland China, two factories in Malaysia and one factory in Taiwan for the Year.

1 The eight 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, Vinda Personal Care (China) Company Limited and Vinda Personal Care (Guangdong) Co., Ltd.

Working Group and Review

A cross-department working group, comprising quality management department, human resources department, procurement department, administration department, corporate affairs department and internal control department from **mainland China, Taiwan and Malaysia,** was formed to collect data and information for the preparation of the Report.

All data and information disclosed in the Report were derived from our internal records. In order to ensure the accuracy of the disclosure, we have engaged Intertek Testing Services Ltd., Shanghai, an independent and professional third-party, to perform independent audit on the data of greenhouse gas emission disclosed in the Report.

The Board and its six major committees (Audit Committee, Remuneration Committee, Nomination Committee, Risk Management Committee, Executive Committee and Strategic Development Committee) regularly monitor and review the Group's overall strategy, risk control, financial position, corporate governance, and sustainable development, etc.

The Report was reviewed and approved by the Board.

Reporting Guideline

Vinda has been disclosing the Group's performance regarding environment, health and safety, human resources, corporate governance and social responsibility since 2014.

The preparation of the Report was with reference to the ESG Reporting Guide under Appendix 27 to the Listing Rules. The Report was compiled in compliance with the "comply or explain" provisions in the ESG Reporting Guide.

Stakeholders

We value the opinions and respect the relationship with our stakeholders including business partners, suppliers, consumers, customers, investors, regulators, employees and communities, etc. We welcome any suggestion and feedback on the Report via email to ir@vinda.com.

Eco-friendly Operations

As a responsible hygiene products manufacturer, Vinda continuously evaluates the environmental impact caused by our entire value-chain and strives to reduce carbon footprints from sourcing, production, packaging and distribution.

Energy management

Mainland China

Each production factory of Vinda sets up a comprehensive control and management system for various energy consumption. Some of the production factories have been equipped with intellectual Energy Monitoring System (EMS) to collect and monitor the real-time data of the major energy consumption during production, such as electricity, gas, coal, steam, etc., as well as operation parameters of main equipment such as start-up rate, production capacity, etc., and analyse and summarise the data on a regular basis. Through analysis of the data, we devise improvement plans, such that an optimised production can be continued. The Group conducts a review based on the key performance indicators set for each production factory's energy consumption and develops an incentive scheme within the Group to grant special incentives to the factories and projects with outstanding energy conservation.

The major energy consumption of Vinda is thermal energy and electricity, and the main source of energy for heat supply is natural gas and coal. The heat sources are selected according to the objective conditions of the location of each factory and based on the geological environment. For example, the factories in Sichuan, Beijing and Guangdong use natural gas as fuel; the factories in Jiangmen, Zhejiang and Liaoning directly purchase steam from the local parks; and the factories in Hubei, Shandong and Xinhui use coal as fuel.

We are committed to enhancing the energy consumption efficiency of our equipment and we continue to promote energy conservation and consumption reduction. During the Year, we launched a number of project enhancement initiatives such as steam saving in paper production, reuse of water from condensation and effective hot air system of paper-making machineries to enhance energy utilisation efficiency and minimise the waste of energy. In 2019, the average overall energy consumption per ton of paper in all factories was 0.33 ton of standard coal, which was lower than the advanced value of 0.42 ton of standard coal for every ton of paper under GB31725-2015 "The Norm of Energy Consumption per Unit Product of Pulp and Paper" (such standard requires that the integrated energy consumption for household paper unit product to be as follows: restriction value being 0.56, entry value being 0.49 and advanced value being 0.42).

Malaysia

We mainly consumed electricity. We have replaced fluorescent lights with LED lights in our factories and offices in Malaysia which are more energy efficient as compared to fluorescent lights. We continue to replace LED lights in high traffic areas in 2019 such as staircases and canteens which operate 24 hours. We started to replace liquefied petroleum gas (LPG) operated material handling equipment (MHE) with electric operated MHE at our warehouse in 2018 and had replaced all units in 2019.

Taiwan

In Taiwan, due to the addition of new production equipment and the gradual elimination of diesel stacking machines by replacing with electric stacking machines, electricity consumption dropped slightly and the fuel consumption was significantly reduced.

		Mainland China		Malaysia		Taiwan	
Energy consumption	**Unit**	**2019**	2018	**2019**	2018	**2019**	2018
Electricity	kilowatt-hour	750,418,464	664,641,650	50,500,161	47,979,102	13,377,366	13,761,200
Coal	ton	170,280	152,027	\	\	\	\
Natural gas	cubic metre (m^3)	17,633,753	21,529,518	\	\	\	\
Purchased steam	ton	827,890	672,225	\	\	\	\
Integrated energy consumption per ton of paper	ton/ton of paper	0.33	0.31	\	\	\	\

Exhaust and carbon dioxide emission

In response to the call of the United Nations, we comply with the relevant laws and regulations at all time and take part in restraining the escalation of global warming by formulating measures and proactively reducing the emission of carbon dioxide. We will consider and include low-carbon and green conceptions throughout our value-chain from product design to production, logistics, storage and the end-users. In 2019, as shown in the report from a third-party inspection company, the total carbon dioxide emission of the Group was 1,099,670 tons and the total emission intensity was 0.52 ton/m^2.

Mainland China

We implemented strict control over waste gas emissions. All factories that are equipped with boilers adopt advanced de-sulfurisation and de-nitrification waste gas treatment technologies, which effectively reduces the volume of sulfur and nitrogen compounds in waste gas. Our three-tier monitoring management system closely monitors the real-time data of waste gas emission of boilers and ensures that each of the emission level is lower than the national and local 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", etc.

Malaysia and Taiwan

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

		Mainland China		Malaysia		Taiwan	
Carbon dioxide emission	Unit	2019	2018	2019	2018	2019	2018
Direct emissions (Scope 1)	ton	382,233	339,548	916	417	66	87
Indirect emissions (Scope 2)	ton	673,998	585,677	35,047	33,298	7,411	7,624
Total emissions	ton	1,056,231	925,225	35,963	33,714	7,477	7,711
Total emission intensity*	ton/m^2	0.52	0.56	0.86	0.80	0.13	0.14

Carbon dioxide emission	Unit	2019	2018
Total emissions of the Group	ton	1,099,670	995,580
Total emission intensity of the Group	ton/m^2	0.52	0.57

		Mainland China	
Exhaust emission	Unit	2019	2018
NO_x	ton	193.31	150.99
SO_2	ton	83.98	61.19

Scope 1: Include emissions directly generated by the businesses owned or controlled by the Company (lubricants for maintenance of production equipment, carbon dioxide fire extinguisher, diesel fuel power generator, fuel for work vehicles, diesel fuel for stacking machine, refrigerants, household waste water)

Scope 2: Include the "indirect energy" emissions caused by purchased or acquired electricity or/(and) steam consumed by the Company internally

* Total emission intensity = total emissions/area of the factories

Solid Waste Treatment

Mainland China

All factories strictly followed the requirements under ISO14001 Environmental Management System to provide treatment for waste. In which, non-recyclable waste (including household waste, etc.) will be subject to centralised treatment by local environmental and hygiene companies; non-hazardous waste is sorted and classified by eligible contractors through a tendering process and will be recycled to the greatest extent; hazardous waste will be subject to centralised collection and storage at specific location by all factories and will be subject to centralised treatment by companies with qualifications for hazardous waste treatment after reaching a certain volume to avoid further pollution.

Malaysia

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". All scheduled waste is handled by licensed contractors which are approved by Department of Environment Malaysia (DOE). Non-hazardous waste is handled by appointed contractors. In 2019, solid waste recycled was 3,266 tons. Non-hazardous waste was 3,770 tons. Scheduled waste was 127 tons. The increase in scheduled waste (ink waste) was mainly due to the operation of a new production line with in-line printing.

Taiwan

In Taiwan, we complied with the requirements under the "Waste Disposal Act". We implemented waste classification, recycled the waste generated during the production process, designated special personnel for waste management, and engaged licensed vendors to handle waste treatment on a regular basis.
In 2019, the volume of recycled solid waste was 985 tons, non-hazardous waste was 1,549 tons, and scheduled waste was nil.

		Mainland China		Malaysia		Taiwan	
Waste	**Unit**	**2019**	2018	**2019**	2018	**2019**	2018
Volume of recycled solid waste	ton	66,445	44,759	3,266	1,957	985	1,027
Non-hazardous waste	ton	69,476	53,006	3,770	3,104	1,549	1,653
Restricted hazardous waste	ton	119	90	127	97	0	0

Save Water

In response to the national environmental policies, we are committed to reducing water use and minimising the water consumption in production process, in order to reduce waste water discharge and minimise environmental pollution. As the sufficiency of water resources was taken into account when deciding on the location of the factories, there is no problem for us to acquire suitable water source.

Mainland China

Water consumption for production

We operated all production bases in strict compliance with the "Three Simultaneous Actions" environmental protection policy at the initial construction period, which includes simultaneous design, simultaneous construction and simultaneous inspection and acceptance of environmental facilities and the subject constructions. All paper making processes in mainland China were equipped with intermediate sewage treatment facilities, in which sewage was recycled internally before entering in the secondary terminal processing (sewage in certain factories was centralised for treatment directly in the parks) and will be discharged after the standards are met.

The importance of water balance system has also been considered during the selection of the model of our paper production equipment and recycled water was utilised as much as possible in the production process, resulting in water recycling utilisation rate consistently above 95%. The average water consumption volume per ton of paper was controlled to be within 10 tons, far 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".

Mainland China

8.37
Average water consumption for every ton of paper
(m^3/ton)

>95%
Water recycling rate
(estimation)

Water consumption for production	Unit	2019	2018	National standard
Freshwater consumption	10,000 cubic metres	827	736	N/A
Average water consumption per ton of paper	m^3/ton	8.37	8.53	National standard: 30
Water recycling rate	%	over 95%	over 95%	N/A

All local government authorities advocated to centralise sewage in industrial parks and discharge under the same standards. Currently, six of our factories in Jiangmen, Hubei, Zhejiang, Liaoning, Shandong, Sichuan, etc. have included sewage discharge into their local industrial park sewage treatment systems.

For factories not included in centralised treatment in industrial parks, we implemented the three-tier monitoring system for external discharge of sewage and monitored the environmental indicators of sewage discharge in real time to ensure the discharge meets the standards. The waste water discharge of all our production bases are in full compliance with the requirements under the "Discharge Standard of Water Pollutants for Pulp and Paper Industry" (《制漿造紙工業水污染物排放標準》》) (GB3544-2008).

Household water consumption
The offices use centralised water supply. Sensor taps are used for water supply for handwashing. Detection sensors are used for the water supply for toilet cleaning. Water conservation and water resources protection are promoted in all factories among all staff members.

Malaysia

In Malaysia, water consumption in 2019 was 101,482m^3. The increase in water consumption was from operation of two chiller plants concurrently (site 2) due to a new production line. We conserve water through recycling of water from cooling towers for production in factory.

Taiwan

In Taiwan, we continued to advocate water conservation and implemented practical management. Designated department heads and personnel regularly checked and repaired water equipment which effectively reduced water consumption by 12.5%.

	Mainland China		Malaysia		Taiwan	
Household water consumption	**2019**	2018	**2019**	2018	**2019**	2018
Water consumption (m^3)	933,413	871,806	101,482	98,757	35,490	41,317

Responsible Production

Wood Pulp Procurement

Forests are invaluable and renewable natural resources. Wood pulp is the main raw material for household paper and personal care products. "Sustainable development" is one of the core values of Vinda. The principle upheld by Vinda for wood pulp procurement is not to purchase and not to consume fibre from illegal logging and give priority to the wood pulp certified by the forest management certification system (such as the Forest Stewardship Council™ (FSC™), the Programme for the Endorsement of Forest Certification (PEFC) or China Forest Certification Council (CFCC)). The wood pulp we procured in 2019 complied with such principle. In 2019, over 99% of wood pulp we procured were certified by forest certification systems or came from responsible sources.

Vinda adhered to a sustainable procurement direction and, at the same time, promoted sustainable development in the industry. Vinda's factories formulated an FSC management handbook according to the requirements under the FSC Chain of Custody Certification and were able to produce FSC products according to the requirements under the certification. We exert control over the procurement source to ensure the source of fibre to be legitimate, not only just to procure wood pulp certified by the forest management certification system, but also to require the supply chain of the supplier to be a trackable and legitimate logging. We carried out production and sales of products certified by FSC in accordance with the requirements of sustainable development and the demands in consumer market and promoted the sustainable development of forest products to consumers in end-market.

FSC
certified products

Chemicals Procurement

Mainland China

We prefer chemical suppliers certified with a Material Safety Data Sheet (MSDS). MSDS 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 2019, all our chemical suppliers possessed MSDS certification to ensure the products meet the quality requirements of the Group. During the Year, in order to meet the latest requirements of "Safety Assessment Management System for Household Paper and Paper Products, Chemicals and Raw Materials" (GB/T36420-2018), we fully adopted the latest wet strengthening agent with lower DCP/MCPD/ECH content in China and adhered to a more environmental friendly and healthier development. Water-based stripping agent replaced the use of oil-based stripping agent, and the artificial synthesis of water-based stripping agent not only significantly reduced the evaporated volume of the stripping agent of finished paper products and greatly reduced the negative impact on the environment and human body, but was also biodegradable, which was in compliance with the requirements of the U.S. Food and Drug Administration (FDA), the German Federal Institute for Risk Assessment (Bfr), and the national food safety standard of the PRC on food contact materials and the use of additives for products, GB 9685-2016 (GB) regulations. In addition, Vinda has cooperated with chemical suppliers to jointly develop a new type of cloth cleaning agents, which further promoted the improvement of continuous production efficiency and reduction of energy consumption of paper machines.

MSDS/SDS
certified chemical suppliers

Malaysia

We require chemical suppliers to provide a Safety Data Sheet (SDS) for safety, health and environmental impact assessment. Chemical suppliers are required to comply with "Occupational Safety and Health (Classification, Packaging and SDS of Hazardous Chemicals) 2013" and "Regulations for the Labeling and Hazard Communication of Hazardous Chemicals". New chemical suppliers are assessed before listed as approved chemical suppliers.

Taiwan

In Taiwan, in addition to the regulatory requirements under the "Regulations for the Labelling and Hazard Communication of Hazardous Chemicals", the chemicals management shall also comply with the regulatory requirements under the "Hazardous Chemicals Assessment and Hierarchical Management Measure" and the "Registration Measure for Information on New Chemical Substances and Existing Chemical Substances". The source management of suppliers was enhanced and the source and usage of chemicals were under effective control. In 2019, in addition to a comprehensive list, labelling and SDS of chemicals, we implemented a hierarchical management for hazardous chemicals which effectively lowered the risk of the chemical harm. All our chemical suppliers obtained SDS.

Material Suppliers

Mainland China

When choosing material supplier, we strictly follow the "Materials Purchasing Management System" and "Supplier Management Standards". We only select suppliers that meet Vinda' s development philosophy. Since 2018, we have released the "Supplier Incentive and Elimination Mechanism" to introduce healthy competition through bidding, which helps continuously enhancing the overall level of suppliers and improving our supplier cost and service. We released the "Scheme on Strengthening On-site Management of Local Suppliers" in 2017 and the "Pest Management Requirements for Suppliers" in 2018 to continuously strengthen the management capabilities of suppliers. During the Year, the suppliers were also required to strictly comply with the relevant national environmental protection policies.

During the Year, we adjusted the thickness and size of plastic packaging materials to effectively reduce the consumption of plastic packaging materials. In 2019, large size plastic wrap used was 1,100 tons.

Malaysia and Taiwan

We strictly select materials suppliers in accordance with the "Supplier Management Procedures" and perform quarterly performance ratings on suppliers to ensure the suppliers meeting quality and services criteria. Our suppliers are required to sign a Supplier Standard, covering the code of conduct, quality, product safety, environment, chemicals and sanitary management and control of suppliers. Suppliers shall adopt internationally recognized standards and management systems. All suppliers signed the Supplier Standard.

Quality First

We adhere to the principle of providing consumers with high quality products and services, and impose a tight control over product quality in the entire process.

Mainland China

All production bases have obtained the ISO9001 Quality Management System, ISO22000 Food Safety Management System certifications and ISO14001 Environmental Management System certifications. Our subsidiaries, Vinda Paper (China) Company Limited, Vinda Paper (Shandong) Company Limited, Vinda Paper (Zhejiang) Company Limited and Vinda North Paper (Beijing) Company Limited, have secured ISO50001 Energy Management System certifications and ensured that each process of factory production was in strict compliance with the requirements of the standard system.

We strictly controlled the product quality by setting up a dedicated quality management division in each factory which are equipped with professional inspection equipment to carry out inspections on all kinds of products based on each of the indicators on a regular schedule. In addition, all factories implemented total quality management (TQM) and promoted the product quality standards to all staff members in the factories and advocated the management concept of "Quality Begins with Production". The production sites implemented 6S (Sort, Set in order, Shine, Standardize, Sustain and Safety) management measures. We imposed control on raw and auxiliary materials in accordance with the "Procedures for Managing the Inspection of Incoming Goods", on production process in accordance with "Procedures for Managing Process Inspections" and on all final products in accordance with the "Procedures for Managing Final Checks", in order to ensure that all products were in compliance with national and industrial standard requirements.

In 2019, the Group's products passed the sampling inspections by local and national authorities, maintaining a 100% passing rate for 17 consecutive years.

Malaysia and Taiwan

Malaysia and Taiwan factories have been certified with ISO9001 Quality Management System and ISO14001 Environmental Management System.

Malaysia factories implemented 5S (Sort, Set in order, Shine, Standardize, Sustain) 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. Taiwan factory adopted 6S management measures and pest elimination.

During the Year, no inspection by local authorities for quality/finished products in Malaysia. In Taiwan, we passed the sampling inspection of product quality carried out by local authorities, achieving a 100% passing rate.

100% passing rate

by local authorities

Product Recall and Complaint Handling

We value customer response. We have a set of procedures to handle customers' complaints, product refund, product return and product recall. In 2019, there was no product recall action due to safety and health issues.

Mainland China

In mainland China, we attached importance to feedbacks and complaints from external customers and made analysis on each of the customers' complaints with regular summaries, which would be used as the basis of product improvement. Complaint rate for dry tissue paper products in mainland China in 2019, calculated on the number of customers' complaints received for every 1,000 tons of tissue products sold, was 0.52. We value the quality and customers' satisfaction and, in accordance with the Handling Procedure for Complaints from Customers, standardise the handling of customers' opinions, summarised analysis, handling of compensation, handling of product return, rectification and precautions, etc. All customer complaints which the Company is liable are handled in accordance with relevant laws and regulations under the Product Quality Law of the People's Republic of China (《中華人民共和國產品品質法》) and the Law of the People's Republic of China on Protection of Consumer Rights and Interests (《中華人民共和國消費者權益保護法》), etc. We pay attention to the quality control in the process, and monitor it in accordance with the required testing frequency, testing project and product quality standards to ensure the quality of the final products. In the event of product recall as required under special circumstances, we would formulate and implement a product recall schedule in a timely manner to recall defective products pursuant to the procedures described in the "Notification and Revocation Control Procedures", so as to ensure the substandard and potentially unsafe products found after delivery or use could be fully recalled in a timely manner. In 2019, by improving our customer complaint system, customers' feedback from all sales channels were rapidly delivered which enhanced handling efficiency.

Malaysia

In Malaysia, complaint rate for personal care products in 2019 was 0.25. In Malaysia, consumer complaint cases are managed and registered by Consumer Care and escalate to Quality department. Consumer complaint cases are managed as per Product Complaint Management procedures.

Taiwan

In Taiwan, complaint rate for personal care products was 0.16. The customers provided feedbacks on product quality through a free service hotline which allowed effective and fast handling of customers' complaints.

Protection of Intellectual Property Rights

In order to strengthen the protection of the intellectual property rights of the Group, we have established a series of complete management system on intellectual property rights such as the "Trademark and Patent Management System" and the "Intellectual Property Award System" in accordance with relevant national laws and regulations, while taking the actual situation of the Company into account, to regulate the management of intellectual property rights, encourage the enthusiasm of the employees for innovation and technology development, promote the application of intellectual property rights, improve the market competitiveness and economic efficiency of the Group.

Most of the trademarks and patents under the intellectual property rights of the Group have been registered and protected. The Group Intellectual Property Rights Management Department under the intellectual property system has been set up, where the major responsibilities of such department are explicitly defined, along with the entitlements and income distribution of intellectual property rights to be generated during the work period are also specified. When there is a case in relation to intellectual property rights which has come to our attention, we will take different actions to tackle it, such as filing litigation or an administrative complaint against an alleged infringer based on a particular circumstance. In addition, we will constantly carry out intellectual property rights inspection to prevent infringement of third party intellectual property rights.

Mainland China

All safety works of the Company are continuously standardised and a relatively comprehensive safety management system has been formulated, including the "Safety Production Monitoring and Inspection System", the "Work Injury and Safety Accident Management System", the "Safety Education and Training Management System" and other dangerous work management systems, etc.

We continued to conduct Job Hazard Analysis (JHA) which covered all types of equipment and operation units and clearly stated the operational risks involved in the operation units, in order to optimise the safety and protection measures and safety operation requirements of all operation units and improve the staff's ability of identifying safety risks. During the Year, we conducted 527 times of specific factory safety inspections.

In 2019, we launched practical trainings on "Behaviour Safety Observation" and comprehensively implemented behaviour safety observation work, in order to allow the staff to understand the requirements of safety operation and cultivate ideal safety operation habits while preventing non-compliance and minimising injury accidents caused by violation of operation guidelines. Upon the implementation of behaviour safety observation work, the behaviour safety observation results submitted by the staff members were over 20,885.

We made significant optimisation and upgrade on our safety information work to improve safety work efficiency. Currently, duties such as potential hazard management, dangerous operation management, behaviour safety management and emergency management were uploaded to the Company's online information management platform allowing the staff members to instantly participate in the relevant arrangement of the Company's safety work through mobile phones and providing a convenient channel for staff to engage in safety work, which substantially enhanced the degree of participation in the Company's safety work.

To improve the emergency management and response capacity for factory accidents, we organised emergency drills at factories including fire evacuation, simulated chemical leakage, gas leakage in boiler room, and equipment anomalies. In 2019, we conducted 267 times of emergency drills.

During the Year, we continued to make enhancement on our working environment. In addition to adding anti-dust screens to paper-making machineries, we also built sound-proof workshops, installed dust removal devises and implemented other initiatives to provide employees with a safer working environment.

In 2019, we organised 2,149 safety seminars for a total of 99,040 participants in mainland China. Lost Time Accidents ("LTA") was 14 cases and the Lost Days from above Accident ("DLA") was 1,578 days.

Malaysia

In Malaysia, we comply with local safety, health law and regulations, such as "Occupational Safety Health Act 1994" and "Factories and Machineries Act 1967".

We conducted a series of safety training programs such as Safe Scissor Lift operator training and have requirements on authorized Entrant and Standby Person as well as Authorized Gas Tester and Entry Supervisor for confined space entry. Besides, we provided audiometry test and hearing conservation campaign for all employees and periodically held emergency drills, firefighting training with Malaysia's Fire Brigade and targeted training for employees' first aid capability. Indoor Air Quality and Ergonomic Risk Assessment are also conducted to minimise the health & safety risk at workplace to the employees.

We also implemented behavioral safety and unsafe condition reporting through mobile application to enhance employees' involvement and engagement in safety and health. Safety and Health Committee meetings were held quarterly with representatives from both the management and employees providing proper platform for safety and health discussions.

Factories in Malaysia passed the inspection by the Department of Occupational Safety and Health Malaysia and have been rated Grade A by the local department of occupational safety and health for three consecutive years. In 2019, LTA was 3 cases and DLA was 35 days. We also received recognitions from local safety non government organization as we are awarded Gold Class by Malaysian Society of Occupational Safety and Health (MSOSH) for three consecutive years. Globally, we have been awarded with Gold Award by Essity for reaching 1,000,000 total working hours without LTA. Factories in Malaysia are certified by the OHSAS18001 Occupational Health and Safety Management System since 2015.

Mainland China

Taiwan

In Taiwan, we complied with the relevant regulations under the "Occupational Safety and Health Law". Meanwhile, the operation of OHSAS18001 occupational safety and health management systems was implemented and the Safety and Health Committee was established to track and review the effectiveness of safety and health management on a regular basis. We launched the V-safety mobile application in 2019 to encourage employees to proactively report potential safety risk to reduce the chance of occupational accidents. There was no LTA in 2019. Factories in Taiwan are certified by the OHSAS18001 Occupational Health and Safety Management System.

	Mainland China		Malaysia		Taiwan	
	2019	2018	**2019**	2018	**2019**	2018
LTA (case)	14	14	3	1	0	0
DLA (day)	1,578	1,869	35	90	0	0
Number of work-related fatalities	0	0	0	0	0	0

Mainland China

0
Number of work-related fatalities
(case)

14
LTA
(case)

Malaysia

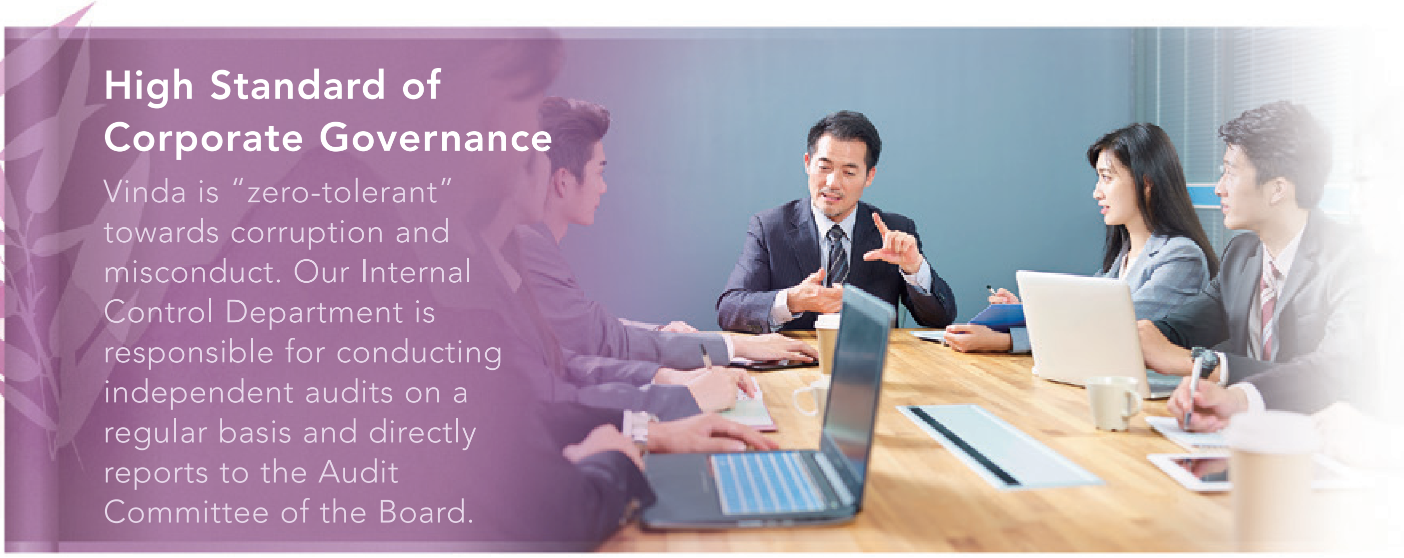
0
Number of work-related fatalities
(case)

3
LTA
(case)

Taiwan

0
Number of work-related fatalities
(case)

0
LTA
(case)



High Standard of Corporate Governance

Vinda is "zero-tolerant" towards corruption and misconduct. Our Internal Control Department is responsible for conducting independent audits on a regular basis and directly reports to the Audit Committee of the Board.

To prevent illegal conduct including contract fraud, corruption, breach of confidentiality, insider trading and unfair competition, the Internal Control Department formulates and implements various internal control polices and guidelines by referencing to national and local laws, the Listing Rules, guidelines issued by the Securities and Futures Commission and other regulatory rules.

Vinda continued to implement and optimise various internal control systems, including but not limited to the "Code of Conduct", "Guidelines on Internal Control", "Measures on Business Transactions and Cost Approval Authorities", "Measures Governing Contracts", "Management System on Confidentiality", "Measures Governing Tender Invitations", "Anti-Corruption System", "Internal Investigation Procedure" and "Conflict of Interest Reporting System", etc.

Vinda has always complied with global anti-money laundering laws and regulations. We required staff members to stay alert and adopt reasonable measures to identify and assess integrity of our business partners so as to ensure legitimate business activities. All funds of unknown origin and suspicious business activities shall be reported when noticed and handled with the assistance of professional teams.

According to the annual internal audit plan as approved by the Audit Committee of the Board, the Internal Control Department implemented a total of 38 internal audit programs. A total of 514 staff members participated in the internal audit training which covers all regions and positions of the Group and allows timely discovery and elimination of non-compliance risks.

In addition, we accept internal and external reports through various channels including our dedicated emails or telephone and the Internal Control Department is delegated to carry out internal inspection. There was 1 non-compliance case upon investigation and corresponding actions were taken against relevant personnel. During the Year, there was no corruption litigation against the Company or its employees.

Privacy Protection

All our employees are required to strictly comply with the "Code of Conduct" in the collection and handling of personal information of our consumers, employees and cooperative factories by fair and lawful means to ensure that personal information is not accidentally accessed, processed, erased, lost or used without authorisation. The confidential information of Vinda's employees is protected and may not be, under any circumstances, revealed to any unauthorised person unless required by law.

People Oriented

During the Year, we won various human resources awards. In mainland China, we were selected as "The National Model Enterprise of Harmonious Labour Relations", awarded "JOBS (前程無憂)2019 Outstanding Human Resources Management Award" and recognised as "The Best Employer Enterprise in Guangdong Province for 2019". Furthermore, Vinda was awarded the "Malaysia Employer Brand Award 2019" by the World HRD Congress in Malaysia.

Fair Recruitment

Vinda adopts a fair, open and transparent recruitment principle and offers equal employment opportunities to all job applicants. Our recruitment follows standard procedures as specified in our "Recruitment Management System". We recruit and select talents based on objective criteria such as work experience, competence, and educational background and qualifications of an individual, free of employment discrimination in terms of 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.

As of 31 December 2019, we had a total of 10,918 employees with a similar turnover rate compared to last year.

Employment and Benefits

Mainland China

We strictly comply with national and local laws, such as the "Labour Law of the People's Republic of China", "Labour Contract Law of the People's Republic of China", "Labour Union Law of the People's Republic of China" and "Employment Promotion Law of the People's Republic of China", and we have implemented the labour system and established labour unions in accordance with the laws. The Group complies with the "Law of the People's Republic of China on the Protection of Minors" to prevent illegal acts including employment of child labour and forced labour.

We have rules and regulations for employees' rights including "Remuneration Management System", "Benefit Management System", "Performance Management System", "Leave and Business Trip Management System" and "Benefit System for Dispatched Employees", which stipulate the payment of remuneration, employees' paid leaves, payment of statutory social insurance such as pensions, medical, unemployment, work injury and maternity insurances, housing provident funds, the purchase of personal accident insurance as well as other benefits such as the provision of allowance for high temperature as required by the local government.

Meanwhile, we protect the legal rights and interests of female employees in strict compliance with applicable laws and regulations such as the "Law on the Protection of Women's Rights and Interests" and the "Rules on the Labour Protection of Female Employees". In addition to the provision of prenatal leave, breast-feeding leave, annual gynaecological check-up and the Mutual Aid Safety and Health Protection Programme for Female Employees, we also organise outings and dinner gatherings on International Women's Day and Mother's Day and other activities, and provide breast-feeding area.

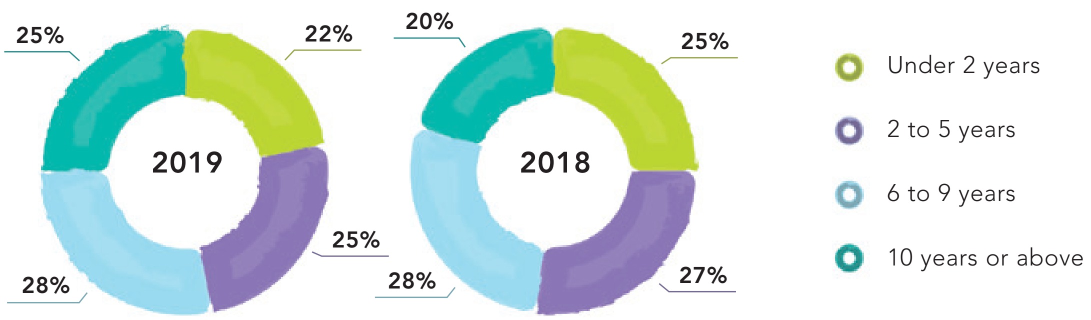
Malaysia

In Malaysia, we strictly comply with the "Child and Young Persons (Employment) Act 1966" that employer can only hire workforce aged 19 or above. In addition to the mandatory employment benefits stipulated in "Employment Act", we offered additional benefits which include longer maternity and paternity leaves, flexible work arrangement during menstrual period for female staff, dental care as well as extension of inpatient and outpatient services to our employees' spouses and children. Apart from fulfilling the needs of our employees, we also strived to create a fun and conducive working environment for our employees by introducing a number of online and offline employee engagement activities. Besides, in order to provide a conducive working environment for our employees, we have refurbished our nursing rooms for mothers, training rooms and constructed a recreational lounge.

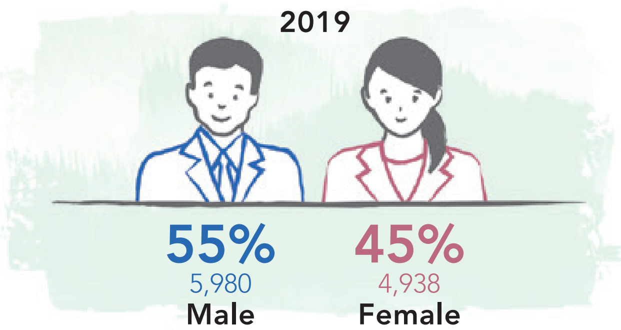
Taiwan

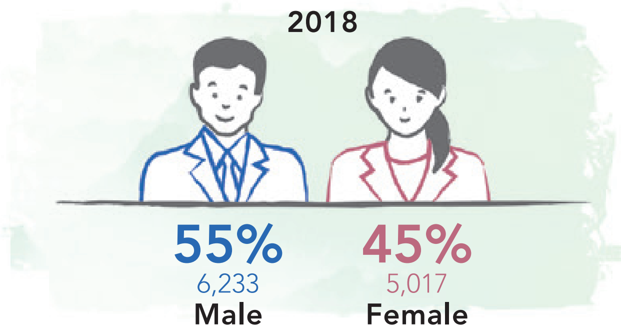
In Taiwan, we not only abide by the "Labour Standards Act" and the "Employment Service Act" and strictly comply with the "Act of Gender Equality in Employment" but also formulate the "Employee Working Rules" and "Measures of Prevention, Correction, Complaint and Punishment of Sexual Harassment" to strengthen the protection of female employees' labour rights and prevent from gender discrimination and sexual harassment in the workplace. Furthermore, we also provide subsidies for marriage, children's education, emergency relief, further studies, etc., to our staff.

Employees' Years of Service

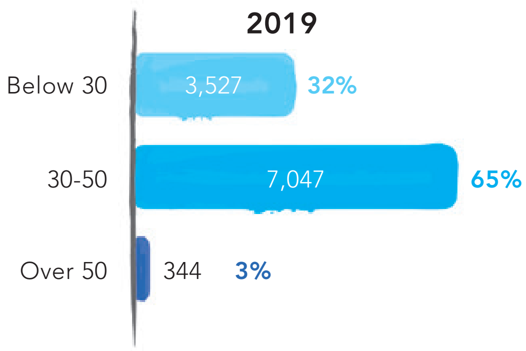


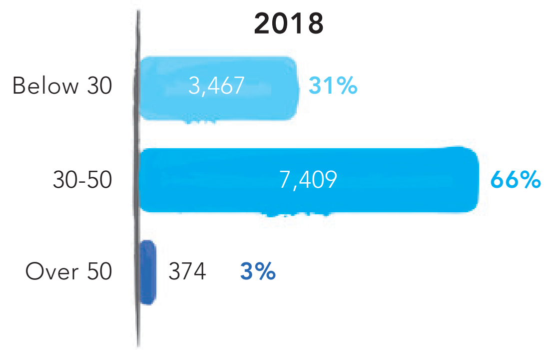
Employee Composition by Gender



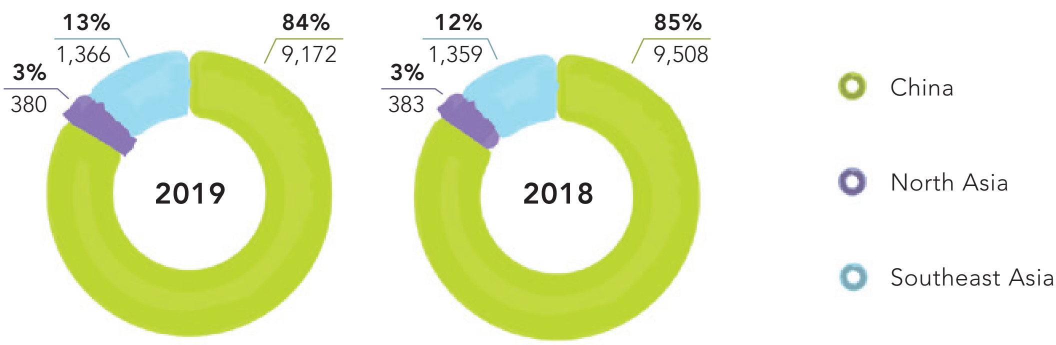


Employee Composition by Age Group





Employee Composition by Region



Employee Composition by Contract Type

2019

10,918
Employees

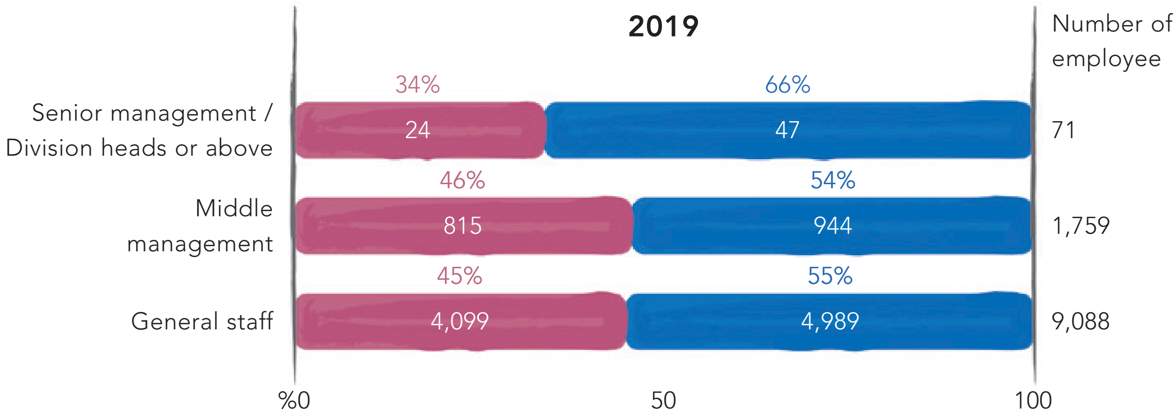
100%
Full-time

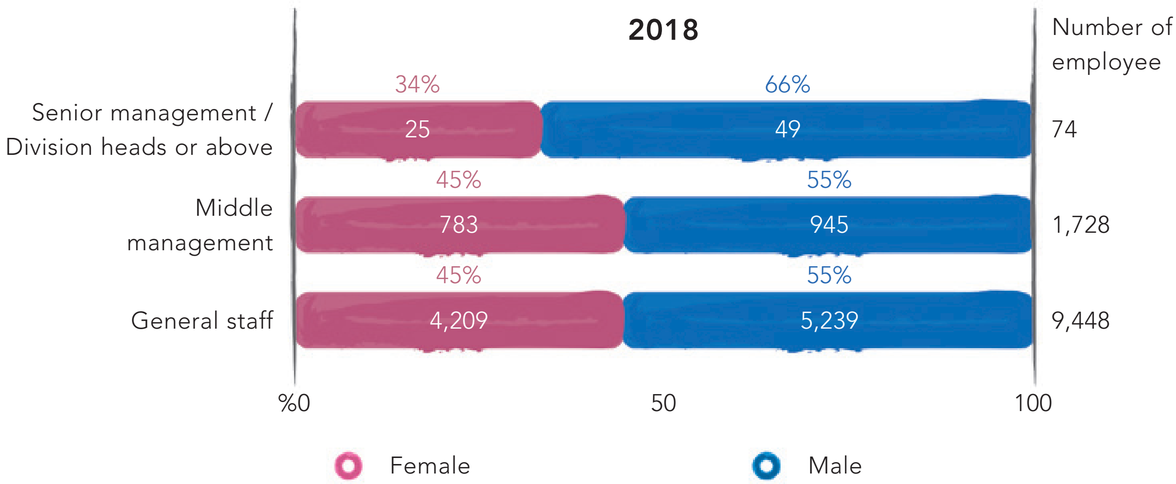
2018

11,250
Employees

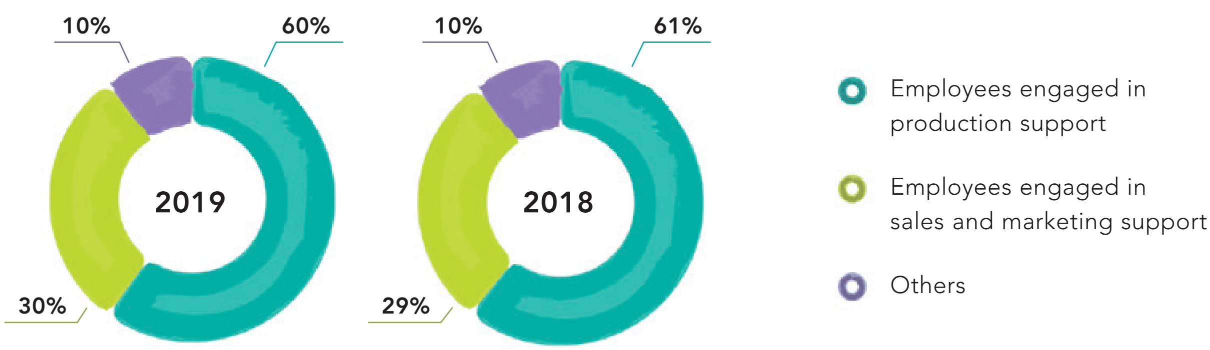
100%
Full-time

Employee Composition by Category





Employee Composition by Nature of Work



Comprehensive Training

We are committed to enhancing the professionalism and competitiveness of our staff through comprehensive trainings including workshops, project practices, experience sharing, online courses, lectures, etc.

Mainland China

In 2019, "Talent Management Cycle Initiative" has been put in place to improve our employees' competence through comprehensive assessments, exploration of employees' expertise and potentials and development of a more targeted and systematic training measures. In order to form a talented team, we implement "Talent Development Elite Programme" to comprehensively enhance the leadership of the employees with potentials; create a learning roadmap on the learning platform for production staff to clearly understand the requirement of his/her promotion; and provide learning materials for them to enhance the relevant capability. Technical staff are provided with experience sharing and inheritance platform in "Paper-making Technology Centre". In 2019, a total of 135,607 hours of training were provided to 88,350 participants in total.

Malaysia

In 2019, for Malaysia, apart from the continuous three-year journey of "The 7 Habits of Highly Effective People" program, we have embarked on a two-year project on Vinda Way of Working for Sales Team (W.O.W.S). The key project objectives are to create a more unified sales behavior and culture which will eventually translate into the core value of Vinda.

As of 31 December 2019, a total of 9,404 training hours were provided to 768 participants.

Taiwan

In Taiwan, we organised professional and management-related courses in accordance with the "Training Management Measures". In 2019, courses on customer relationship development were organised to strengthen the professionalism of the sales team. We also held refresher training on the Code of Conduct and ensured the training coverage to be 100%. In addition, skill assessment plans targeting the production department achieved the expected results and the skill assessments for the quality team was commenced during the Year. In 2019, a total of 4,840 hours of training were provided to 1,827 participants in total.

Retain Talent

We have established a comprehensive incentive scheme, including long-term incentive schemes, short-term incentive bonuses, share option incentives, etc., to enhance the cohesion of the management team by different means. In which, there are long-term incentive schemes and option incentive schemes for the senior management and short-term incentive rewards for all staff members to show the value of talents, in order to attract, retain, reward outstanding talents, thereby providing long-lasting motivating force for the Company's development.

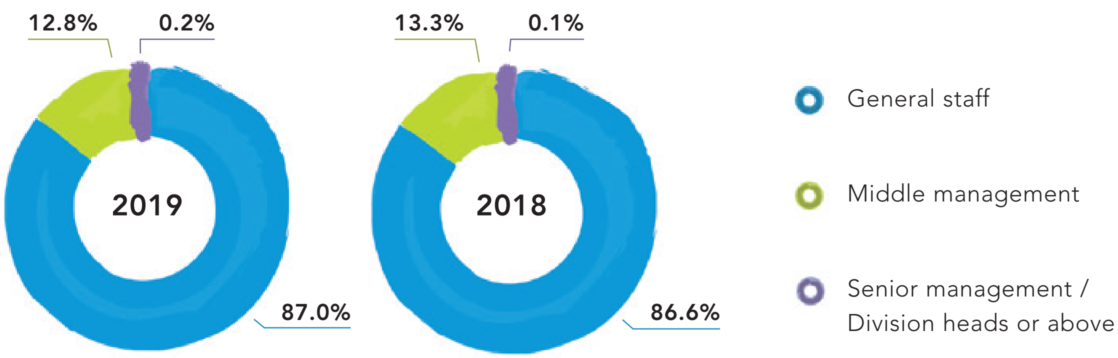
Mainland China

Employee Training

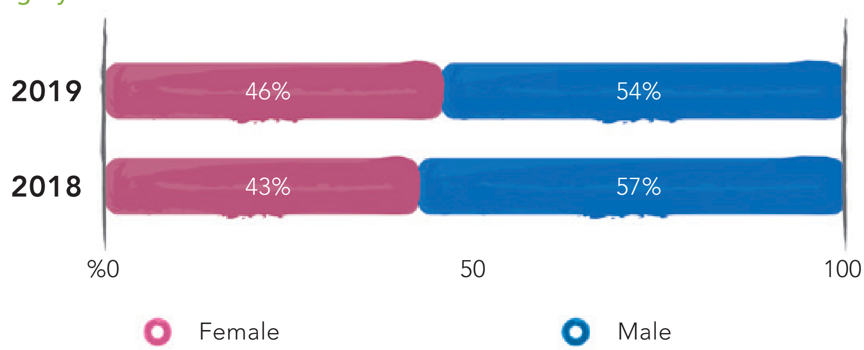
10,630
Total number of employees trained
(97%)

9,879
Total number of employees trained
(88%)

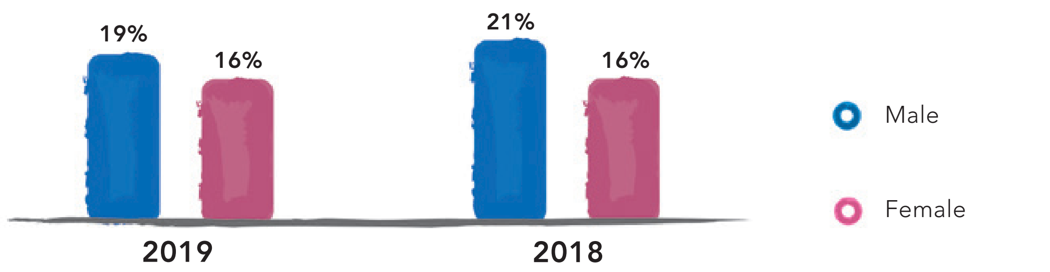
Employee Training by Employee Category



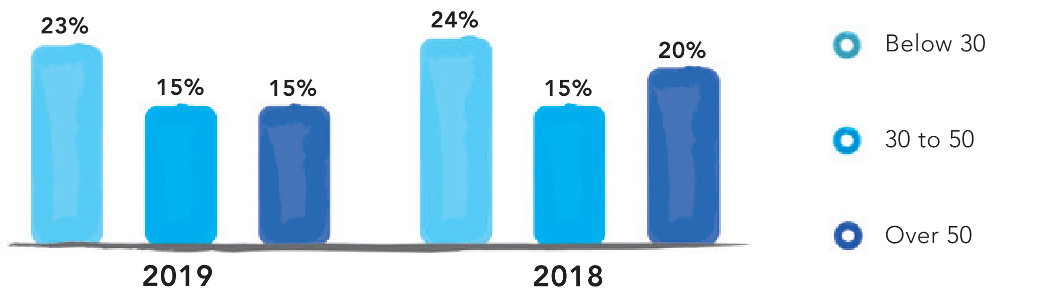
Employee Training by Gender



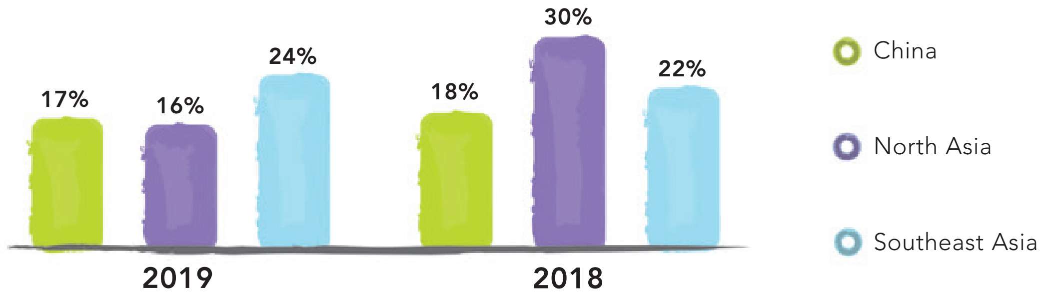
Employee Turnover by Gender



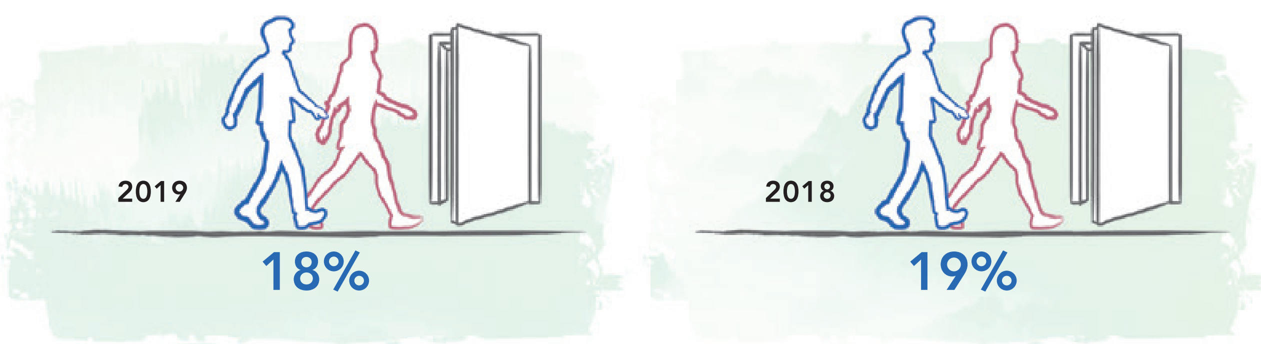
Employee Turnover by Age Group



Employee Turnover by Region



Total Turnover Rate



Giving Back to the Society

Volunteer Service

We are committed to fulfilling our responsibilities as a corporate citizen and encourage our staff to participate in volunteer activities in their spare time.

In 2019, the voluntary service of Vinda Volunteer Team in mainland China included keeping the queuing at Xinhui urban rail station in good order and visiting and donating supplies to underprivileged families. We have established the Sunflower Social Work Center in Xinhui with a view to offering more professional services. Vinda Volunteer Team worked with the Sunflower Social Work Center to organise a Mid-autumn festival party and birthday party for elderly. We also organised blood donation and provided support to welfare homes. In addition, the public environment improvement by the Sunflower Social Work Center in relation to the Linbu Village rural construction was highly recognised in the society. Vinda will constantly participate in the related activities that can make contribution to our society through the Vinda Volunteer Team and Sunflower Social Work Center. As of 31 December 2019, a total of 2,662 hours of community service were provided by the Vinda Volunteer Team and 708 participants attended the activities.

In Hong Kong, Vinda sponsored the "Lifeline Express Charity Run & Walk" fundraising activity for the fifth year in a row to raise fund for free surgeries for cataract patients in underprivileged areas in mainland China.

In Malaysia, we organised "Drypers Share A Little Comfort", a charity campaign to improve the living conditions of underprivileged children. Since the launch of the campaign in 2016, we have refurbished 16 Children Homes and improved the lives of 585 children. For young adults, we prepared them for the future workplace by holding career talks at various universities (Sunway University, Asia Pacific University and University Tunku Abdul Rahman) and participating in career expos (e.g. Sunway Career Carnival, INTI Nilai Career Exhibition) as well as other career and study exchanges. Our employees were also actively involved in the university mentoring program.

In Taiwan, we organised volunteer-day events in the North and the South which allowed the staff to accompany the elderly in elderly care institutions, including caring garden parties in AiAi Nursing Home (愛愛院) and visits of Bao Ren Nursing Home (寶仁護理之家), in order to allow interaction in close proximity between our staff and the users of our care products through singing, dancing and playing games with the elderly. In addition, we received public praise and a certificate of appreciation from the Gaoxiong government in the Year as a result of the Company's continuous demonstration of its care to underprivileged groups and donation of supplies to social welfare institutions, such as United Way (聯合勸募協會), Andrew Charity Association (中華安得烈慈善協會), Fund for Children and Families (家庭扶助基金會), Rehabilitation Centre for the Disabled (身障福利中心), etc. Moreover, in order to maintain the relation with the community, we continued to donate rice to the community of the elderly in Wei-Sin Village, give diapers to babies in the community, and offer gifts to graduates of Wei-Sin Elementary School.

Vinda Charity Foundation

We support the underprivileged students, elderly and severely ill patients under the name of "Vinda Charity Foundation" for years. The operation of the first canteen for the elderly, "Vinda Elderly Home", was commenced in 2013 to provide subsidized meals for the elderly under the Five-Guarantees System, together with the minimum living security as well as other elderly in need. In 2019, the number of "Vinda Elderly Home" has reached 12, 11 of which are in Xinhui and the remaining one is in Xiaogan. Approximately 105,000 free meals were served in 2019.

"Warmth to Home" is a home-visit activity to the underprivileged elderly and those with severe illness. In 2019, we visited and gave gifts to 407 elderly aged above 60 under the Five-Guarantees System (among which 124 were non-centralised living elderly and 283 were elderly in elderly homes) and 11 people in predicament, which included people in predicament due to low income, disabilities, severe illness or other reasons.

In 2019, "You Are the Best Education Fund" provided financial assistance for 30 underprivileged students to continue their studies. The accumulated number of students who received assistance has reached 70 since 2014. To symbolise the spirit of "Love Giving", Vinda Charity Foundation has been encouraging the students who received assistance to participate in voluntary services. The accumulated hours of participation in voluntary services by the students have reached 5,897 since the establishment of the project in 2014. Many students who graduated and have a job proactively make a donation to the fund every year, which fulfilled the "Inheritance of Love" by action.

Our Promise

We are committed to continuing our efforts to achieve sustainable development. We will enhance our capability to protect the environment through implementation of various measures to attain both economic benefits and environmental protection. In terms of corporate governance, we will ensure that all internal policies and working procedures are in accordance with the laws and regulations, and that the employees abide by the code of conducts. We will also strive to do our best to fulfil our corporate social responsibilities.

A. Environmental

		KPI	
Aspect A1: Emissions	**Chapter**		
The types of emissions and respective emissions data Greenhouse gas emissions in total	Eco-friendly Operations >Exhaust and carbon dioxide emission	A1.1 A1.2	✓
Total hazardous and non-hazardous waste produced and intensity	Eco-friendly Operations >Solid Waste Treatment	A1.3 A1.4	✓
Measures to mitigate emissions and results achieved	Eco-friendly Operations >Energy management >Exhaust and carbon dioxide emission	A1.5	✓
How hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	Eco-friendly Operations >Solid Waste Treatment	A1.6	✓
Aspect A2: Use of Resources			
Direct and indirect energy consumption by type	Eco-friendly Operations >Exhaust and carbon dioxide emission	A2.1	✓
Water consumption in total	Eco-friendly Operations >Save Water	A2.2	✓
Energy use efficiency initiatives and results achieved Water efficiency improving initiatives and results achieved	Eco-friendly Operations >Energy management >Exhaust and carbon dioxide emission >Save Water	A2.3 A2.4	✓
Total packaging material used for finished products	Responsible Production >Material Suppliers	A2.5	✓
Aspect A3: The Environment and Natural Resources			
The significant impacts of business activities on the environment and natural resources and the actions taken to manage them	The Group had no significant impact on the environment and natural resources during the Year	A3.1	✓

B. Social

Employment and Labour Practices

		KPI	
Aspect B1: Employment	**Chapter**		
Total workforce by gender, employment type and age group	People Oriented >Employment and Benefits	B1.1	✓
Employee turnover rate	People Oriented >Employment and Benefits	B1.2	✓
Aspect B2: Health and Safety			
Number and rate of work-related fatalities	There was no occupational fatality during the Year	B2.1	✓
Lost days due to work injury Description of occupational health adopted	Safety First	B2.2 B2.3	✓
Aspect B3: Development and Training			
Policies on improving employees' knowledge and skills for discharging duties at work and description of training activities	People Oriented >Comprehensive Training	B3	✓
Aspect B4: Labour Standards			
Measures to review employment practices to avoid child and forced labour	People Oriented >Employment and Benefits	B4.1	✓
Remedies when non-compliance discovered	During the Year, we had no non-compliance with regulations	B4.2	✓
Aspect B5: Supply Chain Management			
Policies on managing environmental and social risks of the supply chain	Responsible Production	B5	✓
Aspect B6: Product Responsibility			
Percentage of total products sold or shipped subject to recalls for safety or health reasons	Product Recall and Complaint Handling	B6.1	✓
Number of products and service related complaints received and how they are dealt with	Product Recall and Complaint Handling	B6.2	✓
Practices relating to observing and protecting intellectual property rights	Protection of Intellectual Property Rights	B6.3	✓
Quality assurance process and recall procedures	Responsible Production >Quality First Product Recall and Complaint Handling	B6.4	✓
Consumer data protection and privacy policies, how they are implemented and monitored	High Standard of Corporate Governance >Privacy Protection	B6.5	✓
Aspect B7: Anti-corruption			
Information on the policies relating to bribery, extortion, fraud and money laundering prevention and compliance with significant and relevant laws and regulations	High Standard of Corporate Governance	B7	✓
Aspect B8: Community			
Focus areas of contribution Resources contributed to the focus area	Giving Back to the Society	B8.1 B8.2	✓

Biographies of Directors and Senior Management

Biographies of Directors

Executive Directors

1. Mr. LI Chao Wang (李朝旺), aged 61, 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 over 30 years of experience in the household paper industry and executive business management. He was honoured with the "Ernst and Young Entrepreneur of the Year 2011 China". Mr. LI is currently the Vice 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 64, is a co-founder of the Group. Ms. YU was appointed as an Executive Director on 1 February 2000 and further appointed as the Vice Chairman of the Board in January 2010 responsible for strategic development. Ms. YU was formerly the Chief Operating Officer of the Group. She has over 30 years of corporate administration and financial management experience in China's household paper industry. Ms. YU graduated from the Accounting Program of Guangdong Radio and Television University.

3. Mr. Johann Christoph MICHALSKI, aged 53, 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. Since January 2020, Mr. MICHALSKI has been nominated as Honorary Representative of the Free and Hanseatic City of Hamburg for Pearl River Delta/South China under the HamburgAmbassador programme.

4. Ms. LI Jielin (李潔琳), aged 33, 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, and she 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 56, was appointed as an Executive Director on 1 February 2000. Currently, Mr. DONG is also Chief Technology Officer – mainland China. Mr. DONG joined Vinda Paper (Guangdong) Company Limited in 1992. Mr. DONG has over 30 years of experience in equipment operations and safety, quality control, and research and development. Prior to joining the Group, he held several positions in two other paper manufacturing companies. Mr. DONG graduated from the Paper Manufacturing program of Tianjin University of Science and Technology (previously Tianjin Institute of Light Industry) in 1991 with a master's degree in Engineering.

Non-Executive Directors

6. Mr. Jan Christer JOHANSSON, aged 65, 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 and director of Optigroup AB and Kahrs AB. Mr. JOHANSSON has a master's degree in Laws from Stockholm University, Sweden.

7. Mr. Carl Magnus GROTH, aged 56, was appointed as a Non-Executive Director on 1 July 2015. Mr. GROTH is the President and Chief Executive Officer of Essity Aktiebolag (publ) ("**Essity**"), a leading global hygiene and health company, dedicated to improving well-being through leading hygiene and health solutions. Essity is the Company's controlling shareholder and is a company listed on NASDAQ OMX Stockholm. Before that Mr. GROTH was the President and Chief Executive Officer of SCA. Mr. GROTH joined SCA in 2011 as President, SCA Consumer Goods Europe (a business unit of SCA). Mr. GROTH also has extensive experience among other things as Chief Executive Officer of Studsvik AB, a company listed on the Stockholm Stock Exchange, Senior Vice President of Vattenfall AB. Mr. GROTH received a master of Science in Economics and Business from the Stockholm School of Economics and a master of Science in Avionics and Naval Technology from Royal Institute of Technology in Stockholm.

8. Mr. Carl Fredrik Stenson RYSTEDT, aged 56, was appointed as a Non-Executive Director on 1 March 2017. He had been the alternate director to Mr. Ulf Olof Lennart SODERSTROM from 18 April 2016 to 28 February 2017. Mr. RYSTEDT is the Executive Vice President and Chief Financial Officer of Essity, a leading global hygiene and health company, dedicated to improving well-being through leading hygiene and health solutions. Before that Mr. RYSTEDT was the Executive Vice President and Chief Financial Officer of SCA from 2014 to 2017. Prior to joining SCA, from 2008 to 2012, Mr. RYSTEDT was the Executive Vice President and Chief Financial Officer of Nordea Bank AB (publ) and the Country Senior Executive of Nordea Sweden. From 2001 to 2008, Mr. RYSTEDT was the Senior Vice President and Chief Financial Officer of Electrolux Group. Mr. RYSTEDT was the Chief Financial Officer of Sapa Group from 2000 to 2001 and was the head of business development of Sapa Group from 1998 to 1999. He is a Director (ined) in Vattenfall AB since 2017. Mr. RYSTEDT has a master of Science in Business and Economics from the Stockholm School of Economics.

Alternate Directors

9. Mr. Gert Mikael SCHMIDT, aged 59, was appointed as the Alternate Director to Mr. JOHANSSON and Mr. GROTH on 1 January 2014. Mr. SCHMIDT is the Senior Vice President and General Counsel of Essity. Before that, Mr. SCHMIDT was the Senior Vice President and General Counsel of SCA. He has extensive experience from being Director of the Board in companies around the world. Mr. SCHMIDT joined SCA in 1992 as Assistant General Counsel and has experience among other things as Vice President and General Counsel of SCA Packaging in Belgium and SCA Forest Products in Sweden respectively from 1994 to 2012. From 1986 to 1992, Mr. SCHMIDT held different positions in the legal profession. He has a master's degree in Laws from Uppsala University, Sweden.

10. Mr. Dominique Michel Jean DESCHAMPS, aged 56, was appointed as the Alternate Director to Mr. RYSTEDT on 25 October 2019. Mr. DESCHAMPS is the Vice President of Consumer Tissue Global Hygiene Category in Essity. Mr. DESCHAMPS has over 20 years of experience in management. Prior to his role in Essity, Mr. DESCHAMPS was the Vice President of Market and Business Development (Away from Home) at SCA. Before this, he was President of the Europe Middle-East Africa Away From Home Division of Georgia-Pacific (acquired by SCA in 2012). He also held various positions in general management, supply chain, manufacturing planning as well as strategic planning at Georgia-Pacific LLC. Mr. DESCHAMPS also gained experience by working as Product Manager, Financial Controller and Management Accountant at Lafarge S.A.. Mr. DESCHAMPS holds a bachelor degree in Business Administration from ESC Saint-Etienne in France.

Independent Non-Executive Directors

11. Mr. CHIA Yen On（謝鉉安）, aged 69, 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 served as a Committee Member of the Hong Kong Exchanges and Clearing Limited, Gold User Committee in 2017. In 2018, Mr. CHIA was appointed as a member of the University of Sydney's Alumni Council. 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. Ms. LEE Hsiao-yun Ann（李曉芸）, aged 63, was appointed as an Independent Non-Executive Director on 31 March 2018. Ms. LEE is currently the Partner of Triumph Capital International Pte. Ltd., a private company incorporated in Singapore, which is principally engaged in Family Office type of activities, including assets management, family wealth planning and succession. Ms. LEE was Managing Director and Head of Relationship Management for Greater China of Standard Chartered Bank (HK) from 2015 to 2016. Ms. LEE has extensive experience in private banking and wealth management. She joined Société Générale Group in 1997 as Head for Private Banking – Greater China of Société Générale Bank & Trust (HK). From 2007 to 2008, she was Head of Private Banking and from 2008 to 2013, CEO Private Banking of Société Générale (China) Limited. From 2013 to 2014, Ms. LEE was CEO Wealth Management and Board Executive Director of Société Générale (China) Limited. Before joining Société Générale Group, Ms. LEE worked for various banks. She was Director, Heading Taiwan Marketing of Credit Lyonnais, Private Banking (HK) from 1994 to 1997. Ms. LEE graduated from University of West Florida, USA with a bachelor degree in Science – Management and has obtained a Master of Business Administration degree from University of Hartford, USA.

13. Mr. TSUI King Fai（徐景輝）, aged 70, was appointed as an Independent Non-Executive Director on 19 June 2007. Mr. TSUI has over 40 years of experience in accounting, finance and investment management, particularly in investments in the PRC. He worked for two of the Big Four audit firms in the United States and 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 Group Limited and Newton Resources Ltd, all listed on the Main Board of The Stock Exchange of Hong Kong Limited. 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 68, 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 Hua Hong Semiconductor Limited, China Oilfield Services Limited and NWS Holdings Limited, all listed on the Main Board of The Stock Exchange of Hong Kong 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 Airport Authority Hong Kong, 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 Directors. 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 47, 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.

16. Ms. TAN Yi Yi (譚奕怡), aged 38, 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 46, is the Chief Operating Officer - mainland China of the Group. 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 and a committee member of the 5th session of the China Standardization Technical Committee of Papermaking Industry (SAC/TC141). Ms. WANG holds a bachelor's degree in Chemical Processing of Forest Products from the Beijing Forestry University and a doctoral degree in Engineering from the South China University of Technology.

18. Mr. Richard SU (蘇洛夫), aged 63, 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 46, is the President - mainland China of the Group. Mr. HU previously held the position of Chief Sales Officer of the Group and President, Sales-mainland China. He joined the Group in October 1998 and served sequentially as a branch Manager as well as the Deputy General Manager and General Manager of the Group and the Executive Vice President (sales of southern region) and Senior Vice President of Sales & Marketing of the Group. Mr. HU graduated from Anhui Institute of Technology in 1996 with a bachelor majoring in Automobile Design and Manufacturing.

20. Mr. TANG Hai Tang (湯海棠), aged 48, is the President, Marketing - mainland China of the Group. Mr. TANG previously held the position of Chief Marketing Officer of the Group, responsible for the marketing management of the four major product categories, namely tissue, incontinence care, feminine care and baby care, as well as e-commerce divisions in mainland China. He joined the Group in August 1995 and served as branch Deputy General Manager, Sales Director, Marketing Director and Executive Vice President (marketing & media) and Senior Vice President of Sales & Marketing of the Group etc. Mr. TANG graduated from South China University of Technology in Biochemistry in 1994.

21. Ms. SU Ting Nee (徐珍妮), aged 49, is President - South East Asia of the Group. 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 43, 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 51, is the Director of Internal Control of the Group. Ms. ZHANG graduated from Guangdong Mechanical College in industrial management engineering with a bachelor's degree in Engineering, and holds an MBA degree of Wuhan University of Technology. She is also a Certified Internal Auditor (CIA) and holds a Certification in Risk Management Assurance (CRMA) of the Institute of Internal Auditors (IIA). She joined the Group in July 1991 and has served as the branch Manager of finance, purchasing logistics, quality control, and administration departments.

Corporate Governance

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 2019, 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**"), all of them confirmed that they have complied with the required standard set out in the Model Code and the Code of Conduct regarding securities transactions by the Directors during the Year.

Board of Directors

Composition

The Board comprises twelve Directors, 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. 21 January 2020) 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

Independent Non-Executive Directors
Mr. CHIA Yen On
Ms. LEE Hsiao-yun Ann
Mr. TSUI King Fai
Mr. WONG Kwai Huen, Albert

Alternate Directors

Mr. Gert Mikael SCHMIDT (alternate to Mr. JOHANSSON and Mr. GROTH)
Mr. Dominique Michel Jean DESCHAMPS (alternate to Mr. RYSTEDT) (appointed on 25 October 2019)

The Board formulates overall strategies and policies of the Group. It also ensures the availability of adequate capital and managerial resources to implement the strategies adopted, the adequacy of systems of financial and internal control and the conduct of business in conformity with applicable laws and regulations. The Board members are fully committed to their roles and have always acted in the best interests of the Group and its shareholders at all times. There is no financial, business, family or other material/relevant relationship amongst Directors, except for the fact that Ms. LI Jielin is the daughter of Mr. LI Chao Wang. The Directors' biographical information is set out on pages 55 to 61 under the section headed "Biographies of Directors and Senior Management" of this annual report.

Board meetings are held regularly at approximately quarterly intervals and also held on ad hoc basis as required by business needs. Regular and ad hoc Board meetings are attended by a majority of the Directors in person or through other electronic means of communication. During the Year, the Board held a total of 7 regular and ad hoc Board meetings.

During the Year, the Company convened an annual general meeting.

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

Directors	Number of regular and ad hoc Board meetings attended	Number of general meeting attended
Executive Directors		
Mr. LI Chao Wang (Chairman)	7 (7)	1 (1)
Ms. YU Yi Fang (Vice Chairman)	7 (7)	1 (1)
Mr. Johann Christoph MICHALSKI (Chief Executive Officer)	7 (7)	1 (1)
Ms. LI Jielin (Deputy Chief Executive Officer)	7 (7)	1 (1)
Mr. DONG Yi Ping (Chief Technology Officer)	6 (7)	1 (1)
Non-Executive Directors		
Mr. Jan Christer JOHANSSON (Vice Chairman)	7 (7)	1 (1)
Mr. Carl Magnus GROTH	7 (7)	1 (1)
Mr. Carl Fredrik Stenson RYSTEDT	7 (7)	1 (1)
Mr. Gert Mikael SCHMIDT (alternate to Mr. JOHANSSON and Mr. GROTH)	7 (7)	1 (1)
Mr. Herve Stephane ROSE (alternate to Mr. RYSTEDT) (resigned on 6 September 2019)	5 (5)	1 (1)
Mr. Dominique Michel Jean DESCHAMPS (alternate to Mr. RYSTEDT) (appointed on 25 October 2019)	2 (2)	0 (0)
Independent Non-Executive Directors		
Mr. TSUI King Fai	7 (7)	1 (1)
Mr. WONG Kwai Huen, Albert	7 (7)	1 (1)
Mr. CHIA Yen On	7 (7)	1 (1)
Ms. LEE Hsiao-yun Ann	7 (7)	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 continuing connected transactions described below. The Board consists of four Independent Non- Executive Directors and two of them have appropriate professional qualifications or accounting or related financial management expertise. The Board confirms that the Company has received from each of the Independent Non-Executive Directors a confirmation of independence for the Year pursuant to Rule 3.13 of the Listing Rules and considers such Directors to be independent.

Appointments, Re-election and Removal of Directors

Each of the Executive Directors, Non-Executive Directors and Independent Non-Executive Directors has entered into a service contract or letter of appointment with the Company for a specific term. The Non-Executive Directors and Independent Non-Executive Directors have been appointed for a term of 3 years and may be extended for such period as the Company and the respective Director agree in writing. The term of appointment of each Director is subject to retirement by rotation and re-election at each annual general meeting in accordance with the articles of association of the Company (the "**Articles**") and the Listing Rules.

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

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

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

Delegation by the Board

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

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

Company Secretary

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

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

Corporate Governance Functions

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

Continuous Professional Development

Each newly appointed Director is provided with necessary induction and information to ensure that he/she has a proper understanding of his/her responsibilities and duties under the relevant statues, laws, rules and regulations.

During the Year, the Company Secretary provided all the Directors with the latest information on the Listing Rules and other applicable requirements, so as to update and strengthen the Directors' awareness of the development of corporate governance, and maintained records of training participated by the Directors. The means of such training are as follows:

Name of Directors	Reading Materials	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	✓		✓
Independent Non-Executive Directors			
Mr. CHIA Yen On	✓		✓
Mr. TSUI King Fai	✓		✓
Mr. WONG Kwai Huen, Albert	✓		✓
Ms. LEE Hsiao-yun Ann	✓		✓
Alternate Directors			
Mr. Gert Mikael SCHMIDT (alternate to Mr. JOHANSSON and Mr. GROTH)	✓		✓
Mr. Herve Stephane ROSE (alternate to Mr. RYSTEDT) (resigned on 6 September 2019)	✓		
Mr. Dominique Michel Jean DESCHAMPS (alternate to Mr. RYSTEDT) (appointed on 25 October 2019)	✓	✓	

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

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

Directors' Liability Insurance

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

The Board Committees

Remuneration Committee

The Company established a remuneration committee (the "**Remuneration Committee**") on 19 June 2007. The Board has adopted the terms of reference for the Remuneration Committee which are in line with the code provisions set out in the CG Code. As at the date of this annual report, the Remuneration Committee has five members comprising three Independent Non-Executive Directors, namely Mr. TSUI King Fai, Mr. CHIA Yen On and Ms. LEE Hsiao-yun Ann, an Executive Director, Ms. LI Jielin and a Non-Executive Director, Mr. Jan Christer JOHANSSON. The chairman of the Remuneration Committee is Mr. TSUI King Fai.

The Remuneration Committee is responsible for formulating and making recommendation to the Board on the Group's remuneration policy, the determination of specific remuneration packages of 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 are set out in Note 32(b)(9) and Note 34 to the consolidated financial statements.

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

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

Members	Number of meetings attended
Mr. TSUI King Fai	2 (2)
Ms. LI Jielin	2 (2)
Mr. CHIA Yen On	2 (2)
Mr. Jan Christer JOHANSSON	2 (2)
Ms. LEE Hsiao-yun Ann	2 (2)

Nomination Committee

The Company established a nomination committee (the "**Nomination Committee**") on 19 June 2007. The Board has adopted the terms of reference for the Nomination Committee which are in line with the code provisions set out in the CG Code. As at the date of this annual report, the Nomination Committee has five members comprising three Independent Non-Executive Directors, namely, Mr. WONG Kwai Huen, Albert, Mr. CHIA Yen On and Ms. LEE Hsiao-yun Ann, an Executive Director, Mr. LI Chao Wang and a Non-Executive Director, Mr. Jan Christer JOHANSSON. The chairman of the Nomination Committee is Mr. LI Chao Wang.

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

During the Year, the Nomination Committee held 3 meetings. The Nomination Committee (i) reviewed the current structure, size, diversity and composition of the Board; (ii) assessed the independence of Independent Non-Executive Directors; and (iii) made recommendations to the Board on the appointment and re-appointment of Directors.

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

Members	Number of meetings attended
Mr. LI Chao Wang	3 (3)
Mr. Jan Christer JOHANSSON	2 (3)
Mr. WONG Kwai Huen, Albert	3 (3)
Mr. CHIA Yen On	3 (3)
Ms. LEE Hsiao-yun Ann	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 designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience and qualifications, skills, knowledge, length of service and industry and regional experience. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

The Nomination Committee will monitor the implementation of the Board Diversity Policy and review the Board composition under diversified perspectives annually to ensure the Board has a balance of skills, experience and diversity of perspectives appropriate to the needs of the businesses of the Company. As at the date of this annual report, the Board comprises twelves Directors. Two of them are women. Four of them are Independent Non-Executive Directors, thereby promoting critical review and control of the management process. The Board is also characterized by significant diversity, whether considered in terms of gender, nationality, length of service, professional background and skills.

Nomination Policy

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

Selection Criteria

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

(a) Character and integrity;

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

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

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

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

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

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

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

Nomination Procedures

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

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

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

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

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

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

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

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

Monitor and Review

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

Audit Committee

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

During the Year, the Audit Committee held 4 meetings. The Audit Committee reviewed with the senior management and auditors of the Company the accounting policies and practices adopted by the Group and discussed auditing, the risk management system, internal control system and financial reporting matters. It also reviewed the financial statements of the Company and the Company's annual and interim reports, the engagement letter from the auditors of the Company and the audit scope and fees for the Year.

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

Members	Number of meetings attended
Mr. TSUI King Fai	4 (4)
Mr. WONG Kwai Huen, Albert	4 (4)
Mr. Carl Fredrik Stenson RYSTEDT	3 (4)

Risk Management Committee

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

During the Year, the RMC held 3 meetings. The attendance of each member at the RMC meetings during the Year is set out below. Figures in brackets indicate maximum number of meetings held in the period in which the individual was a member of the RMC.

Members	Number of meetings attended
Mr. Jan Christer JOHANSSON	3 (3)
Ms. YU Yi Fang	3 (3)
Mr. Johann Christoph MICHALSKI	3 (3)
Mr. TSUI King Fai	3 (3)
Mr. Carl Fredrik Stenson RYSTEDT	2 (3)

Executive Committee

The Company established an executive committee (the "**Executive Committee**") on 16 October 2015. The Board has adopted the terms of reference for the Executive Committee. As at the date of this annual report, the Executive Committee comprises five members and is chaired by Mr. LI Chao Wang, an Executive Director. The other four 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 on the Company's annual budgets, CAPEX budget, material business plans, and to review and approve proposals for restructuring and major asset disposal as well as annual salaries for senior management and senior executives of the Group within the annual budget approved by the Remuneration Committee.

During the Year, the Executive Committee held 12 meetings. The attendance of each member at the Executive Committee meetings is set out below. Figures in brackets indicate maximum number of meetings held in the period in which the individual was a member of the Executive Committee.

Members	Number of meetings attended
Mr. LI Chao Wang	12 (12)
Ms. YU Yi Fang	12 (12)
Mr. Johann Christoph MICHALSKI	12 (12)
Mr. DONG Yi Ping	11 (12)
Ms. LI Jielin	12 (12)

Strategic Development Committee

The Company established a strategic development committee (the "**SDC**") on 16 October 2015. The Board has adopted the terms of reference for the SDC. As at the date of this annual report, the SDC comprises five members and is chaired by Mr. Jan Christer JOHANSSON, a Non-Executive Director. The other four 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 SDC are (a) to advise on strategy of the Group, namely to review and advise the mid to long term strategic positioning, business plans, brand strategies, investment decisions and mergers and acquisitions of the Group and make recommendations to the Board/Executive Committee; and (b) to monitor, review and advise the implementations of strategic plans.

During the Year, the SDC held 4 meetings. The attendance of each member at the SDC meeting is set out below. Figures in brackets indicate maximum number of meetings held in the period in which the individual was a member of the SDC.

Members	Number of meeting attended
Mr. Jan Christer JOHANSSON	4 (4)
Mr. DONG Yi Ping	3 (4)
Mr. Johann Christoph MICHALSKI	4 (4)
Ms. LI Jielin	4 (4)
Mr. CHIA Yen On	4 (4)

Accountability and Audit

Financial Reporting

The Directors acknowledge their responsibility for preparing all information and representations contained in the financial statements for the Year as disclosed in this annual report. The Directors consider that the financial statements have been prepared in conformity with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and reflect amounts that are based on the best estimates and reasonable, informed and prudent judgment of the Board and management with an appropriate consideration to materiality. As at 31 December 2019, 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 99 to 103 of this annual report.

Internal Controls

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

The Internal Audit Function ("**IAF**") reports to the Audit Committee and has unrestricted access to the Group's records and personnel. To ensure systematic coverage of all auditable areas and effective deployment of resources, annual internal audit plan has been formulated addressing high risk business processes. This annual internal audit plan, which reflects organizational changes and new business development, is submitted for the Audit Committee's approval after consulting management. The IAF reviews internal controls by (i) evaluating the control environment; (ii) assessing the adequacy of internal controls; and (iii) testing the functioning of key controls through audit sampling. An audit report incorporating control deficiencies and management's rectification plans is issued for each internal audit.

The IAF reports quarterly to the Audit Committee on the results of its internal control systems and status of implementation of follow-up actions on control deficiencies. In addition, the Head of IAF attends Audit Committee meetings held during the Year to report its progress in achieving the audit plan and to give a summary of the results of audit activities during the Year.

Board Responsibilities

The Board is responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and ensuring that the Group establishes and maintains appropriate and effective risk management and internal control systems.

Risk Management

The Group established the RMC on 8 November 2013. The Board has adopted the terms of reference for the RMC. For further information of the RMC, please refer to the section headed "Risk Management Committee" in the Corporate Governance Report on pages 72 to 73 of this annual report. The Corporate Leadership Team ("**CLT**") which consisting of senior management members has facilitated the RMC in reporting significant risks, material changes and the associated mitigating actions to enhance the accountability and quality of the risk management process.

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

Review of Risk Management and Internal Control Effectiveness

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

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

Handling and Dissemination of Inside Information

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

Auditors' Remuneration

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

Services rendered	Fee paid/payable HK$'000
Audit services	8,356
Non-audit services	917

Shareholders' rights

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

Right to convene EGM

Any one or more members holding at the date of the deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company, shall at all times have the right, by written requisition sent to the Board or the Company Secretary, to require an EGM to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition.

The written requisition must state the purposes of the meeting, signed by the requisitionist(s) and deposit it to the Board or the Company Secretary of the Company at the Company's principal place of business at Penthouse, East Ocean Centre, 98 Granville Road, Tsim Sha Tsui East, Kowloon, Hong Kong and such may consist of several documents in like form, each signed by one or more requisitionists.

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

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

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

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

Right to put enquiries to the Board

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

Communication with Shareholders

The Company endeavors to develop and maintain continuing relationships and effective communications with its shareholders and investors. In an effort to facilitate and enhance the relationships and communication, the Company has established 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, there had been no significant change in the Company's constitutional documents.

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

Principal Activities and Geographical Analysis of Operations

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

Results and Appropriations

The results of the Group for the Year are set out in the consolidated statement of comprehensive income on page 106.

The Directors recommend the payment of a final dividend of 21.0 HK cents (2018: 14.0 HK cents) per ordinary share, totaling HK$250,971,708 on the 1,195,103,373 (31 December 2018: 1,194,852,373) issued shares as at 31 December 2019.

Business Review

The business review of the Group for the Year is set out in the section headed "Management Discussion and Analysis" on pages 12 to 23 of this annual report. An analysis of the Group's performance during the Year using financial key performance indicators is provided in the section "Management Discussion and Analysis" of this annual report.

Environmental Policies, Performance and Compliance with Laws and Regulations

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

Natural gas and coal are our main sources of energy to supply heat in mainland China. We encourage our workers and frontline management to suggest any possible solution to enhance the energy efficiency of production equipment based on their experience. In 2019, the average overall energy consumption for every ton of paper of all factories in mainland China was 0.33 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 aim to source all wood pulp certified by forest certification system such as the Forest Stewardship Council™ (FSC™), the Programme for the Endorsement of Forest Certification (PEFC) or China Forest Certification Council (CFCC). In 2019, over 99% of wood pulp we procured were certified by forest certification systems or came from responsible sources.

For details, please refer to the section headed "Environmental, Social and Governance (ESG) Report 2019" on pages 24 to 54 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 commercial transactions of sales to and purchases from overseas.

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

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

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

As at 31 December 2019 and 2018, 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 program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. Risk management is carried out by a central treasury department (group treasury) under policies approved by the Board. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The RMC, the CLT and the Audit Committee also assist in the Group's risk management, details of which are outlined on page 76 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 13 to the consolidated financial statements on pages 162 to 163 of this annual report, the credit terms granted to major customers are 60-90 days, which are in line with those granted to other customers.

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

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

Reserves

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

Property, Plant and Equipment

Details of the movements in property, plant and equipment of the Group are set out in Note 7 to the consolidated financial statements.

Share Capital

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

Distributable Reserves

The Company's reserves available for distribution comprise the share premium account and retained profits. As at 31 December 2019, the reserves of the Company available for distribution to shareholders amounted to HK$4,611,246,619 (2018: HK$4,525,366,874), as stated in Note 33 to the consolidated financial statements.

Subsequent Events

There is no material event undertaken by the Company or the Group subsequent to 31 December 2019 and up to the date of this annual report.

Dividend Policy

The objective of the Company's dividend policy (the "**Dividend Policy**") is to allow shareholders of the Company (the "**Shareholders**") to participate in the Company's profits whilst retaining adequate reserves for the Group's future growth.

General Principle

As a general policy, not less than 25% of its profits available for distribution in each financial year will be distributed to the Shareholders.

The Board has the discretion to declare and distribute dividends to the Shareholders, subject to the Articles and all applicable laws and regulations and the factors set out below.

Factors to be considered

(i) The Board shall consider the following factors of the Group before declaring or recommending dividends:

- the Group's results of operations and cash flows;
- the Group's future prospects;
- general business conditions;
- the Group's capital requirements and surplus;
- contractual restrictions on the payment of dividends by the Company to its Shareholders or by subsidiaries to the Company;
- taxation considerations;
- possible effects on the Company's creditworthiness;
- statutory and regulatory restrictions; and
- any other factors the Board may deem relevant.

(ii) Depending on the financial conditions of the Group and the conditions and factors as set out above, dividends may be proposed and/or declared by the Board for a financial year or period:

- interim dividend;
- final dividend;
- special dividend; and
- any distribution of net profits that the Board may deem appropriate.

(iii) There can be no assurance that dividends will be paid in any particular amount for any given period.

(iv) Any final dividend for a financial year will be subject to the Shareholders' approval.

(v) The Company may declare and pay dividends by way of cash or scrip or by other means that the Board considers appropriate.

(vi) Any dividend unclaimed shall be forfeited and shall revert to the Company in accordance with the Articles.

Review of the Dividend Policy

The Board will review the Dividend Policy as appropriate from time to time.

Dividends

The Directors recommend the payment of 21.0 HK cents (2018: 14.0 HK cents) per ordinary share, totaling HK$250,971,708 on the 1,195,103,373 (31 December 2018: 1,194,852,373) issued shares as at 31 December 2019.

Five-Year Financial Summary

A summary of the consolidated results of the Group for the last five financial years and of its consolidated assets and liabilities as at the end of the last five financial years is set out on pages 197 and 198 respectively.

Purchase, Sale or Redemption of Securities

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

Independent Non-Executive Directors

Mr. CHIA Yen On
Ms. LEE Hsiao-yun Ann
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)* (resigned on 6 September 2019)
Mr. Dominique Michel Jean DESCHAMPS *(alternate to Mr. RYSTEDT)* (appointed on 25 October 2019)

Biographical Details of Directors and Senior Management

Brief biographical details of Directors and senior management are set out on pages 55 to 61.

Confirmation of Independence of Independent Non-Executive Directors

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

Directors' Service Contracts

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

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

Save as the transactions between the Group and the group of companies of which Essity is the ultimate holding company but excluding the Group ("**Essity Group**") and between the Group and Essity's associate, Asaleo Care Limited, and it subsidiaries (collectively, "**Asaleo Group**") as set out in paragraphs (A) to (C) of the "Continuing Connected Transactions" section on pages 86 to 89 and the transactions between the Group and Essity Group mentioned in Note 32(b)(3), (4), (5), (6), (7) and (8) to the consolidated financial statements, no transactions, arrangements or contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director or any entity connected with a Director or a controlling shareholder of the Company or any of its subsidiaries had a material interest, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year.

Continuing Connected Transactions

(A) Vinda Master Procurement Agreement

On 21 December 2018, Essity Group Holding BV ("**Essity Group Holding**"), a controlling shareholder of the Company, as vendor and the Company as purchaser entered into a master procurement agreement ("**Vinda Master Procurement Agreement**"). Pursuant to and on the terms set out in the Vinda Master Procurement Agreement, Essity Group Holding shall sell (or procure the relevant member(s) of Essity Group to sell) such quantities of the personal care products and raw materials as required by the Company for the personal care business of the Group in certain agreed countries (the "**Essity Products**") 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 Essity Group Holding in accordance with the Vinda Master Procurement Agreement.

The term of the Vinda Master Procurement Agreement commenced on 1 January 2019 and, unless the Vinda Master Procurement Agreement is otherwise terminated or discharged in accordance with its own terms, shall continue in force for a period of three (3) years thereafter.

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

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

(B) Essity Master Procurement Agreement

On 21 December 2018, the Company as vendor and Essity Group Holding as purchaser entered into a master procurement agreement ("**Essity Master Procurement Agreement**"). Pursuant to and on the terms set out in the Essity Master Procurement Agreement, the Company shall sell (or procure the relevant member(s) of the Group to sell) such quantities of the personal care products and raw materials as required by Essity Group Holding for the personal care business of the Essity Group (the "**Vinda Products**") which Essity Group Holding (or other relevant member(s) of the Essity Group) may, from time to time, request pursuant to a purchase order given by Essity Group Holding to the Company in accordance with the Essity Master Procurement Agreement.

The term of the Essity Master Procurement Agreement commenced on 1 January 2019 and, unless the Essity Master Procurement Agreement is otherwise terminated or discharged in accordance with its own terms, shall continue in force for a period of three (3) year thereafter.

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

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

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

(C) Asaleo Care Product Supply Agreement

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

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

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

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

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

Aggregation of transactions and Annual caps

Essity Group Holding is a controlling shareholder of the Company and therefore a connected person of the Company. Since Essity Group Holding is entitled to exercise or control the exercise of approximately 36.16% 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 Essity Master Procurement Agreement, which are of a continuing nature, will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules and will be aggregated as a series of transactions pursuant to Rule 14A.81 of the Listing Rules.

The aggregate annual caps of the Company under the Asaleo Care Product Supply Agreement, the Essity Master Procurement Agreement and the Vinda Master Procurement Agreement (which are aggregated under Rule 14A.81 of the Listing Rules) for each of the years ended/ending 31 December 2019, 2020 and 2021 are as follows:

Year	**2019** HK$	**2020** HK$	**2021** HK$
(i) Annual caps under Asaleo Care Product Supply Agreement	100,000,000	100,000,000	100,000,000
(ii) Annual caps under Vinda Master Procurement Agreement	250,000,000	250,000,000	250,000,000
(iii) Annual caps under Essity Master Procurement Agreement	300,000,000	300,000,000	300,000,000
Total:	650,000,000	650,000,000	650,000,000

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

Details of the transactions under the Asaleo Care Product Supply Agreement, the Essity Master Procurement Agreement and the Vinda Master Procurement Agreement for the Year are as follows:

Continuing connected transactions	**Annual cap for the Year** HK$	**Actual transaction amount for the Year** HK$
Transactions under Asaleo Care Product Supply Agreement	100,000,000	45,421,081
Transactions under Vinda Master Procurement Agreement	250,000,000	177,923,354
Transactions under Essity Master Procurement Agreement	300,000,000	139,353,712
Total:	650,000,000	362,698,147

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

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

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

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

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

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

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

Related Party Transactions

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

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

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

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

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

As at 31 December 2019, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance ("**SFO**")) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

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

		Number of shares and underlying shares held under equity derivatives			
Name		Personal interests (held as beneficial owner)	Corporate interests (interests of controlled corporations)	Total interests	Approximate percentage (%) of interests[3]
LI Chao Wang	Shares	300,000	271,341,581[2]	271,641,581	22.73
	Equity Derivatives – Share options	1,998,000[1]	–	1,998,000	0.17
				273,639,581	**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[1]	–	80,000	0.01
				80,000	**0.01**
Johann Christoph MICHALSKI	Shares	117,000	–	117,000	0.01
	Equity Derivatives – Share options	220,000[1]	–	220,000	0.02
				337,000	**0.03**
TSUI King Fai	Shares	–	–	–	–
	Equity Derivatives – Share options	140,000[1]	–	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 annual 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	48,900	–	48,900	0.0070
Carl Fredrik Stenson RYSTEDT	Essity Aktiebolag (publ)	Class B shares	18,800	–	18,800	0.0027
Gert Mikael SCHMIDT	Essity Aktiebolag (publ)	Class B shares	27,000	–	27,000	0.0038
Dominique Michel Jean DESCHAMPS	Essity Aktiebolag (publ)	Class B shares	4,789	–	4,789	0.0007

Notes:

1. As at 31 December 2019, the total number of registered shares in the share capital of Essity Aktiebolag (publ) was 702,342,489, of which 63,934,642 are Class A shares and 638,407,847 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 2019, 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 8,332,000, representing approximately 0.70% of the issued Shares as at the date of this annual report.

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

				Number of Shares issuable under the Options						
	Date of Grant	Exercise price per Share HK$	as at 01/01/2019	granted during the Year	exercised during the Year	lapsed during the Year	cancelled during the Year	as at 31/12/2019	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	02/05/2012 to 01/05/2022	–
	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 1)	–
DONG Yi Ping	02/05/2012	14.06	240,000	–	–	–	–	240,000	(Note 1)	–
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	02/05/2013 to 01/05/2022 (Note 4)	–
TSUI King Fai	02/05/2012	14.06	140,000	–	–	–	–	140,000	(Note 2)	–
Employees of the Group										
In aggregate	15/04/2011	8.648	1,230,000	–	(45,000)	–	–	1,185,000	15/04/2011 to 14/04/2021	15.34
	02/05/2012	14.06	4,315,000	–	(206,000)	–	–	4,109,000	(Note 3)	15.56
	02/05/2013	10.34	120,000	–	–	–	–	120,000	02/05/2013 to 01/05/2023	–
Total			8,583,000	–	(251,000)	–	–	8,332,000		–

Note 1: 120,000 Options out of the total 240,000 Options are subject to the exercise period from 2 May 2012 to 1 May 2022.

120,000 Options out of the total 240,000 Options are subject to the exercise period from 2 May 2013 to 1 May 2022. These Options are subject to the vesting period from 2 May 2012 to 1 May 2013 and the vesting condition that the Board has confirmed that the Company has met the 2012 (or combined 2012 and 2013) income and profit performance benchmarks as set by the Board and that the performance appraisal of the grantee has satisfied the requirements of the management of the Company.

Note 2: 70,000 Options out of the total 140,000 Options are subject to the exercise period from 2 May 2012 to 1 May 2022.

70,000 Options out of the total 140,000 Options are subject to the exercise period from 2 May 2013 to 1 May 2022. These Options are subject to the vesting period from 2 May 2012 to 1 May 2013 and the vesting condition that the Board has confirmed that the Company has met the 2012 (or combined 2012 and 2013) income and profit performance benchmarks as set by the Board and that the performance appraisal of the grantee has satisfied the requirements of the management of the Company.

Note 3: 1,609,000 Options out of the total 4,109,000 Options are subject to the exercise period from 2 May 2012 to 1 May 2022.

2,500,000 Options out of the total 4,109,000 Options are subject to the exercise period from 2 May 2013 to 1 May 2022. These Options are subject to the vesting period from 2 May 2012 to 1 May 2013 and the vesting condition that the Board has confirmed that the Company has met the 2012 (or combined 2012 and 2013) income and profit performance benchmarks as set by the Board and that the performance appraisal of the grantee has satisfied the requirements of the management of the Company.

Note 4: These Options are subject to the vesting period from 2 May 2012 to 1 May 2013 and the vesting condition that the Board has confirmed that the Company has met the 2012 (or combined 2012 and 2013) income and profit performance benchmarks as set by the Board and that the performance appraisal of the grantee has satisfied the requirements of the management of the Company.

Arrangement to Purchase Shares or Debentures

Save as disclosed above, at no time during the Year were there any rights to acquire benefits by means of the acquisition of securities of the Company granted to any Director or their respective spouse or children under 18 years of age, or were there any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

Substantial Shareholders' Interests and Short Positions in the Shares and Underlying Shares of the Company

As at 31 December 2019, 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	51.94
Essity Aktiebolag (publ)	Shares	–	620,737,112[2]	620,737,112	51.94
Fu An International Company Limited	Shares	271,341,581[3] & [4]	–	271,341,581	22.70
Sentential Holdings Limited	Shares	–	271,341,581[3] & [4]	271,341,581	22.70

Notes:

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

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

3. Fu An International Company Limited is held as to 74.21% by Sentential Holdings Limited, 15.79% by Join Pride International Limited and 10.00% by Daminos Management Limited. The entire issued share capital of Sentential Holdings Limited, Join Pride International Limited and Daminos Management Limited are held by each of LI Chao Wang, YU Yi Fang and DONG Yi Ping, respectively. Sentential Holdings Limited is deemed to be interested in the 271,341,581 shares in the Company held by Fu An International Company Limited for the purpose of Part XV of the SFO.

4. 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 2019, 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 2019, none of the Directors, the controlling shareholders of the Company and their respective associates (as defined in the Listing Rules) had an interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

Management Contracts

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

Major Customers and Suppliers

During the Year, the percentage of sales of goods attributable to the Group's five largest customers combined are 24.6%.

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

– the largest supplier	29.3%
– five largest suppliers combined	47.2%

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

Likely Future Development of the Company's Business

Please refer to the "Outlook" section under the "Management Discussion and Analysis" on pages 20 to 21 of this annual report.

Issue of Shares

During the Year, the Company issued shares as follows:

251,000 ordinary shares of the Company were issued for cash of HK$3,285,520 on the exercise of options granted under the Share Option Scheme.

Equity-linked Agreements

Share Option Scheme

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

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

Sufficiency of Public Float

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

Pre-emptive Rights

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

Permitted Indemnity Provision

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

Profession Tax Advice Recommended

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

Auditors

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

On behalf of the Board
LI Chao Wang
Chairman

Hong Kong, 21 January 2020

pwc 羅兵咸永道

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

Opinion

What we have audited

The consolidated financial statements of Vinda International Holdings Limited (the "Company") and its subsidiaries ("the Group") set out on pages 104 to 196, which comprise:

- the consolidated balance sheet as at 31 December 2019;
- 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 2019, 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 9 to the consolidated financial statements.* The Group recognised goodwill and certain intangible assets with indefinite useful lives from the acquisitions of personal care and household paper businesses in recent years. We focused on this area due to the size of goodwill balance (HK$1,590 million as at 31 December 2019) and intangible assets with indefinite useful lives including trademarks and licensing agreement (HK$578 million as at 31 December 2019). 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 noted that management had followed their clearly documented process for drawing up future cash flow forecasts, which was subject to timely review by the Directors and which was consistent with the Board approved budgets. We challenged the key assumptions including sales growth rate and gross profit margin by comparing the current year actual results with the 2019 figures included in the prior year forecast, by reference to future plans and by performing independent market analysis. We noted the assumptions are consistent with expectations. We utilised our own valuation specialists' work when considering the appropriateness of the long term growth rate and discount rate. We also challenged management on the adequacy of their sensitivity calculations over all their CGUs. We determined that the calculations were most sensitive to assumptions for gross margin. For all CGUs, we calculated the degree to which these assumptions would need to increase or decrease before an impairment conclusion was triggered. We discussed the likelihood of such change with management and agreed with their conclusion that it was unlikely.

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 Group satisfies a performance obligation by transferring the control of promised good or service to a customer in an amount that reflects the consideration to which the Group expects to be entitled in exchange for that good or service. We focused on this area due to the huge volume of revenue transactions generated in many different locations and mainly through numerous distributors, corporate customers, supermarkets and E-commerce customers. The return of good receipt notes 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 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 year end balance with the Group. One of our focuses was on sales transactions that took place shortly before and after the balance sheet date, including inspection of 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, 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.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

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

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

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 the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is CHAN Chiu Kong, Edmond.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 21 January 2020

Consolidated Balance Sheet

As at 31 December 2019

	Note	As at 31 December 2019 HK$	2018 HK$
ASSETS			
Non-current assets			
Property, plant and equipment	7	**8,858,171,961**	8,997,273,418
Right-of-use assets	8	**1,250,456,963**	–
Land use rights	6	**–**	1,050,718,413
Intangible assets	9	**2,780,086,369**	2,823,114,342
Deferred income tax assets	20	**456,674,351**	403,828,940
Investment property		**4,039,119**	7,217,853
Investment in an associate		**2,525,619**	–
		13,351,954,382	13,282,152,966
Current assets			
Inventories	11	**3,223,321,363**	2,745,883,730
Trade and notes receivables	13	**1,916,318,675**	1,888,459,707
Other receivables	13	**237,999,919**	449,515,451
Prepayments	13	**59,439,391**	90,514,885
Due from related parties	32(c)	**32,065,779**	36,609,005
Cash and cash equivalents	14	**460,387,446**	574,465,154
		5,929,532,573	5,785,447,932
Total assets		**19,281,486,955**	19,067,600,898
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	15	**119,510,337**	119,485,237
Share premium	15	**4,356,240,018**	4,351,781,230
Other reserves	17	**4,987,460,947**	4,258,649,944
Total equity		**9,463,211,302**	8,729,916,411

	Note	As at 31 December 2019 HK$	2018 HK$
LIABILITIES			
Non-current liabilities			
Borrowings	19	**2,297,063,820**	3,004,812,188
Loans from a related party	19,32(c)	**1,274,928,072**	1,218,116,846
Lease liabilities	8	**119,942,991**	–
Deferred government grants	21	**266,342,534**	215,070,111
Deferred income tax liabilities	20	**193,616,342**	208,522,060
Post-employment benefits		**26,952,299**	31,124,829
Other non-current liabilities	22	**29,214,726**	10,709,487
		4,208,060,784	4,688,355,521
Current liabilities			
Trade payables, other payables and accrued expenses	18	**4,603,848,772**	4,436,032,657
Contract liabilities		**122,842,206**	72,527,241
Borrowings	19	**584,195,903**	1,022,567,206
Lease liabilities	8	**62,796,875**	–
Due to related parties	32(c)	**15,813,259**	18,406,558
Current income tax liabilities		**220,717,854**	99,795,304
		5,610,214,869	5,649,328,966
Total liabilities		**9,818,275,653**	10,337,684,487
Total equity and liabilities		**19,281,486,955**	19,067,600,898

The financial statements were approved by the Board of Directors on 21 January 2020 and were signed on its behalf

LI Chao Wang
Director

Johann Christoph MICHALSKI
Director

The notes on pages 109 to 196 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2019

	Note	For the year ended 31 December 2019 HK$	2018 HK$
Revenue	5	**16,074,288,277**	14,878,547,902
Cost of sales	24	**(11,089,036,453)**	(10,691,953,432)
Gross profit		**4,985,251,824**	4,186,594,470
Selling and marketing costs	24	**(2,575,268,219)**	(2,379,803,125)
Administrative expenses	24	**(856,145,835)**	(758,565,392)
Net impairment losses on financial assets	3.1(b),24	**(1,540,148)**	(1,829,013)
Other income and losses – net	23	**17,291,041**	(26,772,076)
Operating profit		**1,569,588,663**	1,019,624,864
Finance income and costs – net	26	**(198,620,467)**	(221,951,496)
Share of post-tax loss of an associate		**(208,240)**	–
Profit before income tax		**1,370,759,956**	797,673,368
Income tax expense	27(a)	**(232,443,563)**	(148,368,679)
Profit attributable to equity holders of the Company		**1,138,316,393**	649,304,689
Other comprehensive income:			
Item that may be reclassified to profit or loss			
Currency translation differences		**(157,128,714)**	(421,842,655)
Item that will not be reclassified subsequently to profit or loss			
Remeasurements of post-employment benefit obligations		**(222,560)**	396,637
Total comprehensive income attributable to equity holders of the Company		**980,965,119**	227,858,671
Earnings per share for profit attributable to equity holders of the Company			
– basic	28	**0.953**	0.544
– diluted	28	**0.952**	0.543

The notes on pages 109 to 196 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	Note	Attributable to equity holders of the Company			
		Share capital	Share premium	Other reserves	Total
		HK$	HK$	HK$	HK$
Balance as at 31 December 2017		119,416,737	4,345,689,034	4,271,362,605	8,736,468,376
Change in accounting policy – HKFRS 9		–	–	(66,461)	(66,461)
Balance at 1 January 2018 (Restated)		119,416,737	4,345,689,034	4,271,296,144	8,736,401,915
Profit for the year		–	–	649,304,689	649,304,689
Other comprehensive income					
– Currency translation differences		–	–	(421,842,655)	(421,842,655)
– Remeasurements of post-employment benefit obligations		–	–	396,637	396,637
Total comprehensive income for 2018		–	–	227,858,671	227,858,671
Transaction with owners					
Employees share option scheme					
– Exercise of share options	16,17	68,500	6,092,196	(1,626,396)	4,534,300
Dividends	29	–	–	(238,878,475)	(238,878,475)
Transaction with owners		68,500	6,092,196	(240,504,871)	(234,344,175)
Balance at 31 December 2018		119,485,237	4,351,781,230	4,258,649,944	8,729,916,411
Balance at 1 January 2019		**119,485,237**	**4,351,781,230**	**4,258,649,944**	**8,729,916,411**
Profit for the year		**–**	**–**	**1,138,316,393**	**1,138,316,393**
Other comprehensive income					
– Currency translation differences		**–**	**–**	**(157,128,714)**	**(157,128,714)**
– Remeasurements of post-employment benefit obligations		**–**	**–**	**(222,560)**	**(222,560)**
Total comprehensive income for 2019		**–**	**–**	**980,965,119**	**980,965,119**
Transaction with owners					
Employees share option scheme					
– Exercise of share options	16,17	**25,100**	**4,458,788**	**(1,198,368)**	**3,285,520**
Dividends	29	**–**	**–**	**(250,955,748)**	**(250,955,748)**
Transaction with owners		**25,100**	**4,458,788**	**(252,154,116)**	**(247,670,228)**
Balance at 31 December 2019		**119,510,337**	**4,356,240,018**	**4,987,460,947**	**9,463,211,302**

The notes on pages 109 to 196 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	Note	For the year ended 31 December 2019 HK$	2018 HK$
Cash flows generated from operating activities			
Cash generated from operations	30(a)	**2,895,611,722**	1,759,556,384
Interest paid		**(209,313,343)**	(242,194,613)
Income tax paid		**(172,660,522)**	(185,331,154)
Net cash generated from operating activities		**2,513,637,857**	1,332,030,617
Cash flows used in investing activities			
Purchase of property, plant and equipment		**(1,247,300,455)**	(1,173,196,843)
Proceeds from disposal of property, plant and equipment and investment property	30(b)	**23,366,422**	27,378,233
Proceeds from government grants	21	**75,991,232**	94,574,263
Payment for land use rights		**(68,370,529)**	(84,172,134)
Purchase of intangible assets		**(65,177,411)**	(59,959,927)
Interest received	26	**11,548,073**	11,196,309
Payment for investment in an associate		**(2,727,301)**	–
Net cash used in investing activities		**(1,272,669,969)**	(1,184,180,099)
Cash flows used in financing activities			
Proceeds from shares issued		**3,285,520**	4,534,300
Proceeds from borrowings		**5,906,787,752**	6,752,247,360
Proceeds from loans from a related party		**394,643,979**	331,118,453
Repayments of borrowings		**(6,991,933,690)**	(6,546,622,208)
Repayments of loans from a related party		**(337,782,170)**	(359,151,000)
Dividends paid	29	**(250,955,748)**	(238,878,475)
Lease payments for right-of-use assets excluding land use rights		**(71,341,650)**	–
Net cash used in financing activities		**(1,347,296,007)**	(56,751,570)
Net (decrease)/increase in cash and cash equivalents		**(106,328,119)**	91,098,948
Effect of foreign exchange rate changes		**(7,749,589)**	(51,223,580)
Cash and cash equivalents, beginning of the year	14	**574,465,154**	534,589,786
Cash and cash equivalents, end of the year	14	**460,387,446**	574,465,154

The notes on pages 109 to 196 are an integral part of these consolidated financial statements.

1 General Information

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

The Company acts as an investment holding company and provides management as well as financial support services to its subsidiaries. The principal activities of the subsidiaries are set out in Note 10. The Company and its subsidiaries are collectively referred to as the "Group".

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

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

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

These consolidated financial statements are presented in Hong Kong dollar ("HK$") unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 21 January 2020.

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 Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2019:

		Effective for annual periods beginning on or after
HKFRS 16	Leases	1 January 2019
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation	1 January 2019
HK (IFRIC) 23	Uncertainty over income tax treatments	1 January 2019
HKAS 28 (Amendments)	Long-term interests in associates and joint venture	1 January 2019
HKAS 19 (Amendments)	Plan amendment, curtailment or settlement	1 January 2019
Annual Improvements 2015-2017 Cycle		1 January 2019

The Group changed its accounting policies as a result of adopting HKFRS 16 and the related impact is disclosed below. The other newly adopted standards or amendments listed above did not have material impact on these financial statements.

Leases

The Group has adopted HKFRS 16 *Leases* from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the simplified transition approach in the standard. The reclassifications and the adjustments arising from the new leasing standard are therefore recognised in the opening balance sheet on 1 January 2019. The new accounting policies are disclosed in note 2.24.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019 in each territory or region where the lease assets are located. The weighted average discount rate applied to the lease liabilities on 1 January 2019 was 4.74%.

2 Summary of significant accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

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

(a) New and amended standards adopted by the Group (continued)

(1) Measurement of lease liabilities

	HK$
Operating lease commitments disclosed as at 31 December 2018	229,221,932
Lease liabilities recognised on extension option estimation	18,058,816
Less:	
Short-term leases recognised on a straight-line basis as expense	(14,050,113)
Low-value leases recognised on a straight-line basis as expense	(878,575)
	232,352,060
Discounted using the lessee's incremental borrowing rate at the date of initial application, lease liabilities recognised as at 1 January 2019	202,032,067
Add:	
Rental prepayments recognised as at 31 December 2018	1,844,109
Reclassification of land use rights	1,050,718,413
Right-of-use assets recognised as at 1 January 2019	**1,254,594,589**

(2) Measurement of right-of-use assets

The right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid rental expenses relating to that lease recognised in the balance sheet as at 1 January 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

2 Summary of significant accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

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

(a) New and amended standards adopted by the Group (continued)

(3) Adjustments recognised in the balance sheet on 1 January 2019

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- Right-of-use assets – increase by HK$1,254,594,589
- Prepayments – decrease by HK$1,844,109
- Land use rights – decrease by HK$1,050,718,413
- Lease liabilities (current portion) – increase by HK$61,063,540
- Lease liabilities (non-current portion) – increase by HK$140,968,527

There was no impact on retained earnings on 1 January 2019.

(4) Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HKFRIC 4 *Determining whether an Arrangement contains a Lease*.

2 Summary of significant accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

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

(a) New and amended standards adopted by the Group (continued)

(5) Lessor accounting

The Group did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of HKFRS 16.

(b) Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

		Effective for annual periods beginning on or after
HKAS 1 and HKAS 8 (Amendments)	Definition of Material	1 January 2020
HKFRS 3 (Amendments)	Definition of a Business	1 January 2020
Revised Conceptual Framework	Revised Conceptual Framework for Financial Reporting	1 January 2020
HKFRS 17	Insurance contracts	1 January 2021

2.2 Principles of consolidation and equity accounting

2.2.1 Subsidiaries

Subsidiaries are all entities (including a structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

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

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.

2 Summary of significant accounting policies *(continued)*

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

2.2.2 Associates

Associates are all entities (including structured entities) over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investment in an associate is accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the comprehensive income of the investee after the date of acquisition.

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

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 Summary of significant accounting policies *(continued)*

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

2.2.3 Business combination

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

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

Acquisition-related costs are expensed as incurred.

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).

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 Summary of significant accounting policies *(continued)*

2.3 Separate financial statements

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

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

2.4 Segment reporting

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

2.5 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are 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

Property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated statement of comprehensive income during the financial period in which they are incurred.

Freehold land is not subject to amortization. Depreciation on property, plant and equipment other than freehold lands is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Land and buildings	20 to 50 years
Leasehold improvements	3 to 5 years
Machinery	3 to 25 years
Furniture, fittings and equipment	3 to 5 years
Vehicles	3 to 5 years

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

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

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, machinery and software under construction or pending installation and is stated at cost less accumulated impairment losses, if any. Cost includes the costs of construction of buildings, costs of plant and machinery, and interest charges and foreign exchange gain/loss arising from borrowings used to finance these assets during the period of construction or installation and testing. No provision for depreciation is made on CIP until such time as the relevant assets are completed and ready for the intended use. When the assets concerned are brought into use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated above.

2 Summary of significant accounting policies *(continued)*

2.7 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 land use rights, which are amortised over the lease periods using the straight-line method. The land use rights are stated at historical cost less accumulated amortisation and impairment losses.

As disclosed in note 2.1.1(a), the Group has adopted HKFRS 16 *Leases* from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the simplified transition approach in the standard. The reclassifications from land use rights to right-of-use asset arising from the new leasing standards are therefore recognised in the opening balance sheet on 1 January 2019.

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.

2 Summary of significant accounting policies *(continued)*

2.8 Intangible assets *(continued)*

(c) Contractual customer relationships

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

(d) Computer software

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

2.9 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

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.11 Financial assets

2.11.1 Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and

- those to be measured at amortised cost.

2 Summary of significant accounting policies *(continued)*

2.11 Financial assets *(continued)*

2.11.1 Classification *(continued)*

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

2.11.2 Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

2.11.3 Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories, financial assets measured at amortised cost, financial assets measured subsequently at fair value through OCI, and financial assets measured subsequently at fair value through profit or loss.

Financial assets measured at amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

2 Summary of significant accounting policies *(continued)*

2.11 Financial assets *(continued)*

2.11.4 Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see note 3.1(b) for further details.

2.12 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 receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See note 2.11.2 for further information about the Group's accounting for trade receivables and note 2.11.4 and 3.1 (b) for a description of the Group's impairment policies.

2.14 Cash and cash equivalents

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

2 Summary of significant accounting policies *(continued)*

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.

2.17 Borrowings and borrowing costs

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

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

Borrowings at nil or low interest rates from government are recognised initially at 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.

2 Summary of significant accounting policies *(continued)*

2.17 Borrowings and borrowing costs *(continued)*

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 the consolidated statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

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

2 Summary of significant accounting policies *(continued)*

2.18 Current and deferred income tax *(continued)*

(b) Deferred income tax *(continued)*

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.

(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

The Group operates various post-employment schemes.

The liability or asset recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the statement of profit or loss.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in other reserves in the statement of changes in equity and in the balance sheet.

2 Summary of significant accounting policies *(continued)*

2.19 Employee benefits *(continued)*

(b) Defined contribution plan

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.

2 Summary of significant accounting policies *(continued)*

2.19 Employee benefits *(continued)*

(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.

2.20 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.

2 Summary of significant accounting policies *(continued)*

2.20 Share-based payments *(continued)*

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

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

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.

2.21 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 Summary of significant accounting policies *(continued)*

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

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

For the distributor customers and corporate customers, sales are recognised when control of the products has transferred, being when the products are delivered and the customers has inspected and accepted the products. Distributors have full discretion over the channel and price to sell the products, and there is no more unfulfilled obligation that could affect the acceptance of the products. Delivery occurs when the products have been shipped to the specific location. The risks of obsolescence and loss have been transferred to the customers when either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.

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

2 Summary of significant accounting policies *(continued)*

2.23 Revenue recognition *(continued)*

The products are often sold with volume discounts based on aggregate sales over a period of time. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. A refund liability (included in trade and other payables) is recognised for expected volume discounts payable to customers in relation to sales made. No element of financing is deemed present as the sales are made with a credit term of 60-90 days, which is consistent with market practice. A receivable is recognized when the goods are delivered and the customers has inspected and accepted the products as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

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

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

The Group does not expect to have any contract containing financing components. As a consequence, the Group does not adjust any of the transition prices for the time value of money.

2.24 Leases

As explained in note 2.1.1 above, the Group has changed its accounting policy for leases where the Group is the lessee with effect from 1 January 2019. The new policy is described below and the impact of the change is set out in note 2.1.1.

The Group leases various offices, warehouses, equipment and vehicles. Rental contracts are typically made for fixed periods of 12 to 139 months, but may have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

For the year ended 31 December 2018 and before, leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Until the 2018 financial year, payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease.

2 Summary of significant accounting policies *(continued)*

2.24 Leases *(continued)*

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments (including in-substance fixed payments).

The lease payments are discounted using incremental borrowing rate of the Group which the Group would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

To determine the incremental borrowing rate, the Group uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liability and any lease payments made at or before the commencement date. Depreciation on right-of-use assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated lease period.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise small items of office furniture.

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

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

2 Summary of significant accounting policies *(continued)*

2.25 Interest income

Interest income on financial assets at amortised cost calculated using the effective interest method is recognised in the statement of profit or loss as part of other income.

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes, see note 26 below.

2.26 Dividend distribution

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

2.27 Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares by the weighted average number of ordinary shares outstanding during the financial year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, fair value interest rate risk and cash flow interest rate risk), credit risk, and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial market and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by a central treasury department (group treasury) under policies approved by the board of directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units.

3 Financial risk management *(continued)*

3.1 Financial risk factors *(continued)*

(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 commercial transactions of sales to and purchases from overseas.

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

Exposure

The aggregate net foreign exchange gains/losses recognised in profit or loss were:

	For the year ended 31 December	
	2019	2018
	HK$	HK$
Net foreign exchange loss included in other income and losses (Note 23)	**(37,231,217)**	(74,291,587)
Exchange gain/(loss) in finance costs (Note 26)	**2,520,600**	(6,175,395)
Total net foreign exchange losses recognised in profit before income tax for the period	**(34,710,617)**	(80,466,982)

3 Financial risk management *(continued)*

3.1 Financial risk factors *(continued)*

(a) Market risk *(continued)*

(i) Foreign exchange risk (continued)

The Group's major exposure to foreign currency risk at the end of the reporting period, expressed in Hong Kong dollar, was as follows. Due to the US$/HK$ exchange rates remains stable, such impact is not included below:

	31 December 2019		
	US$	**HKD**	**RMB**
Cash	**4,060,783**	**994,296**	**668,508**
Trade receivables	**29,397,022**	**–**	**564,070,071**
Trade payables	**130,663,423**	**–**	**14,614,792**

	31 December 2018		
	US$	HKD	RMB
Cash	25,259,426	986,526	148,978
Trade receivables	21,900,741	–	495,144,594
Bank loans	–	168,000,000	221,410,637
Trade payables	125,511,870	–	21,724,574

As shown in the table above, the Group is primarily exposed to changes in RMB/US$, Malaysia Ringgit ("MYR")/US$, HK$/RMB and RMB/HK$ exchange rates. As at 31 December 2019 and 2018, for the RMB subsidiaries, if RMB had strengthened/weakened by 10% against US$ with all other variables held constant, the post-tax profit for each year would have changed mainly as a result of foreign exchange gains/losses on translation of US$ denominated cash and cash equivalents, trade and other receivables, trade and other payables, borrowings and due from/due to related parties. Details of the changes are as follows:

	2019	2018
	HK$	HK$
For the year ended:		
Post-tax profit increase/(decrease)		
– Strengthened by 10%	**1,752,617**	1,984,104
– Weakened by 10%	**(1,752,617)**	(1,984,104)
As at 31 December:		
Owners' equity increase/(decrease)		
– Strengthened by 10%	**1,752,617**	1,984,104
– Weakened by 10%	**(1,752,617)**	(1,984,104)

3 Financial risk management *(continued)*

3.1 Financial risk factors *(continued)*

(a) Market risk *(continued)*

(i) Foreign exchange risk (continued)

As at 31 December 2019 and 2018, for the MYR subsidiaries, if MYR had strengthened/weakened by 10% against US$ with all other variables held constant, the post-tax profit for each year would have changed mainly as a result of foreign exchange gains/losses on translation of US$ denominated cash and cash equivalents, trade and other receivables, trade and other payables, borrowings and due from/to related parties. Details of the changes are as follows:

	2019 HK$	2018 HK$
For the year ended:		
Post-tax profit increase/(decrease)		
– Strengthened by 10%	5,090,923	4,485,976
– Weakened by 10%	(5,090,923)	(4,485,976)
As at 31 December:		
Owners' equity increase/(decrease)		
– Strengthened by 10%	5,090,923	4,485,976
– Weakened by 10%	(5,090,923)	(4,485,976)

3 Financial risk management *(continued)*

3.1 Financial risk factors *(continued)*

(a) Market risk *(continued)*

(i) Foreign exchange risk (continued)

As at 31 December 2019 and 2018, for the HK$ subsidiaries, if HK$ had strengthened/weakened by 10% against RMB with all other variables held constant, the post-tax profit for each year would have changed mainly as a result of foreign exchange gains/losses on translation of RMB denominated cash and cash equivalents, trade and other receivables, trade and other payables, borrowings and due from/to related parties. Details of the changes are as follows:

	2019 HK$	2018 HK$
For the year ended:		
Post-tax profit increase/(decrease)		
– Strengthened by 10%	**(45,935,336)**	(21,055,223)
– Weakened by 10%	**45,935,336**	21,055,223
As at 31 December:		
Owners' equity increase/(decrease)		
– Strengthened by 10%	**(45,935,336)**	(21,055,223)
– Weakened by 10%	**45,935,336**	21,055,223

As at 31 December 2019 and 2018, for the RMB subsidiaries, if RMB had strengthened/weakened by 10% against HK$ with all other variables held constant, the post-tax profit for each year would have changed mainly as a result of foreign exchange gains/losses on translation of HK$ denominated cash and cash equivalents, trade and other receivables, trade and other payables, borrowings and due from/to related parties. Details of the changes are as follows:

	2019 HK$	2018 HK$
For the year ended:		
Post-tax profit increase/(decrease)		
– Strengthened by 10%	**(28,733)**	12,571,850
– Weakened by 10%	**28,733**	(12,571,850)
As at 31 December:		
Owners' equity increase/(decrease)		
– Strengthened by 10%	**(28,733)**	12,571,850
– Weakened by 10%	**28,733**	(12,571,850)

3 Financial risk management *(continued)*

3.1 Financial risk factors *(continued)*

(a) Market risk *(continued)*

(ii) Cash flow and fair value interest rate risk

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

As at 31 December 2019 and 2018, 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:

	2019 HK$	2018 HK$
For the year ended:		
Post-tax profit (decrease)/increase		
– 10 basis points higher	**(2,519,049)**	(3,067,318)
– 10 basis points lower	**2,519,049**	3,067,318
As at 31 December:		
Owners' equity (decrease)/increase		
– 10 basis points higher	**(2,519,049)**	(3,067,318)
– 10 basis points lower	**2,519,049**	3,067,318

(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 2019 and 2018, 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.

3 Financial risk management *(continued)*

3.1 Financial risk factors *(continued)*

(b) Credit risk *(continued)*

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

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

The expected loss rates are based on the payment profiles of sales over a period of 3 years before 31 December 2019 or 1 January 2019 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on factors affecting the ability of the customers to settle the receivables.

On that basis, the loss allowance as at 31 December 2019 and 31 December 2018 was determined as follows for trade receivables:

	Within 6 months	7 months to 12 months	Over 1 year	Total
31 December 2019				
Gross carrying amount	1,904,046,249	13,779,084	20,042,396	1,937,867,729
Expected loss rate	0.004%	44.377%	97.741%	1.330%
Loss allowance	69,395	6,114,771	19,589,693	25,773,859
31 December 2018				
Gross carrying amount	1,874,037,101	15,950,020	19,775,156	1,909,762,277
Expected loss rate	0.004%	40.793%	98.168%	1.361%
Loss allowance	68,146	6,506,469	19,412,893	25,987,508

3 Financial risk management *(continued)*

3.1 Financial risk factors *(continued)*

(b) Credit risk *(continued)*

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

	2019 HK$	2018 HK$
Opening loss allowance as at 1 January	**25,987,508**	25,796,776
Increase in loss allowance recognised in profit or loss during the year	**1,540,148**	1,829,013
Receivables written off during the year as uncollectible	**(1,187,694)**	(363,667)
Exchange differences	**(566,103)**	(1,274,614)
Closing loss allowance at 31 December	**25,773,859**	25,987,508

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period greater than 60-90 days past due.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

(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.

3 Financial risk management *(continued)*

3.1 Financial risk factors *(continued)*

(c) Liquidity risk *(continued)*

	Less than 1 year HK$	Between 1 and 2 years HK$	Between 2 and 5 years HK$	More than 5 Years HK$
As at 31 December 2019				
Bank loans and interest payables (i)	**703,227,289**	**833,500,346**	**1,641,971,899**	**–**
Loans from a related party and interest payables (i)	**43,552,262**	**1,198,685,816**	**107,313,216**	**–**
Lease liabilities	**63,977,549**	**40,019,700**	**52,665,216**	**52,243,593**
Trade payables	**2,323,041,560**	**–**	**–**	**–**
Notes payables	**298,347,336**	**–**	**–**	**–**
Other payables	**439,718,801**	**–**	**–**	**–**
As at 31 December 2018				
Bank loans and interest payables (i)	1,123,834,969	1,880,560,856	1,346,532,757	–
Loans from a related party and interest payables (i)	40,231,985	374,985,990	890,310,287	–
Other borrowings	57,064,597	–	–	–
Trade payables	2,071,567,933	–	–	–
Notes payables	322,676,392	–	–	–
Other payables	727,115,280	–	–	–

(i) The interest on borrowings is calculated based on borrowings held as at 31 December 2019 and 2018 without taking account of future issues. Floating-rate interest is estimated using interest rate prevailing as at 31 December 2019 and 2018 respectively.

3.2 Capital risk management

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

	2019 HK$	2018 HK$
Expiring within one year	**4,001,038,446**	2,791,306,717
Expiring beyond one year (i)	**3,656,192,369**	4,002,850,018
Total	**7,657,230,815**	6,794,156,735

(i) As at 31 December 2019, unutilized credit facilities from related party amounted to HK$3 billion (31 December 2018: HK$3 billion).

3 Financial risk management *(continued)*

3.2 Capital risk management *(continued)*

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the net gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated balance sheet) add lease liabilities less cash and cash equivalents.

The net gearing ratios at 31 December 2019 and 2018 were as follows:

	As at 31 December	
	2019	2018
	HK$	HK$
Total borrowings (Note 19)	**4,156,187,795**	5,245,496,240
Total lease liabilities (Note 8)	**182,739,866**	–
Less: Cash and cash equivalents (Note 14)	**(460,387,446)**	(574,465,154)
Net debt	**3,878,540,215**	4,671,031,086
Total equity	**9,463,211,302**	8,729,916,411
Net gearing ratio	**40.99%**	53.51%

The net gearing ratio lowered from 53.51% to 40.99% mainly due to the Group repaid short-term and long-term bank and other borrowings with net cash outflow about HK$1,085.1 million in 2019. As a result of adoption of HKFRS 16 *Leases*, the net debt to equity ratio increased from 39.05% to 40.99% as at 31 December 2019. Both net debt and gross assets increased following the recognition of right-of-use assets and lease liabilities on 1 January 2019. See note 2.1 for further information.

3.3 Fair value estimation

As at 31 December 2019 and 2018, the carrying amounts of the Group's current assets and current liabilities approximate their fair values.

4 Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal to the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Impairment assessments of goodwill and intangible assets with indefinite useful 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 2.10. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (Note 9).

(b) Useful lives of property, plant and equipments

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

(c) Current tax and deferred tax

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

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

4 Critical accounting estimates and judgments *(continued)*

(d) Net realisable value of inventories

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

(e) Provision for impairment of trade receivables

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

(f) 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.

5 Segment information

(a) Description of segments and principal activities

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

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

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

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

5 Segment information *(continued)*

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

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

	For the year ended 31 December	
	2019	2018
	HK$	HK$
Mainland China	**12,037,794,851**	11,110,206,971
Hong Kong	**1,197,793,686**	1,100,949,517
Malaysia	**1,426,006,347**	1,375,158,017
Japan	**378,891,263**	249,370,153
Taiwan	**304,939,287**	324,613,387
Others	**728,862,843**	718,249,857
Total revenue	**16,074,288,277**	14,878,547,902

The total non-current assets are analysed as follows:

	As at 31 December	
	2019	2018
	HK$	HK$
Total non-current assets other than deferred income tax assets and investment in an associate		
– Mainland China	**9,333,219,863**	9,641,915,154
– Hong Kong and overseas	**3,559,534,549**	3,236,408,872
Deferred income tax assets	**456,674,351**	403,828,940
Investment in an associate	**2,525,619**	–
Total non-current assets	**13,351,954,382**	13,282,152,966

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

5 Segment information *(continued)*

(b) Segment profit and loss

Year ended 31 December 2019	For the year ended 31 December 2019 Household paper products HK$	Personal care products HK$	Total HK$
Segment revenue	13,254,016,770	2,820,271,507	16,074,288,277
Segment results	1,536,784,453	185,698,921	1,722,483,374
Amortisation of trademarks, licences and contractual customer relationships	(10,874,093)	(57,154,408)	(68,028,501)
Segment profit	1,525,910,360	128,544,513	1,654,454,873
Other income and losses – net			17,291,041
Unallocated costs			(102,157,251)
Operating profit			1,569,588,663
Finance income and costs – net			(198,620,467)
Share of post-tax loss of an associate			(208,240)
Profit before income tax			1,370,759,956
Income tax expense			(232,443,563)
Profit for the year			1,138,316,393
Other segment items included in the income statement			
Depreciation of property, plant and equipment	(789,546,023)	(119,102,200)	(908,648,223)
Depreciation of right-of-use assets	(60,263,379)	(32,287,633)	(92,551,012)
Amortisation of investment property and intangible assets other than trademarks, licences and contractual customer relationships	(36,056,384)	(3,725,982)	(39,782,366)
Adoption of HKFRS16	75,745,201	128,130,975	203,876,176
Additions to non-current assets	841,152,200	336,227,490	1,177,379,690

5 Segment information *(continued)*

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

Year ended 31 December 2018	For the year ended 31 December 2018 Household paper products HK$	Personal care products HK$	Total HK$
Segment revenue	12,111,465,853	2,767,082,049	14,878,547,902
Segment results	976,948,655	222,231,370	1,199,180,025
Amortisation of trademarks, licences and contractual customer relationships	(10,918,563)	(58,722,422)	(69,640,985)
Segment profit	966,030,092	163,508,948	1,129,539,040
Other income and losses – net			(26,772,076)
Unallocated costs			(83,142,100)
Operating profit			1,019,624,864
Finance income and costs – net			(221,951,496)
Profit before income tax			797,673,368
Income tax expense			(148,368,679)
Profit for the year			649,304,689
Other segment items included in the income statement			
Depreciation of property, plant and equipment	(707,039,831)	(111,836,088)	(818,875,919)
Amortisation of land use rights, investment property and intangible assets other than trademarks, licences and contractual customer relationships	(51,289,542)	(2,762,916)	(54,052,458)
Additions to non-current assets	1,418,465,122	230,182,742	1,648,647,864

5 Segment information *(continued)*

(c) Segment assets and liabilities

As at 31 December 2019	As at 31 December 2019 Household paper products HK$	 Personal care products HK$	 Total HK$
Segment assets	14,766,367,163	4,053,847,319	18,820,214,482
Deferred income tax assets			456,674,351
Investment in an associate			2,525,619
Prepaid income tax recoverable			2,072,503
Total assets			19,281,486,955
Segment liabilities	8,404,133,627	999,807,830	9,403,941,457
Deferred income tax liabilities			193,616,342
Current income tax liabilities			220,717,854
Total liabilities			9,818,275,653

As at 31 December 2018	As at 31 December 2018 Household paper products HK$	 Personal care products HK$	 Total HK$
Segment assets	14,798,339,760	3,850,103,102	18,648,442,862
Deferred income tax assets			403,828,940
Prepaid income tax recoverable			15,329,096
Total assets			19,067,600,898
Segment liabilities	9,123,781,804	905,585,319	10,029,367,123
Deferred income tax liabilities			208,522,060
Current income tax liabilities			99,795,304
Total liabilities			10,337,684,487

5 Segment information *(continued)*

(d) Charges in acconting policy

The adoption of the new leasing standard described in note 2.1 had the following impact on the segment disclosures in the current year.

	For the year ended 31 December 2019		As at 31 December 2019	
	Segment profit HK$	Segment depreciation HK$	Segment assets HK$	Segment liabilities HK$
Household paper products	2,071,056	35,306,362	72,796,000	73,332,305
Personal care products	1,880,606	32,059,661	107,484,848	109,407,561
	3,951,662	67,366,023	180,280,848	182,739,866

Comparative segment information has not been restated. As a consequence, the segment information disclosed for the items noted above is not entirely comparable to the information disclosed for the prior year.

(e) Liabilities related to contracts with customers

The Group has recognised following liabilities related to contracts with customers:

	As at 31 December	
	2019 HK$	2018 HK$
Household paper products	119,953,883	71,968,908
Personal care products	2,888,323	558,333
Total contract liabilities	122,842,206	72,527,241

The following table shows how much of the revenue recognised for the year ended 31 December 2019 related to carried-forward contract liabilities that were satisfied in a prior year.

	For the year ended 31 December	
	2019 HK$	2018 HK$
Household paper products	71,968,908	86,263,223
Personal care products	558,333	627,714
	72,527,241	86,890,937

6 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:

	HK$
Balance as at 1 January 2018	1,042,127,885
Additions	84,172,134
Amortisation (Note 24)	(25,685,870)
Exchange differences	(49,895,736)
Balance as at 31 December 2018	1,050,718,413
Change in accounting policy – HKFRS 16 (Note 2.1)	(1,050,718,413)
Balance as at 1 January 2019	–

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 2018							
Opening 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
Additions	22,167,187	–	79,361,940	20,848,268	1,674,150	1,380,464,258	1,504,515,803
Disposals	(1,219,291)	–	(14,634,411)	(424,600)	(106,307)	–	(16,384,609)
Reclassification	521,987,351	–	611,806,166	22,943,098	12,759,564	(1,169,496,179)	–
Depreciation (Note 24)	(111,238,375)	(2,480,196)	(636,616,557)	(58,653,133)	(9,887,658)	–	(818,875,919)
Impairment charges (Note 24)	–	–	–	–	–	(2,709,040)	(2,709,040)
Exchange differences	(123,943,206)	(87,216)	(242,549,347)	(3,381,395)	(2,332,928)	(36,866,051)	(409,160,143)
Closing net book amount	2,768,777,480	1,151,616	5,222,398,294	79,384,643	51,326,426	874,234,959	8,997,273,418
At 31 December 2018							
Cost	3,499,055,255	7,894,140	8,550,586,797	260,353,410	94,785,209	876,860,593	13,289,535,404
Accumulated depreciation and impairment	(730,277,775)	(6,742,524)	(3,328,188,503)	(180,968,767)	(43,458,783)	(2,625,634)	(4,292,261,986)
Net book amount	2,768,777,480	1,151,616	5,222,398,294	79,384,643	51,326,426	874,234,959	8,997,273,418
Year ended 31 December 2019							
Opening net book amount	2,768,777,480	1,151,616	5,222,398,294	79,384,643	51,326,426	874,234,959	8,997,273,418
Additions	339,969	–	35,023,555	52,517,795	2,145,186	910,963,048	1,000,989,553
Disposals	(230,305)	–	(1,128,357)	(280,720)	(1,371,336)	–	(3,010,718)
Reclassification	150,377,232	–	1,078,197,981	10,211,305	1,221,712	(1,240,008,230)	–
Depreciation (Note 24)	(123,287,852)	(491,202)	(734,726,814)	(40,629,846)	(9,512,509)	–	(908,648,223)
Impairment charges (Note 24)	(868,652)	–	(59,139,571)	(408,134)	–	–	(60,416,357)
Exchange differences	(51,387,860)	(16,514)	(108,488,084)	(1,529,469)	(948,430)	(5,645,355)	(168,015,712)
Closing net book amount	2,743,720,012	643,900	5,432,137,004	99,265,574	42,861,049	539,544,422	8,858,171,961
At 31 December 2019							
Cost	3,577,758,094	7,721,589	9,461,121,129	312,588,139	87,085,086	542,191,681	13,988,465,718
Accumulated depreciation and impairment	(834,038,082)	(7,077,689)	(4,028,984,125)	(213,322,565)	(44,224,037)	(2,647,259)	(5,130,293,757)
Net book amount	2,743,720,012	643,900	5,432,137,004	99,265,574	42,861,049	539,544,422	8,858,171,961

7 Property, plant and equipment *(continued)*

During the year, the Group has capitalised borrowing costs amounting to HK$5,419,428 (2018: HK$21,747,236) on qualifying assets. Borrowing costs were capitalised at the weighted average rate of its general borrowings of 4.27% (2018: 4.38%).

During the year ended 31 December 2019, the Group assessed the value in use and estimate market value of certain idle or low-utilization machineries. Management then provided impairment amounting to HK$60,416,357 (2018: HK$2,709,040) to these assets.

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

	For the year ended 31 December	
	2019	2018
	HK$	HK$
Cost of sales	**768,371,525**	696,106,075
Administrative expenses	**140,276,698**	122,769,844
	908,648,223	818,875,919

8 Leases

	As at 31 December 2019 HK$	As at 1 January 2019 HK$
Right-of-use assets		
Land use rights	1,070,176,115	1,050,718,413
Buildings	177,110,717	201,018,771
Equipment and others	3,170,131	2,857,405
Total right-of-use assets	1,250,456,963	1,254,594,589
Lease liabilities		
Current	62,796,875	61,063,540
Non-current	119,942,991	140,968,527
Total lease liabilities	182,739,866	202,032,067

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

The statement of profit or loss shows the following amounts relating to leases:

	For the year ended 31 December	
	2019 HK$	2018 HK$
Depreciation of right-of-use assets (Note 24)		
Land use rights	25,184,989	25,685,870
Buildings	66,008,325	–
Equipment and others	1,357,698	–
	92,551,012	25,685,870
Interest expense (Note 26)	8,249,058	–
Expense relating to short-term leases	58,058,839	–
Expense relating to leases of low-value assets	1,892,262	–

The total cash payment for leases in 2019 was HK$199,663,280.

9 Intangible assets

	Goodwill HK$	Trademarks and licences HK$	Contractual customer relationships HK$	Computer software HK$	Total HK$
At 1 January 2018					
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
Year ended 31 December 2018					
Opening net book amount	1,621,045,950	832,800,048	391,037,702	69,004,355	2,913,888,055
Additions	–	–	–	59,959,927	59,959,927
Amortisation expense (Note 24)	–	(32,613,826)	(37,027,159)	(28,055,319)	(97,696,304)
Exchange differences	(30,079,050)	(12,609,947)	(6,242,016)	(4,106,323)	(53,037,336)
Closing net book amount	1,590,966,900	787,576,275	347,768,527	96,802,640	2,823,114,342
At 31 December 2018					
Cost	1,593,484,826	925,267,993	463,360,669	197,848,858	3,179,962,346
Accumulated amortisation and impairment	(2,517,926)	(137,691,718)	(115,592,142)	(101,046,218)	(356,848,004)
Net book amount	1,590,966,900	787,576,275	347,768,527	96,802,640	2,823,114,342
Year ended 31 December 2019					
Opening net book amount	**1,590,966,900**	**787,576,275**	**347,768,527**	**96,802,640**	**2,823,114,342**
Additions	**–**	**–**	**–**	**64,403,500**	**64,403,500**
Amortisation expense (Note 24)	**–**	**(31,752,577)**	**(36,275,924)**	**(39,526,964)**	**(107,555,465)**
Exchange differences	**(1,031,886)**	**2,328,931**	**1,237,626**	**(2,410,679)**	**123,992**
Closing net book amount	**1,589,935,014**	**758,152,629**	**312,730,229**	**119,268,497**	**2,780,086,369**
At 31 December 2019					
Cost	**1,592,397,903**	**927,736,182**	**464,937,718**	**256,771,831**	**3,241,843,634**
Accumulated amortisation and impairment	**(2,462,889)**	**(169,583,553)**	**(152,207,489)**	**(137,503,334)**	**(461,757,265)**
Net book amount	**1,589,935,014**	**758,152,629**	**312,730,229**	**119,268,497**	**2,780,086,369**

9 Intangible assets *(continued)*

During the year ended 31 December 2019, amortisation of intangible assets charged to the consolidated statement of comprehensive income is as follows:

	For the year ended 31 December	
	2019	2018
	HK$	HK$
Administrative expenses	**68,857,559**	58,375,338
Selling expenses	**36,275,924**	37,027,159
Cost of sales	**2,421,982**	2,293,807
	107,555,465	97,696,304

(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:

2019	**Opening HK$**	**Addition HK$**	**Exchange differences HK$**	**Closing HK$**
Personal care products	**1,023,755,909**	**–**	**(943,028)**	**1,022,812,881**
Household paper products	**567,210,991**	**–**	**(88,858)**	**567,122,133**
	1,590,966,900	**–**	**(1,031,886)**	**1,589,935,014**

2018	Opening HK$	Addition HK$	Exchange differences HK$	Closing HK$
Personal care products	1,053,639,015	–	(29,883,106)	1,023,755,909
Household paper products	567,406,935	–	(195,944)	567,210,991
	1,621,045,950	–	(30,079,050)	1,590,966,900

9 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 2019 are as follows:

	Personal care products	**Household paper products**
Sales amount (% annual growth rate)	8.2%~13.7%	5%~10%
Gross margin (% of revenue)	29%~35%	31.6%~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 2018 were as follows:

	Personal care products	**Household paper products**
Sales amount (% annual growth rate)	8.0%~13.4%	5%~11%
Gross margin (% of revenue)	32%~37%	30.8%~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.

9 Intangible assets *(continued)*

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

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

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

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

2019	Opening HK$	Addition HK$	Exchange differences HK$	Closing HK$
Personal care products	241,964,431	–	1,722,914	243,687,345
Household paper products	334,925,622	–	(730,619)	334,195,003
	576,890,053	–	992,295	577,882,348

9 Intangible assets *(continued)*

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

2018	Opening HK$	Addition HK$	Exchange differences HK$	Closing HK$
Personal care products	247,580,109	–	(5,615,678)	241,964,431
Household paper products	336,536,703	–	(1,611,081)	334,925,622
	584,116,812	–	(7,226,759)	576,890,053

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 2019 are as follows:

	Personal care products trademark and licence	**Household paper products trademark and licence**
Sales amount (% annual growth rate)	8.2%~13.7%	5%~10%
Gross margin (% of revenue)	29%~35%	31.6%~32%
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 2018 are as follows:

	Personal care products trademark and licence	**Household paper products trademark and licence**
Sales amount (% annual growth rate)	8.0%~13.4%	5%~11%
Gross margin (% of revenue)	32%~37%	30.8%~32%
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 Group's business strategy and the latest competitive landscape of the industry.

10 Subsidiaries

As at 31 December 2019, the Company had direct and indirect interests in the following subsidiaries:

Name	Place of incorporation/ operation and kind of legal entity	Principal activities	Issued and fully paid capital	Interest held (directly)	Interest held (indirectly)
Vinda Household Paper (China) Limited	British Virgin Islands, limited liability company	Investment holding and trading of wood pulp and machinery	US$1	100%	–
Vinda Household Paper (Hong Kong) Limited	British Virgin Islands, limited liability company	Investment holding	US$10,002	100%	–
Vinda Household Paper (U.S.A.) Limited	British Virgin Islands, limited liability company	Investment holding	US$1	100%	–
Vinda Household Paper (Australia) Limited	British Virgin Islands, limited liability company	Investment holding	US$1	100%	–
Vinda Paper (U.S.A.) Inc.	United States of America, limited liability company	Service for import & export	US$1	–	100%
Vinda Paper (Australia) Pty Limited	Australia, limited liability company	Manufacturing and sale of household paper products	Australian dollar 100,000	–	100%
Forton Enterprises Limited ("Forton Enterprises")	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") (i)	Hong Kong, limited liability company	Property investments and trading of household paper products	HK$10,001	–	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%

10 Subsidiaries *(continued)*

Name	Place of incorporation/ operation and kind of legal entity	Principal activities	Issued and fully paid capital	Interest held (directly)	Interest held (indirectly)
Vinda Paper (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%
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%
Vinda (Shanghai) Healthcare Management Company Limited	The PRC, limited liability company	Providing home health care services and health management consulting	RMB4,531,039	–	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$178,000,000	–	100%
PT Vinda International Indonesia ("Vinda Indonesia", formerly known as "PT SCA Hygiene Indonesia")	Indonesia, limited liability company	Trading of personal care products	Indonesian Rupiah 12,499,033,100	–	100%

10 Subsidiaries *(continued)*

Name	Place of incorporation/ operation and kind of legal entity	Principal activities	Issued and fully paid capital	Interest held (directly)	Interest held (indirectly)
Vinda 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$") 560,879,450	–	100%
Vinda Marketing (M) Sdn. Bhd. ("Vinda Marketing", formerly known as "SCA Hygiene Marketing (M) Sdn. Bhd.")	Malaysia, limited liability company	Trading of personal care products	MYR10,000	–	100%
Vinda Singapore Pte. Ltd. ("Vinda Singapore", formerly known as "SCA Hygiene Singapore Pte. Ltd.")	Singapore, limited liability company	Trading of personal care products	Singapore Dollar ("SG$") 852,850	–	100%
Jiangmen Dynasty Fortune Paper Limited ("Dynasty Fortune")	The PRC, limited liability company	Providing property management services	RMB315,380,000	–	100%

(i) According to the Board resolution on 31 May 2019, SCA Tissue Hong Kong Limited was merged into Vinda Industrial HK. The amalgamation was certified by Registrar of Companies of Hong Kong Special Administrative Region. The registered capital of Vinda Industrial HK was changed from HK$10,000 to HK$10,001.

11 Inventories

	As at 31 December 2019 HK$	As at 31 December 2018 HK$
Raw materials	**1,904,501,206**	1,316,014,835
Finished goods	**1,318,820,157**	1,429,868,895
	3,223,321,363	2,745,883,730

The cost of inventories recognised as expenses and included in cost of sales amounted to HK$8,704,893,616 (2018: HK$8,607,022,513) for the year ended 31 December 2019.

Write-downs of inventories to net realisable value amounted to HK$788,804 (2018: HK$13,652,538).

12 Financial instruments by category

	As at 31 December	
	2019	2018
	HK$	HK$
Financial assets		
Trade and notes receivables	**1,916,318,675**	1,888,459,707
Other receivables	**237,999,919**	449,515,451
Due from related parties	**32,065,779**	36,609,005
Cash and cash equivalents	**460,387,446**	574,465,154
Total	**2,646,771,819**	2,949,049,317

	As at 31 December	
	2019	2018
	HK$	HK$
Financial liabilities		
Loans from a related party	**1,274,928,072**	1,218,116,846
Borrowings	**2,881,259,723**	4,027,379,394
Trade and other payables excluding non-financial liabilities	**3,061,107,697**	3,121,359,605
Due to related parties	**15,813,259**	18,406,558
Lease liabilities	**182,739,866**	–
Total	**7,415,848,617**	8,385,262,403

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

13 Trade, notes and other receivables and prepayments

	As at 31 December	
	2019	2018
	HK$	HK$
Trade receivables	**1,937,867,729**	1,909,762,277
Less: Provision for impairment of trade receivables	**(25,773,859)**	(25,987,508)
	1,912,093,870	1,883,774,769
Notes receivable	**4,224,805**	4,684,938
Trade and note receivables	**1,916,318,675**	1,888,459,707
Other receivables		
– creditable input VAT	**137,516,178**	304,850,539
– prepaid income tax recoverable	**2,072,503**	15,329,096
– purchase rebates	**9,964,231**	26,576,733
– deposits and others	**88,447,007**	102,759,083
	237,999,919	449,515,451
Prepayments		
– purchase of raw materials	**1,894,150**	30,494,115
– prepaid expenses	**20,214,628**	21,492,411
– prepayments of utility fee	**6,913,902**	3,368,579
– others	**30,416,711**	35,159,780
	59,439,391	90,514,885
	2,213,757,985	2,428,490,043

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

Customers who are given credit are generally granted with credit terms ranging from 60 to 90 days. Ageing analysis of trade receivables of the Group based on invoice date as at 31 December 2019 and 2018 is as below:

	As at 31 December	
	2019	2018
	HK$	HK$
Within 3 months	**1,839,881,135**	1,784,440,966
4 months to 6 months	**64,165,114**	89,596,135
7 months to 12 months	**13,779,084**	15,950,020
Over 1 year	**20,042,396**	19,775,156
	1,937,867,729	1,909,762,277

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

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and notes receivables. Note 3.1(b) provides for details about the calculation of the allowance.

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

14 Cash and cash equivalents

	As at 31 December	
	2019	2018
	HK$	HK$
Cash in hand	**141,609**	89,583
Cash at bank	**236,976,731**	346,117,183
Deposits at call	**223,269,106**	228,258,388
	460,387,446	574,465,154

The effective weighted average annual interest rate on cash at bank and deposits was 1.90% (2018: 1.64%) for the year ended 31 December 2019.

14 Cash and cash equivalents *(continued)*

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

	As at 31 December	
	2019	2018
	HK$	HK$
RMB	**331,406,904**	418,754,763
NT$	**74,721,894**	84,496,948
HK$	**6,584,385**	15,628,951
MYR	**16,396,879**	11,461,746
US$	**8,766,217**	27,136,755
Other currencies	**22,511,167**	16,985,991
	460,387,446	574,465,154

15 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 2018	80,000,000,000	1,194,167,373	119,416,737	4,345,689,034	4,465,105,771
Employee share option scheme (Note 16)					
– Exercise of share options	–	685,000	68,500	6,092,196	6,160,696
At 31 December 2018	80,000,000,000	1,194,852,373	119,485,237	4,351,781,230	4,471,266,467
Employee share option scheme (Note 16)					
– Exercise of share options	–	251,000	25,100	4,458,788	4,483,888
At 31 December 2019	**80,000,000,000**	**1,195,103,373**	**119,510,337**	**4,356,240,018**	**4,475,750,355**

16 Share-based payment

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

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

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

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

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

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

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

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

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

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

16 Share-based payment *(continued)*

Movements in the number of share options outstanding and their related weighted average exercise prices for the years ended 31 December 2019 and 2018 were as follows:

	For the year ended 31 December			
	2019		2018	
	Weighted average exercise price in HK$	**Number of options**	Weighted average exercise price in HK$	Number of options
At 1 January	**12.75**	**8,583,000**	12.34	9,528,000
Exercised (Note (a))	**13.09**	**(251,000)**	6.62	(685,000)
Lapsed (Note (b))	**–**	**–**	14.06	(260,000)
At 31 December	**12.74**	**8,332,000**	12.75	8,583,000

(a) All of the outstanding options are exercisable. Options exercised during the year ended 31 December 2019 resulted in 251,000 shares (2018: 685,000 shares) being issued with net proceeds of HK$3,285,520 (2018: HK$4,534,300). The related weighted average share price at the time of exercise was HK$15.52 (2018: HK$13.29) per share.

(b) Option lapsed during the year ended 31 December 2019 was nil (2018: 260,000) due to employee resignation.

Share options outstanding as at 31 December 2019 have the following expiry dates and exercise prices:

Expiry date	**Exercise price**	**Number of options**
	HK$ per share	
14 April 2021	8.648	1,265,000
01 May 2022	14.06	5,948,000
01 May 2023	10.34	1,119,000

17 Other reserves

	Statutory reserves (Note (a)) HK$	Retained earnings HK$	Translation reserve HK$	Other reserves HK$	Total HK$
At 31 December 2017	647,937,192	3,158,538,572	415,000,280	49,886,561	4,271,362,605
Change in accounting policy – HKFRS 9	–	(66,461)	–	–	(66,461)
At 1 January 2018	647,937,192	3,158,472,111	415,000,280	49,886,561	4,271,296,144
Employee share options scheme:					
– Exercise of options	–	–	–	(1,626,396)	(1,626,396)
Profit for the year	–	649,304,689	–	–	649,304,689
Appropriation of reserves	27,991,928	(27,991,928)	–	–	–
Dividend distribution through statutory reserves	(57,630,762)	57,630,762	–	–	–
Dividends	–	(238,878,475)	–	–	(238,878,475)
Currency translation differences	–	–	(421,842,655)	–	(421,842,655)
Remeasurement on post-employment benefit obligation	–	–	–	396,637	396,637
At 31 December 2018	618,298,358	3,598,537,159	(6,842,375)	48,656,802	4,258,649,944
At 1 January 2019	**618,298,358**	**3,598,537,159**	**(6,842,375)**	**48,656,802**	**4,258,649,944**
Employee share options scheme:					
– Exercise of options	**–**	**–**	**–**	**(1,198,368)**	**(1,198,368)**
Profit for the year	**–**	**1,138,316,393**	**–**	**–**	**1,138,316,393**
Appropriation of reserves	**83,086,477**	**(83,086,477)**	**–**	**–**	**–**
Dividends	**–**	**(250,955,748)**	**–**	**–**	**(250,955,748)**
Currency translation differences	**–**	**–**	**(157,128,714)**	**–**	**(157,128,714)**
Remeasurement on post-employment benefit obligation	**–**	**–**	**–**	**(222,560)**	**(222,560)**
At 31 December 2019	**701,384,835**	**4,402,811,327**	**(163,971,089)**	**47,235,874**	**4,987,460,947**

(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 Statutory Reserve from the statutory net profit after offsetting accumulated losses of previous years should be made prior to profit distribution to the shareholders. The appropriation for the Reserve Fund is no less than 10% of the statutory net profit and it can cease to accrue when the accumulated appropriation exceeds 50% of the registered capital. For the year ended 31 December 2019, the appropriation for the Reserve Fund is 15% (2018:15%) of the statutory net profits of the year for the subsidiaries in the PRC.

17 Other reserves *(continued)*

(a) Statutory reserves *(continued)*

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

18 Trade payables, other payables and accrued expenses

	As at 31 December	
	2019	2018
	HK$	HK$
Trade payables	**2,323,041,560**	2,071,567,933
Notes payable	**298,347,336**	322,676,392
Other payables		
– salaries payable	**295,730,649**	255,123,590
– taxes payable other than income tax	**77,563,577**	37,303,747
– payables for property, plant and equipment	**286,186,841**	570,967,807
– others	**153,531,960**	156,147,473
Accrued expenses		
– promotion fees	**760,067,036**	672,901,394
– utility charges	**43,934,440**	39,906,095
– transportation fees	**179,169,147**	138,032,415
– advertising fee	**52,053,644**	47,685,432
– accrued interest	**6,307,114**	8,651,491
– professional services	**3,234,654**	3,424,060
– others	**124,680,814**	111,644,828
	4,603,848,772	4,436,032,657

As at 31 December 2019 and 2018, the carrying amounts of the Group's trade payables, notes payable and other payables approximated their fair values.

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

The credit period granted by the creditors generally ranged from 30 to 90 days. Ageing analysis of trade and notes payable as at 31 December 2019 and 2018 is as follows:

	As at 31 December	
	2019	2018
	HK$	HK$
Within 3 months	**1,944,893,219**	1,829,550,803
4 months to 6 months	**675,345,534**	562,254,130
7 months to 12 months	**918,340**	522,231
Over 1 year	**231,803**	1,917,161
	2,621,388,896	2,394,244,325

19 Borrowings

	As at 31 December	
	2019	2018
	HK$	HK$
Non-current		
Unsecured bank borrowings	**2,297,063,820**	3,004,812,188
Loans from a related party (Note 32(c))	**1,274,928,072**	1,218,116,846
Total non-current borrowings	**3,571,991,892**	4,222,929,034
Current		
Portion of loans from banks due for repayment within one year		
– Unsecured	**584,195,903**	965,502,609
Other borrowings due for repayment within one year		
– Unsecured (Note (a))	**–**	57,064,597
Total current borrowings	**584,195,903**	1,022,567,206
Total borrowings	**4,156,187,795**	5,245,496,240

(a) Other borrowings of RMB50,000,000 were repaid to PRC local governments in 2019.

19 Borrowings *(continued)*

(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	
	2019 HK$	2018 HK$	**2019 HK$**	2018 HK$	**2019 HK$**	2018 HK$
Portion of loans due for repayment within 1 year	**584,195,903**	965,502,609	**–**	–	**–**	57,064,597
Loans due for repayment after 1 year:						
Between 1 and 2 years	**744,701,210**	1,762,277,535	**1,180,116,846**	338,000,000	**–**	–
Between 2 and 5 years	**1,552,362,610**	1,242,534,653	**94,811,226**	880,116,846	**–**	–
	2,881,259,723	3,970,314,797	**1,274,928,072**	1,218,116,846	**–**	57,064,597

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

	Bank borrowings		Loans from a related party	
	2019	2018	**2019**	2018
HK$	**1.32%~6.83%**	1.76%~3.15%	**2.63%~3.54%**	2.22%~3.52%
US$	**2.31%~3.40%**	2.20%-3.40%	**–**	–
RMB	**3.81%~6.60%**	3.65%~6.60%	**–**	5.85%
EUR	**–**	0.80%	**–**	–
KRW	**1.88%~2.98%**	2.20%~2.75%	**–**	–
MYR	**3.57%~4.65%**	3.84%~4.34%	**4.44%**	–

(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	
	2019 HK$	2018 HK$
HK$	**3.19%**	2.81%
US$	**2.99%**	2.81%
RMB	**4.55%**	4.88%
EUR	**–**	0.80%
KRW	**2.51%**	2.56%
MYR	**3.91%**	4.01%

19 Borrowings *(continued)*

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

	As at 31 December	
	2019	2018
	HK$	HK$
RMB	**2,494,121,870**	3,692,235,150
HK$	**1,488,927,432**	1,304,116,847
MYR	**132,735,716**	131,275,302
KRW	**40,402,777**	41,942,479
US$	**–**	75,926,462
	4,156,187,795	5,245,496,240

20 Deferred income tax

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

	As at 31 December	
	2019	2018
	HK$	HK$
Deferred tax assets		
– Deferred income tax assets to be recovered after 12 months	**86,421,437**	78,626,367
– Deferred income tax assets to be recovered within 12 months	**370,252,914**	325,202,573
	456,674,351	403,828,940
Deferred tax liabilities		
– Deferred income tax liability to be settled after 12 months	**(176,751,799)**	(191,944,402)
– Deferred income tax liability to be settled within 12 months	**(16,864,543)**	(16,577,658)
	(193,616,342)	(208,522,060)
Deferred income tax assets, net	**263,058,009**	195,306,880

20 Deferred income tax *(continued)*

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

	For the year ended 31 December	
	2019 **HK$**	2018 HK$
Beginning of the year	**195,306,880**	137,325,702
Credited to the consolidated statement of comprehensive income	**76,769,684**	71,359,359
Exchange differences	**(9,018,555)**	(13,378,181)
End of the year	**263,058,009**	195,306,880

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$	Retirement benefit obligation HK$	Accelerated depreciation HK$	Total HK$
At 31 December 2017 and 1 January 2018	17,272,861	35,370,685	26,591,983	24,493,428	183,170,606	52,016,196	3,367,721	4,715,102	1,764,324	348,762,906
Credited/(charged) to the consolidated statement of comprehensive income	1,224,378	19,542,840	(4,400,642)	403,347	13,094,302	35,793,947	(848,570)	552,927	7,659,424	73,021,953
Exchange differences	(825,607)	(2,286,675)	(1,074,096)	(1,139,899)	(8,460,860)	(3,689,940)	–	(155,127)	(323,715)	(17,955,919)
At 31 December 2018	17,671,632	52,626,850	21,117,245	23,756,876	187,804,048	84,120,203	2,519,151	5,112,902	9,100,033	403,828,940
At 31 December 2018 and 1 January 2019	**17,671,632**	**52,626,850**	**21,117,245**	**23,756,876**	**187,804,048**	**84,120,203**	**2,519,151**	**5,112,902**	**9,100,033**	**403,828,940**
Credited/(charged) to the consolidated statement of comprehensive income	**15,693,613**	**15,125,212**	**11,778,145**	**(1,415,651)**	**26,667,339**	**(3,068,533)**	**(76,447)**	**(1,033,249)**	**(1,021,598)**	**62,648,831**
Exchange differences	**(613,491)**	**(1,416,917)**	**(669,183)**	**(494,326)**	**(3,783,115)**	**(1,754,765)**	**–**	**72,577**	**(1,144,200)**	**(9,803,420)**
At 31 December 2019	**32,751,754**	**66,335,145**	**32,226,207**	**21,846,899**	**210,688,272**	**79,296,905**	**2,442,704**	**4,152,230**	**6,934,235**	**456,674,351**

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$11,450,404 (2018: HK$12,606,015) in respect of losses amounting to HK$50,916,062 (2018: HK$56,047,666), which are not subject to expiration, that can be carried forward against future taxable income.

20 Deferred income tax *(continued)*

The movement of the deferred tax liabilities is as follows:

	Depreciation difference from tax allowance 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 2017 and 1 January 2018	1,272,655	30,507,877	142,099,107	33,565,649	2,898,328	1,093,588	211,437,204
Charged/(credited) to the consolidated statement of comprehensive income	203,487	2,222,778	2,451,507	(666,782)	(2,650,931)	102,535	1,662,594
Exchange differences	(70,155)	(1,477,930)	(2,250,996)	(709,955)	(41,750)	(26,952)	(4,577,738)
At 31 December 2018	1,405,987	31,252,725	142,299,618	32,188,912	205,647	1,169,171	208,522,060
At 31 December 2018 and 1 January 2019	**1,405,987**	**31,252,725**	**142,299,618**	**32,188,912**	**205,647**	**1,169,171**	**208,522,060**
(Credited)/charged to the consolidated statement of comprehensive income	**(420,040)**	**(2,193,409)**	**(4,688,476)**	**(7,327,524)**	**329,544**	**179,052**	**(14,120,853)**
Exchange differences	**(5,384)**	**(644,462)**	**(407,806)**	**252,157**	**10,685**	**9,945**	**(784,865)**
At 31 December 2019	**980,563**	**28,414,854**	**137,203,336**	**25,113,545**	**545,876**	**1,358,168**	**193,616,342**

Deferred income tax liabilities of HK$198,161,707 (2018: HK$181,789,172) 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$3,862,451,820 as at 31 December 2019 (2018: HK$3,520,271,979).

21 Deferred government grants

	HK$
At 1 January 2018	
Cost	186,909,448
Accumulated amortisation	(44,060,904)
Net book amount	142,848,544
Year ended 31 December 2018	
Opening net book amount	142,848,544
Additions	94,574,263
Amortisation (Note 23)	(13,029,179)
Exchange differences	(9,323,517)
Closing net book amount	215,070,111
At 31 December 2018	
Cost	269,693,973
Accumulated amortisation	(54,623,862)
Net book amount	215,070,111
Year ended 31 December 2019	
Opening net book amount	**215,070,111**
Additions	**75,991,232**
Amortisation (Note 23)	**(19,013,508)**
Exchange differences	**(5,705,301)**
Closing net book amount	**266,342,534**
At 31 December 2019	
Cost	**338,450,801**
Accumulated amortisation	**(72,108,267)**
Net book amount	**266,342,534**

In 2019, certain subsidiaries of the Group received government grants with total amount of RMB66,871,600 (equivalent to HK$75,991,232) (2018: RMB80,066,382 (equivalent to HK$94,574,263)). The government grant was recorded as deferred government grants and credited to the consolidated statement of comprehensive income on a straight-line basis over the expected useful lives of the corresponding property, plant and equipment or land use right.

22 Other non-current liabilities

	As at 31 December	
	2019	2018
	HK$	HK$
Long term incentive plans (i) (Note 25)	**29,214,726**	10,709,487

(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.

Long term incentive plan for Executive Directors and CFO

Compensation unit ("CU") can be granted under the plan to Executive Directors and CFO to reward for their future services during the vesting period. A total of 6,840,000 CUs were granted to Executive Directors and CFO at a nominal price of HK$15.31 under the plan. The exercise price of a CU is capped at HK$30. The vesting period is from 1 January 2017 to 1 July 2020. A CU can be realised at the exercise price after the vesting period until 31 December 2025, subject to the provisions of the plan.

As at 31 December 2019, the fair value of each CU granted determined by using the Binomial Model was HK$3.35. The significant inputs into the model were share price at the valuation date, the grant price, volatility of 30%, dividend yield of 1.22%, and annual risk-free interest rate of 1.70%. 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. Two measurement periods for this program are from 2017 to 2019 and from 2019 to 2021.

As at 31 December 2019, the TSR is determined by using the Monte Carlo Simulation Model. The significant inputs into the model were annualized drift rate of 10.92% of the Company and 8.88% the peer group, dividend yield of 1.42% of the Company and 2.55% 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	
	2019	2018
	HK$	HK$
Subsidy income received from local government	**9,764,916**	29,915,118
Amortisation of deferred government grants (Note 21)	**19,013,508**	13,029,179
(Loss)/gain on disposal of property, plant and equipment	**(1,444,296)**	262,204
Gain on disposal of investment property	**18,849,910**	–
Foreign exchange loss – net	**(37,231,217)**	(74,291,587)
Rental income	**2,441,894**	1,850,469
Depreciation of investment property	**(255,402)**	(311,269)
Others	**6,151,728**	2,773,810
	17,291,041	(26,772,076)

24 Expenses by nature

	For the year ended 31 December	
	2019	2018
	HK$	HK$
Raw materials and trading merchandise consumed	**8,337,067,269**	8,159,442,250
Staff costs (Note 25)	**1,664,144,387**	1,572,967,168
Utilities	**966,813,383**	855,926,505
Transportation expenses	**714,948,860**	671,057,141
Promotion expenses	**814,727,940**	731,142,480
Depreciation of property, plant and equipment (Note 7)	**908,648,223**	818,875,919
Depreciation of right-of-use assets (Note 8)	**92,551,012**	–
Short-term and low-value lease expenses (Note 8)	**59,951,101**	–
Operating lease expenses	**–**	185,378,391
Amortisation of intangible assets (Note 9)	**107,555,465**	97,696,304
Advertising costs	**136,630,105**	124,754,266
Travel and office expenses	**75,322,351**	75,049,083
Real estate tax, stamp duty and other taxes	**48,420,801**	47,198,907
Bank charges	**4,792,638**	4,660,859
Provision for impairment of receivables (Note 3.1(b))	**1,540,148**	1,829,013
Auditor's remuneration	**8,355,683**	8,666,277
Amortisation of land use rights (Note 6)	**–**	25,685,870
Provision for write-down of inventories	**788,804**	13,652,538
Impairment charge on property, plant and equipment (Note 7)	**60,416,357**	2,709,040
Other expenses	**519,316,128**	435,458,951
Total cost of sales, selling and marketing costs, administrative expenses and net impairment losses on financial assets	**14,521,990,655**	13,832,150,962

25 Employee benefit expenses

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

	For the year ended 31 December	
	2019	2018
	HK$	HK$
Defined contribution for Hong Kong employees		
– MPF	**2,067,156**	1,294,560
Defined contribution for overseas employees	**32,675,238**	32,632,676
Defined benefits for overseas employees	**1,036,466**	1,869,905
Long-term incentive plan (Note 22)	**18,505,239**	(6,966,222)
Social security and benefits for the PRC employees	**196,008,732**	186,972,704
	250,292,831	215,803,623
Wages, salaries and bonus	**1,328,810,751**	1,272,418,012
Staff welfare	**85,040,805**	84,745,533
	1,664,144,387	1,572,967,168

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2019 include three directors (2018: three directors) whose emoluments are reflected in the analysis disclosed in Note 34 and two senior managements (2018: two senior managements) whose emoluments are reflected in the analysis disclosed in Note 32(b). The emoluments payable to the two senior managements (2018: two senior managements) for the year ended 31 December 2019 is as follows:

	For the year ended 31 December	
	2019	2018
	HK$	HK$
– Basic salaries, housing allowances, other allowances and benefits-in-kind	**12,292,042**	11,819,448
– Long-term incentive plans	**2,481,485**	–
– Others	**48,028**	42,608
	14,821,555	11,862,056

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 2019 and 2018.

26 Finance income and costs – net

	For the year ended 31 December	
	2019	2018
	HK$	HK$
Interest expense		
– borrowings(a)	**(204,440,082)**	(226,972,410)
– lease liabilities (Note 8)	**(8,249,058)**	–
Foreign exchange gain/(loss) – net	**2,520,600**	(6,175,395)
Interest income		
– bank deposits	**11,548,073**	11,196,309
Net finance costs	**(198,620,467)**	(221,951,496)

(a) During the year, the Group has capitalised borrowing costs amounting to HK$5,419,428 (2018: HK$21,747,236) on qualifying assets. Borrowing costs were capitalised at the weighted average rate of its general borrowings of 4.27% (2018: 4.38%).

27 Taxation

(a) Income tax expense

The applicable corporate income tax rates for Hong Kong, Malaysia and Taiwan subsidiaries are 16.5%, 24% and 20% respectively. The applicable corporate income tax rate for Mainland China subsidiaries is 25% except for subsidiaries which are qualified as High and New Technology Enterprises ("HNTE") and would be entitled to enjoy a beneficial tax rate of 15%. The subsidiaries may additionally deduct 75% of qualified research and development expenses when calculating the taxable income.

	For the year ended 31 December	
	2019	2018
	HK$	HK$
Current income tax		
– Hong Kong and overseas profits tax	**175,834,960**	143,008,161
– Mainland China income tax	**138,306,491**	67,394,237
– Tax filing difference for prior year	**(8,841,110)**	(2,356,036)
Deferred income tax	**(77,099,228)**	(71,568,760)
Withholding tax	**4,242,450**	11,891,077
	232,443,563	148,368,679

27 Taxation *(continued)*

(a) Income tax expense *(continued)*

The tax on the Group's profit before tax differs from the theoretical amount that would arise using weighted average tax rate applicable to profits of the Group as follows:

	For the year ended 31 December	
	2019	2018
	HK$	HK$
Profit before income tax	**1,370,759,956**	797,673,368
Tax calculated at applicable tax rate	**293,128,722**	152,862,750
Tax benefit from HNTE qualification	**(69,160,515)**	(29,355,548)
Income not subject to tax	**(4,997,508)**	(4,414,020)
Expenses not deductible for tax purposes	**18,703,861**	27,836,897
Unrecognised tax losses	**496,389**	615,205
Utilisation of previously unrecognised tax losses	**(1,128,726)**	(2,059,895)
Tax filing difference for prior year	**(8,841,110)**	(2,356,036)
Withholding tax	**4,242,450**	11,891,077
Capital reinvestment	**–**	(11,995,888)
Changes in the applicable tax rate	**–**	5,344,137
Income tax expense	**232,443,563**	148,368,679

(b) VAT

Sales of self-manufactured products of the Company's PRC subsidiaries are subject to VAT. The applicable tax rate for PRC domestic sales has changed from 16% to 13% since April 2019.

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

28 Earnings per share

(a) Basic

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

	For the year ended 31 December	
	2019	2018
Profit attributable to equity holders of the Company (HK$)	**1,138,316,393**	649,304,689
Weighted average number of ordinary shares issued	**1,195,019,702**	1,194,413,726
Basic earnings per share (HK$ per share)	**0.953**	0.544

(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	
	2019	2018
Profit attributable to equity holders of the Company (HK$)	**1,138,316,393**	649,304,689
Weighted average number of ordinary shares issued	**1,195,019,702**	1,194,413,726
Adjustments for share options	**897,964**	1,010,558
Weighted average number of ordinary shares for diluted earnings per share	**1,195,917,666**	1,195,424,284
Diluted earnings per share (HK$ per share)	**0.952**	0.543

29 Dividends

	2019 HK$	2018 HK$
Interim dividend paid of HK$0.070 (2018: HK$0.060) per ordinary share	**83,656,116**	71,663,542
Proposed final dividend of HK$0.210 (2018: HK$0.140) per ordinary share	**250,971,708**	167,279,332
	334,627,824	238,942,874

On 21 January 2020, the Board of Directors proposed a final dividend in respect of the year ended 31 December 2019 of HK$250,971,708, representing HK$0.210 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 2018 was HK$167,299,632 based on the 1,194,997,373 issued shares outstanding at that time.

The interim dividends actually paid in 2019 and 2018 were HK$83,656,116 and HK$71,663,542 respectively based on the number of issued shares outstanding at relevant time.

30 Cash flow information

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

	For the year ended 31 December	
	2019	2018
	HK$	HK$
Profit before income tax	**1,370,759,956**	797,673,368
Adjustments for:		
– Depreciation of property, plant and equipment (Note 7)	**908,648,223**	818,875,919
– Depreciation of investment property	**255,402**	311,269
– Amortisation of intangible assets (Note 9)	**107,555,465**	97,696,304
– Depreciation of right of use assets (Note 8)	**92,551,012**	–
– Amortisation of land use rights (Note 6)	**–**	25,685,870
– Amortisation of deferred government grants (Note 21)	**(19,013,508)**	(13,029,179)
– Loss/(gain) on disposals of property, plant and equipment (Note 23)	**1,444,296**	(262,204)
– Loss on disposal of right of use assets (Note 23)	**5,766**	–
– Gain on disposal of investment property (Note 23)	**(18,849,910)**	–
– Provision for impairment of receivables (Note 24)	**1,540,148**	1,829,013
– Provision for inventory impairment (Note 24)	**788,804**	13,652,538
– Impairment charge on property, plant and equipment (Note 7)	**60,416,357**	2,709,040
– Share of post-tax loss of an associate	**208,240**	–
– Net finance costs and exchange losses	**235,851,684**	296,243,083
	2,742,161,935	2,041,385,021
Changes in working capital (excluding the effect of exchange differences on consolidation):		
– (Increase)/Decrease in inventories	**(547,889,270)**	154,148,768
– Decrease/(Increase) in trade, notes, other receivables and prepayments	**122,628,022**	(245,262,643)
– Decrease/(Increase) in due from related parties	**3,810,183**	(9,305,213)
– Increase/(Decrease) in trade payables, other payables and accrued expenses and contract liabilities	**576,889,379**	(157,287,888)
– Decrease in due to related parties	**(1,988,527)**	(24,121,661)
Cash generated from operations	**2,895,611,722**	1,759,556,384

30 Cash flow information *(continued)*

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

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

	For the year ended 31 December	
	2019	2018
	HK$	HK$
Net book amount of property, plant and equipment (Note 7)	**3,010,718**	16,384,609
(Loss)/Gain on disposal of property, plant and equipment (Note 23)	**(1,444,296)**	262,204
Net book amount of investment property	**2,950,090**	–
Gain on disposal of investment property (Note 23)	**18,849,910**	–
Decrease in trade receivables, other receivables and prepayments	**–**	10,731,420
Proceeds from disposal of property, plant and equipment and investment property	**23,366,422**	27,378,233

(c) Reconciliation of liabilities arising from financing activities

	Lease	Borrowings	Loans from related party	Total
	HK$	HK$	HK$	HK$
As at 1 January 2018	–	3,999,871,368	1,236,403,002	5,236,274,370
Cash flows				
– Inflow from financing activities	–	6,752,247,360	331,118,453	7,083,365,813
– Outflow from financing activities	–	(6,546,622,208)	(359,151,000)	(6,905,773,208)
Currency translations	–	(178,117,126)	9,746,391	(168,370,735)
As at 31 December 2018	–	4,027,379,394	1,218,116,846	5,245,496,240
Recognised on adoption of HKFRS 16	202,032,067	–	–	202,032,067
As at 1 January 2019	202,032,067	4,027,379,394	1,218,116,846	5,447,528,307
Cash flows				
– Inflow from financing activities	–	5,906,787,752	394,643,979	6,301,431,731
– Outflow from financing activities	(71,341,650)	(6,991,933,690)	(337,782,170)	(7,401,057,510)
Recognition of right-of-use assets	51,806,602	–	–	51,806,602
Currency translations	242,847	(60,973,733)	(50,583)	(60,781,469)
As at 31 December 2019	182,739,866	2,881,259,723	1,274,928,072	4,338,927,661

31 Capital commitments

	As at 31 December	
	2019	2018
	HK$	HK$
Property, plant and equipment and intangible assets	**1,192,504,572**	539,727,141
Investment in an associate	**–**	2,739,101
	1,192,504,572	542,466,242

32 Related party transactions

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

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

Name of related party	Relationship
Uni-Charm Mölnlycke KK ("Uni-Charm")	Subsidiary of Essity Aktiebolag (publ)
Asaleo Personal Care Pty Ltd (formerly known as Asaleo Care Australia Pty Ltd.)	Associate of Essity Aktiebolag (publ)
Asaleo Care Fiji Limited	Associate of Essity Aktiebolag (publ)
Productos Familia, S.A., Colombia	Subsidiary of Essity Aktiebolag (publ)
Essity Hygiene and Health AB ("Essity HH")	Subsidiary of Essity Aktiebolag (publ)
Essity Canada Inc.	Subsidiary of Essity Aktiebolag (publ)
Asaleo Care New Zealand Ltd.	Associate of Essity Aktiebolag (publ)
Essity Operations Hoogezand B.V. ("Essity Hoogezand B.V.")	Subsidiary of Essity Aktiebolag (publ)
Essity Hygiene y Salud Mexico, S.A. de C.V. ("Essity Mexico")	Subsidiary of Essity Aktiebolag (publ)
SCA Yildiz Kagit ve Kisise ("SCA YKK")	Subsidiary of Essity Aktiebolag (publ)
Essity Operations Gennep B.V. ("Essity OG B.V.")	Subsidiary of Essity Aktiebolag (publ)
Essity Operations Mainz-Kostheim GmbH ("Essity Kostheim")	Subsidiary of Essity Aktiebolag (publ)
Essity Poland Sp.z o.o.	Subsidiary of Essity Aktiebolag (publ)
Essity Netherlands B.V.	Subsidiary of Essity Aktiebolag (publ)
Essity Slovakia s.r.o.	Subsidiary of Essity Aktiebolag (publ)

32 Related party transactions *(continued)*

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

Name of related party	Relationship
Essity Operations Neuss GmbH ("Essity ON GmbH")	Subsidiary of Essity Aktiebolag (publ)
Essity Operations France	Subsidiary of Essity Aktiebolag (publ)
Essity Professional Hygiene North America LLC ("Essity NA")	Subsidiary of Essity Aktiebolag (publ)
Essity Operations Mannheim GmbH ("Essity OM")	Subsidiary of Essity Aktiebolag (publ)
Essity (China) Holding Co Ltd ("Essity China")	Subsidiary of Essity Aktiebolag (publ)
BSN Medical Shanghai ("BSN Shanghai")	Subsidiary of Essity Aktiebolag (publ)
Essity BV	Shareholder
Essity GmbH	Subsidiary of Essity Aktiebolag (publ)
Essity HMS North America Inc ("Essity HMS")	Subsidiary of Essity Aktiebolag (publ)

(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 2019 include:

(1) Sales of products to related parties:

	For the year ended 31 December	
	2019	2018
	HK$	HK$
– Uni-Charm	**109,323,113**	111,292,267
– Asaleo Personal Care Pty Ltd	**22,153,821**	23,204,462
– Asaleo Care Fiji Ltd	**19,860,023**	9,135,772
– Productos Familia, S.A., Colombia	**14,637,977**	22,196,855
– Essity HH	**7,780,288**	5,569,341
– Essity Canada Inc.	**4,513,732**	3,856,269
– Asaleo Care New Zealand Ltd	**3,407,237**	2,021,635
– Essity Hoogezand B.V.	**2,149,402**	2,666,340
– Essity Mexico	**949,200**	9,212,997
– SCA YKK	**–**	796,234
	184,774,793	189,952,172

32 Related party transactions *(continued)*

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

(2) Purchase of products from related parties:

	For the year ended 31 December	
	2019	2018
	HK$	HK$
– Essity OG B.V.	**42,739,361**	48,516,683
– Essity HH	**34,197,154**	42,870,084
– Essity Kostheim	**34,051,612**	25,763,032
– Essity Hoogezand B.V.	**33,138,480**	28,089,708
– Essity Poland Sp.z o.o.	**26,652,542**	50,648,503
– Essity Netherlands B.V.	**4,172,451**	–
– Essity Slovakia s.r.o.	**1,660,357**	990,360
– Essity ON GmbH	**1,289,288**	1,397,860
– Uni-Charm	**22,109**	–
– Essity Operations France	**–**	367,880
– Essity NA	**–**	250,964
– Essity OM	**–**	56,933
	177,923,354	198,952,007

(3) Research and development expenses charged to a related party:

	For the year ended 31 December	
	2019	2018
	HK$	HK$
– Essity HH	**19,046,379**	17,626,511

(4) IT costs charged by a related party:

	For the year ended 31 December	
	2019	2018
	HK$	HK$
– Essity HH	**3,484,964**	10,569,891

32 Related party transactions *(continued)*

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

(5) Loans borrowed from a related party:

	For the year ended 31 December	
	2019	2018
	HK$	HK$
– Essity Treasury AB	**394,643,979**	331,118,453

(6) Loans repaid to a related party:

	For the year ended 31 December	
	2019	2018
	HK$	HK$
– Essity Treasury AB	**337,782,170**	359,151,000

(7) Interest expenses accrued to a related party:

	For the year ended 31 December	
	2019	2018
	HK$	HK$
– Essity Treasury AB	**41,213,841**	39,024,331

(8) Interest expenses paid to a related party:

	For the year ended 31 December	
	2019	2018
	HK$	HK$
– Essity Treasury AB	**41,585,314**	38,950,459

32 Related party transactions *(continued)*

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

(9) Key management compensation:

	For the year ended 31 December	
	2019	2018
	HK$	HK$
Directors		
– Basic salaries, housing allowances, other allowances, benefits-in-kind, pensions and other benefits	**37,107,300**	35,691,069
– Long-term incentive plans	**7,716,773**	1,676,465
Senior management		
– Basic salaries, housing allowances, other allowances, benefits-in-kind, pensions and other benefits	**30,477,489**	28,349,668
– Long-term incentive plans	**10,788,470**	(4,230,330)
	86,090,032	61,486,872

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

	Number of individuals	
	2019	2018
– HK$1,000,000 to HK$1,500,000	**2**	3
– HK$1,500,000 to HK$2,000,000	**1**	–
– Above HK$2,000,000	**6**	6

No emoluments have been paid to directors and senior management as an inducement to join or upon joining the Group or as compensation for loss of office for the year ended 31 December 2019 and 2018.

32 Related party transactions *(continued)*

(c) Year-end balances with related parties

	As at 31 December	
	2019	2018
	HK$	HK$
(1) Trade and other receivables from related parties:		
– Uni-Charm	**10,940,760**	11,310,986
– Essity HH	**6,601,490**	6,829,578
– Asaleo Personal Care Pty Ltd	**5,060,142**	4,323,334
– Asaleo Care Fiji Ltd	**4,796,900**	1,922,768
– Productos Familia, S.A., Colombia	**2,178,534**	4,667,659
– Asaleo Care New Zealand Ltd	**873,247**	499,200
– Essity Canada Inc.	**503,511**	409,222
– Essity	**330,000**	330,000
– Essity Hoogezand B.V.	**277,892**	277,278
– Essity China	**267,923**	–
– Essity Mexico	**134,909**	3,830,112
– BSN Shanghai	**100,471**	–
– Essity BV	**–**	1,992,592
– Essity GmbH	**–**	173,353
– Essity HMS	**–**	42,923
	32,065,779	36,609,005

All the above receivables are aged within 3 months based on invoice date as at 31 December 2019 and 31 December 2018.

32 Related party transactions *(continued)*

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

	As at 31 December	
	2019	2018
	HK$	HK$
(2) Trade and other payables to related parties		
– Essity Hoogezand B.V.	**2,866,703**	2,252,429
– Essity HH	**2,101,478**	3,199,428
– Essity Netherlands B.V.	**1,456,959**	–
– Essity Kostheim	**1,420,831**	831,625
– Essity OG B.V.	**1,379,590**	4,096,997
– Essity Poland Sp.z o.o.	**807,811**	1,841,251
– Uni-Charm	**21,697**	243
– Essity OM	**–**	47,773
– Essity Mexico	**–**	7,149
	10,055,069	12,276,895

All the above payables are aged within 3 months based on invoice date as at 31 December 2019 and 31 December 2018.

	As at 31 December	
	2019	2018
	HK$	HK$
(3) Loans from a related party		
– Essity Treasury AB (Note (a))	**1,274,928,072**	1,218,116,846
(4) Interest payable to a related party		
– Essity Treasury AB	**5,758,190**	6,129,663

(a) As at 31 December 2018, loans from a related party represents long term loans with principal of HK$170,000,000, HK$300,000,000, HK$580,116,846 and HK$168,000,000 respectively. The weighted average interest rate is 2.84%. These loans are due on 11 December 2020, 21 June 2021, 7 April 2021 and 11 May 2020.

As at 31 December 2019, loans from a related party represent long term loans with principal of HK$300,000,000, HK$300,000,000, HK$580,116,846 and MYR50,000,000 (HK$94,811,226) respectively. The weighted average interest rate is 3.21%. These loans are due on 21 June 2021, 10 June 2021, 7 April 2021 and 18 December 2024 respectively.

33 Balance sheet and reserve movement of the Company

	As at 31 December	
	2019	2018
	HK$	HK$
ASSETS		
Non-current assets		
Investments in and balances with subsidiaries	**3,670,436,494**	3,752,457,889
Current assets		
Prepayment	**4,005,602**	2,501,612
Dividends receivable	**257,934,043**	328,767,471
Due from subsidiaries	**89,590,349**	78,183,532
Cash and cash equivalents	**1,016,269**	709,699
	352,546,263	410,162,314
Total assets	**4,022,982,757**	4,162,620,203
EQUITY		
Capital and reserves attributable to the Company's equity holders		
Share capital	**119,510,337**	119,485,237
Share premium	**4,356,240,018**	4,351,781,230
Other reserves (Note (a))	**(546,077,718)**	(545,727,653)
Total equity	**3,929,672,637**	3,925,538,814
LIABILITIES		
Non-current liabilities		
Loan from a related party	**–**	168,000,000
Current liabilities		
Other payables and accrued expenses	**26,974,595**	18,080,485
Due to subsidiaries	**66,335,525**	51,000,904
	93,310,120	69,081,389
Total liabilities	**93,310,120**	237,081,389
Total equity and liabilities	**4,022,982,757**	4,162,620,203

The balance sheet of the Company was approved by the Board of Directors on 21 January 2020 and were signed on its behalf.

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

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

Note(a) Reserve movement of the Company

	Translation reserve HK$	Retained earnings HK$	Employee option reserve HK$	Total HK$
At 1 January 2018	(573,575,480)	170,185,072	47,669,480	(355,720,928)
Employee share options scheme:				
– Exercise of options	–	–	(1,626,396)	(1,626,396)
Dividends	–	(238,878,475)	–	(238,878,475)
Profit for the year	–	242,279,047	–	242,279,047
Currency translation differences	(191,780,901)	–	–	(191,780,901)
At 31 December 2018	(765,356,381)	173,585,644	46,043,084	(545,727,653)
At 1 January 2019	**(765,356,381)**	**173,585,644**	**46,043,084**	**(545,727,653)**
Employee share options scheme:				
– Exercise of options	**–**	**–**	**(1,198,368)**	**(1,198,368)**
Dividends	**–**	**(250,955,748)**	**–**	**(250,955,748)**
Profit for the year	**–**	**332,376,705**	**–**	**332,376,705**
Currency translation differences	**(80,572,654)**	**–**	**–**	**(80,572,654)**
At 31 December 2019	**(845,929,035)**	**255,006,601**	**44,844,716**	**(546,077,718)**

34 Benefits and interests of directors

(a) Directors' emoluments

	For the year ended 31 December	
	2019 HK$	2018 HK$
Directors		
– Basic salaries, housing allowances, other allowances and benefits-in-kind	**37,035,300**	35,619,069
– Long-term incentive plans	**7,716,773**	1,676,465
– Others	**72,000**	72,000
	44,824,073	37,367,534

34 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 2019:

	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	–	4,387,890	3,485,223	15,765	18,000	1,893,285	9,800,163
Executive directors							
– Ms. YU Yi Fang	–	2,740,400	2,261,427	15,765	18,000	1,214,315	6,249,907
– Mr. Johann Christoph MICHALSKI	–	5,213,520	4,141,086	–	–	2,180,543	11,535,149
– Ms. LI Jielin	–	2,841,930	2,285,727	375,765	18,000	1,214,315	6,735,737
– Mr. DONG Yi Ping	–	2,847,130	2,261,427	15,765	18,000	1,214,315	6,356,637
Non-executive directors							
– Mr. Jan Christer JOHANSSON	2,721,680	–	–	–	–	–	2,721,680
– Mr. Carl Magnus GROTH	–	–	–	–	–	–	–
– Mr. Carl Fredrik Stenson RYSTEDT	–	–	–	–	–	–	–
Independent non-executive directors							
– Ms. LEE Hsiao-yun Ann	311,200	–	–	–	–	–	311,200
– Mr. CHIA Yen On	321,200	–	–	–	–	–	321,200
– Mr. WONG Kwai Huen, Albert	371,200	–	–	–	–	–	371,200
– Mr. TSUI King Fai	421,200	–	–	–	–	–	421,200
Alternate directors							
– Mr. Herve Stephane ROSE (c)	–	–	–	–	–	–	–
– Mr. Gert Mikael SCHMIDT	–	–	–	–	–	–	–
– Mr. Dominique Michel Jean DESCHAMPS (d)	–	–	–	–	–	–	–
	4,146,480	18,030,870	14,434,890	423,060	72,000	7,716,773	44,824,073

34 Benefits and interests of directors *(continued)*

(a) Directors' emoluments *(continued)*

(ii) For the year ended 31 December 2018:

	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	–	4,387,890	3,164,273	14,875	18,000	411,316	7,996,354
Executive directors							
– Ms. YU Yi Fang	–	2,847,130	2,053,175	14,875	18,000	263,809	5,196,989
– Mr. Johann Christoph MICHALSKI	–	5,213,520	3,688,800	–	–	473,722	9,376,042
– Ms. LI Jielin	–	2,841,930	1,937,648	374,875	18,000	263,809	5,436,262
– Mr. DONG Yi Ping	–	2,847,130	2,053,175	14,875	18,000	263,809	5,196,989
Non-executive directors							
– Mr. Jan Christer JOHANSSON	2,721,680	–	–	–	–	–	2,721,680
– Mr. Carl Magnus GROTH	–	–	–	–	–	–	–
– Mr. Carl Fredrik Stenson RYSTEDT	–	–	–	–	–	–	–
Independent non-executive directors							
– Mr. KAM Robert (e)	102,800	–	–	–	–	–	102,800
– Ms. LEE Hsiao-yun Ann	234,237	–	–	–	–	–	234,237
– Mr. CHIA Yen On	321,200	–	–	–	–	–	321,200
– Mr. WONG Kwai Huen, Albert	371,200	–	–	–	–	–	371,200
– Mr. TSUI King Fai	413,781	–	–	–	–	–	413,781
Alternate directors							
– Mr. Herve Stephane ROSE	–	–	–	–	–	–	–
– Mr. Gert Mikael SCHMIDT	–	–	–	–	–	–	–
	4,164,898	18,137,600	12,897,071	419,500	72,000	1,676,465	37,367,534

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, medical and life insurance premium.

(c) Mr. Herve Stephane ROSE resigned from alternative director on 6 September 2019.

(d) Mr. Dominique Michel Jean DESCHAMPS was appointed as alternative director on 25 October 2019.

(e) Mr. KAM Robert resigned from independent non-executive director on 31 March 2018.

34 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
2019	2018	**2019**	2018	**2019**	2018
HK$	HK$	**HK$**	HK$	**HK$**	HK$
44,824,073	37,367,534	**–**	–	**44,824,073**	37,367,534

Notes:

For the year ended 31 December 2019 and 2018, 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' termination benefits

There were no termination benefits paid to any director during or at any time for the year ended 31 December 2019 and 2018.

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

During the year ended 31 December 2019 and 2018, the Group provided no consideration to third parties for making available director's services.

(d) Information about loans, quasi-loans and other dealings in favour of directors

There were no loans, quasi-loans and other dealings entered into between the Group and the directors and in favour of the directors as at the end of the year or at any time during the year.

(e) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Consolidated Statement of Comprehensive Income

	For the year ended 31 December				
	2015 HK$	2016 HK$	2017 HK$	2018 HK$	**2019** **HK$**
Revenue	9,695,997,657	12,056,548,935	13,485,960,780	14,878,547,902	**16,074,288,277**
Cost of sales	(6,737,327,688)	(8,239,615,131)	(9,486,047,682)	(10,691,953,432)	**(11,089,036,453)**
Gross profit	2,958,669,969	3,816,933,804	3,999,913,098	4,186,594,470	**4,985,251,824**
Selling and marketing costs	(1,565,457,775)	(2,074,739,697)	(2,351,849,995)	(2,379,803,125)	**(2,575,268,219)**
Administrative expenses	(577,688,065)	(728,394,604)	(727,035,386)	(758,565,392)	**(856,145,835)**
Net impairment losses on financial assets	–	–	–	(1,829,013)	**(1,540,148)**
Other income and losses – net	(62,896,404)	(6,226,887)	62,498,407	(26,772,076)	**17,291,041**
Operating profit	752,627,725	1,007,572,616	983,526,124	1,019,624,864	**1,569,588,663**
Finance income and costs – net	(303,751,333)	(199,265,704)	(214,027,686)	(221,951,496)	**(198,620,467)**
Share of post-tax loss of an associate	–	–	–	–	**(208,240)**
Profit before income tax	448,876,392	808,306,912	769,498,438	797,673,368	**1,370,759,956**
Income tax expense	(134,435,280)	(154,772,358)	(148,541,984)	(148,368,679)	**(232,443,563)**
Profit attributable to equity holders of the Company	314,441,112	653,534,554	620,956,454	649,304,689	**1,138,316,393**
Other comprehensive income:					
Item that may be reclassified to profit or loss					
Currency translation differences	(285,983,288)	(531,450,105)	692,642,246	(421,842,655)	**(157,128,714)**
Item that will not be reclassified subsequently to profit or loss					
Remeasurements of post-employment benefit obligations	–	(273,967)	2,491,047	396,637	**(222,560)**
Total comprehensive income attributable to equity holders of the Company	28,457,824	121,810,482	1,316,089,747	227,858,671	**980,965,119**

Consolidated Balance Sheet

	As at 31 December				
	2015	2016	2017	2018	2019
	HK$	HK$	HK$	HK$	HK$
ASSETS					
Property, plant and equipment	6,261,216,698	7,281,873,804	8,739,887,326	8,997,273,418	8,858,171,961
Right-of-use assets	–	–	–	–	1,250,456,963
Leasehold land and land use rights	387,818,653	432,130,671	1,042,127,885	1,050,718,413	–
Intangible assets	1,306,968,419	2,796,001,162	2,913,888,055	2,823,114,342	2,780,086,369
Deferred income tax assets	259,511,539	268,225,330	348,762,906	403,828,940	456,674,351
Investment properties	–	4,859,059	7,660,539	7,217,853	4,039,119
Investment in an associate	–	–	–	–	2,525,619
Inventories	2,367,407,631	1,785,142,568	3,048,179,318	2,745,883,730	3,223,321,363
Trade receivable, other receivables and prepayments	1,463,321,731	1,938,829,069	2,309,863,202	–	–
Trade and notes receivables	–	–	–	1,888,459,707	1,916,318,675
Other receivables	–	–	–	449,515,451	237,999,919
Prepayments	–	–	–	90,514,885	59,439,391
Due from related parties	64,444,039	106,197,276	28,949,331	36,609,005	32,065,779
Cash and cash equivalents	393,247,986	1,015,254,277	534,589,786	574,465,154	460,387,446
Total Assets	12,503,936,696	15,628,513,216	18,973,908,348	19,067,600,898	19,281,486,955
EQUITY					
Capital and reserves attributable to the Company's equity holders					
Share capital	99,908,769	113,741,237	119,416,737	119,485,237	119,510,337
Share premium	1,688,013,706	3,498,754,174	4,345,689,034	4,351,781,230	4,356,240,018
Other reserves	3,159,837,388	3,167,068,811	4,271,362,605	4,258,649,944	4,987,460,947
Total equity	4,947,759,863	6,779,564,222	8,736,468,376	8,729,916,411	9,463,211,302
LIABILITIES					
Long-term borrowings	2,177,485,991	2,879,551,662	3,310,130,427	3,004,812,188	2,297,063,820
Long-term loans from a related party	1,308,080,688	915,499,741	1,236,403,002	1,218,116,846	1,274,928,072
Long-term lease liabilities	–	–	–	–	119,942,991
Deferred government grants	92,493,668	90,486,296	142,848,544	215,070,111	266,342,534
Deferred income tax liabilities	96,248,856	203,135,117	211,437,204	208,522,060	193,616,342
Post-employment benefits	–	36,601,481	33,214,008	31,124,829	26,952,299
Other non-current liabilities	–	–	17,675,709	10,709,487	29,214,726
Other current liabilities	3,881,867,630	4,723,674,697	5,285,731,078	5,649,328,966	5,610,214,869
Total Liabilities	7,556,176,833	8,848,948,994	10,237,439,972	10,337,684,487	9,818,275,653
Total equity and liabilities	12,503,936,696	15,628,513,216	18,973,908,348	19,067,600,898	19,281,486,955