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Vinda International Holdings Limited

維達國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 3331)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

2016 ANNUAL RESULTS HIGHLIGHTS

- **Strong revenue growth:** Total revenue grew by 24.3% to HK\$12.1 billion, representing 13.7% of organic growth. Both tissue and personal care segments (incontinence and feminine in particular) contributed to the strong organic growth.
- **Larger sales contribution from Personal Care segment:** Revenue from the Personal Care segment reached HK\$2.0 billion, accounting for 17% of the Group's total sales. The increased contribution primarily came from the new income stream from the SCA Asia business.
- **Maintained No.1 market position in E-commerce:** Sales of e-commerce continued to grow well, accounting for 18% of the Group's total sales.
- **Higher gross margin:** Total gross profit grew by 29.0% to HK\$3.8 billion. Gross margin improved by 1.2 pps to 31.7% due to lower wood pulp cost, active portfolio optimisation and higher fixed cost coverage.

- **Improved operating profitability:** Despite an ongoing cost pressure, particularly in selling and marketing, operating profit grew by 33.9% to HK\$1.0 billion. Operating margin grew by 0.6 pps to 8.4%. EBITDA grew by 37.6% to HK\$1.7 billion. EBITDA margin grew by 1.4 pps to 14.0%.
- **Net profit doubled & proposed final dividend increased :** Net profit increased by 107.8% to HK\$654 million. Net margin grew by 2.2 pps to 5.4%. A final dividend of 12.0 HK cents per share is proposed (2015: 5.0 HK cents).
- **Good cash flow:** Achieved strong free cash flow through good operating results, careful working capital management and tightly managed level of capital expenditure.
- **Significant reduction of foreign exchange loss:** Despite ongoing devaluation of RMB against HKD, total foreign exchange loss reduced significantly to HK\$45 million (2015: HK\$309 million) due to increased proportion of RMB borrowings.
- **Lower gearing level:** Net gearing ratio improved to 59% (2015: 88%).

The board of directors (the “Board”) of Vinda International Holdings Limited (“Vinda” or the “Company”) is pleased to present the final results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2016 (the “Year”).

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

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

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

These good operational results, together with the careful management of working capital throughout the Year and tightly managed level of capital expenditure (including the slower timing of some projects) have enabled Vinda to deliver a strong free cash flow and resulted in a reduction of the net gearing level¹.

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

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

Financial Highlights

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

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

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

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

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

The increase of HK\$58 million in interest expenses was mainly due to the slightly increased level of debt through the year and the higher cost of borrowings in RMB compared with those in HKD and USD. The net gearing ratio¹, however, reduced to 59% (2015: 88%).

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

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

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

Business Review

Tissue Segment

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

The *Vinda* brand again came first in brand share in the Tissue category for 2016². During the Year, we launched new products such as embossed toilet rolls and a limited edition collection of Disney Pixar's Finding Dory tissue products. The upgraded anti-germ wet wipes, kitchen towels and Ultra Strong tissue series under *Vinda* have also contributed. Furthermore, *Tempo*'s sales coverage has been extended to more provincial cities, beyond key cities in the Pearl River Delta and Yangtze River Delta.

Personal Care Segment

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

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

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

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

Production Capacity Plan

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

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

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

Internal Control and Human Resources Management

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

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

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

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

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

Outlook

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

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

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

1. To drive Tissue business in China
2. To broaden the presence of Personal Care business in China
3. To drive the growth of Personal Care business in Asia and roll out Tissue business to the region
4. To build up B2B business

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

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<i>Note</i>	For the year ended 31 December	
		2016	2015
		<i>HK\$</i>	<i>HK\$</i>
Revenue	4	12,056,548,935	9,695,997,657
Cost of sales	5	<u>(8,239,615,131)</u>	<u>(6,737,327,688)</u>
Gross profit		3,816,933,804	2,958,669,969
Selling and marketing costs	5	<u>(2,074,739,697)</u>	<u>(1,565,457,775)</u>
Administrative expenses	5	<u>(728,394,604)</u>	<u>(577,688,065)</u>
Other income and (losses) – net		<u>(6,226,887)</u>	<u>(62,896,404)</u>
Operating profit		<u>1,007,572,616</u>	<u>752,627,725</u>
Finance costs, net	6	<u>(199,265,704)</u>	<u>(303,751,333)</u>
Profit before income tax		808,306,912	448,876,392
Income tax expense	7	<u>(154,772,358)</u>	<u>(134,435,280)</u>
Profit attributable to equity holders of the Company		<u>653,534,554</u>	<u>314,441,112</u>
Other comprehensive income:			
<i>Item that may be reclassified to profit or loss</i>			
– Currency translation differences		(531,450,105)	(285,983,288)
<i>Item that will not be reclassified subsequently to profit or loss</i>			
– Remeasurements of post-employment benefit obligations		<u>(273,967)</u>	<u>–</u>
Total comprehensive income attributable to equity holders of the Company		<u>121,810,482</u>	<u>28,457,824</u>
Earnings per share for profit attributable to the equity holders of the Company for the year			
– basic	8(a)	<u>0.598</u>	<u>0.315</u>
– diluted	8(b)	<u>0.597</u>	<u>0.314</u>

CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2016	2015
	Note	HK\$	HK\$
ASSETS			
Non-current assets			
Property, plant and equipment	10	7,281,873,804	6,261,216,698
Leasehold land and land use rights	10	432,130,671	387,818,653
Intangible assets	10	2,796,001,162	1,306,968,419
Deferred income tax assets		268,225,330	259,511,539
Investment properties		4,859,059	–
		<u>10,783,090,026</u>	<u>8,215,515,309</u>
Current assets			
Inventories		1,785,142,568	2,367,407,631
Trade receivables, other receivables and prepayments	11	1,938,829,069	1,463,321,731
Prepayments to and receivables from related parties		106,197,276	64,444,039
Cash and cash equivalents		1,015,254,277	393,247,986
		<u>4,845,423,190</u>	<u>4,288,421,387</u>
Total assets		<u>15,628,513,216</u>	<u>12,503,936,696</u>
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	13	113,741,237	99,908,769
Share premium	13	3,498,754,174	1,688,013,706
Other reserves		3,167,068,811	3,159,837,388
Total equity		<u>6,779,564,222</u>	<u>4,947,759,863</u>

		As at 31 December	
		2016	2015
	<i>Note</i>	HK\$	HK\$
LIABILITIES			
Non-current liabilities			
Borrowings	<i>14</i>	2,879,551,662	2,177,485,991
Loans from a related party	<i>14</i>	915,499,741	1,308,080,688
Deferred government grants		90,486,296	92,493,668
Deferred income tax liabilities		203,135,117	96,248,856
Provision for pension		36,601,481	–
		<u>4,125,274,297</u>	<u>3,674,309,203</u>
Current liabilities			
Trade payables, other payables and accrued expenses	<i>12</i>	3,384,235,435	2,516,294,366
Borrowings	<i>14</i>	1,221,694,623	1,252,972,123
Due to related parties		37,775,333	60,202,591
Current income tax liabilities		79,969,306	52,398,550
		<u>4,723,674,697</u>	<u>3,881,867,630</u>
Total liabilities		<u>8,848,948,994</u>	<u>7,556,176,833</u>
Total equity and liabilities		<u>15,628,513,216</u>	<u>12,503,936,696</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Attributable to equity holders of the Company			Total HK\$
		Share capital HK\$	Share premium HK\$	Other reserves HK\$	
Balance as at 1 January 2015		99,840,269	1,677,023,606	3,304,140,930	5,081,004,805
Profit for the year		–	–	314,441,112	314,441,112
Other comprehensive income					
– Currency translation differences		–	–	(285,983,288)	(285,983,288)
Total comprehensive income for the year ended 31 December 2015		–	–	28,457,824	28,457,824
Transaction with owners					
Employees share option scheme					
– Exercise of share options	13	68,500	10,990,100	(2,942,860)	8,115,740
Dividends	9	–	–	(169,818,506)	(169,818,506)
Transaction with owners		68,500	10,990,100	(172,761,366)	(161,702,766)
Balance as at 31 December 2015		<u>99,908,769</u>	<u>1,688,013,706</u>	<u>3,159,837,388</u>	<u>4,947,759,863</u>
Balance as at 1 January 2016		99,908,769	1,688,013,706	3,159,837,388	4,947,759,863
Profit for the year		–	–	653,534,554	653,534,554
Other comprehensive income					
– Currency translation differences		–	–	(531,450,105)	(531,450,105)
– Remeasurements of post-employment benefit obligations		–	–	(273,967)	(273,967)
Total comprehensive income for the year ended 31 December 2016		–	–	121,810,482	121,810,482
Transaction with owners					
Employees share option scheme					
– Exercise of share options	13	78,800	14,832,224	(3,994,104)	10,916,920
Allotment of shares	13	10,589,703	1,359,281,030	–	1,369,870,733
Conversion of convertible notes	13	3,163,965	436,627,214	–	439,791,179
Dividends	9	–	–	(110,584,955)	(110,584,955)
Transaction with owners		13,832,468	1,810,740,468	(114,579,059)	1,709,993,877
Balance as at 31 December 2016		<u>113,741,237</u>	<u>3,498,754,174</u>	<u>3,167,068,811</u>	<u>6,779,564,222</u>

CONSOLIDATED STATEMENT OF CASH FLOWS

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

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2016

1 GENERAL INFORMATION

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

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

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

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

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

2 BASIS OF PREPARATION

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

3 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

(a) New and amended standards adopted by the Group

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

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

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

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

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

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

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

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

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

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

4 SEGMENT INFORMATION

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

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

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

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

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

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

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

For the year ended 31 December 2015

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

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

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

5 EXPENSES BY NATURE

	For the year ended 31 December	
	2016	2015
	HK\$	HK\$
Raw materials and trading merchandise consumed	6,047,927,399	4,972,600,834
Staff costs	1,358,817,708	963,506,952
Utilities	798,010,324	723,937,074
Transportation expenses	520,380,269	417,125,088
Promotion expenses	768,931,785	604,991,749
Depreciation of property, plant and equipment (<i>Note 10</i>)	581,842,499	428,867,751
Operating lease rent	208,054,296	144,864,593
Advertising costs	70,629,381	65,278,978
Travel and office expenses	76,614,138	72,292,754
Real estate tax, stamp duty and other taxes	39,753,685	38,422,348
Bank charges	5,845,459	7,196,336
Provision for impairment of receivables (<i>Note 11</i>)	6,404,393	5,460,177
Auditor's remuneration	8,866,076	15,603,416
Amortisation of leasehold land and land use rights (<i>Note 10</i>)	9,659,959	6,895,600
Amortisation of intangible assets (<i>Note 10</i>)	83,931,279	34,804,820
Provision for write-down of inventories	2,199,662	4,867,549
Impairment charge on property, plant and equipment (<i>Note 10</i>)	2,022,608	11,438,359
Other expenses	452,858,512	362,319,150
	<u>11,042,749,432</u>	<u>8,880,473,528</u>
Total cost of sales, selling and marketing costs and administrative expenses	<u>11,042,749,432</u>	<u>8,880,473,528</u>

6 FINANCE COSTS, NET

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

- (a) During the year, the Group has capitalised borrowing costs amounting to HK\$16,663,219 (2015: HK\$44,492,185) on qualifying assets. Borrowing costs were capitalised at the weighted average rate of its general borrowings of 2.83% (2015: 7.72%).
- (b) Other financial costs mainly comprise the change in fair value of convertible notes and the commitment fee.

7 INCOME TAX EXPENSE

The applicable corporate income tax rate for Mainland China subsidiaries is 25% except for subsidiaries which are qualified as High and New Technology Enterprises (“HNTE”) and would be entitled to enjoy a beneficial tax rate of 15%. The subsidiaries which are qualified as HNTE may additionally deduct 50% of qualified research and development expenses when calculating the taxable income.

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

	For the year ended 31 December	
	2016	2015
	HK\$	HK\$
Current income tax	171,186,296	133,368,987
(Over)/Under provision of income tax for prior year	(7,096,241)	1,967,666
Deferred income tax	(9,317,697)	(901,373)
	<u>154,772,358</u>	<u>134,435,280</u>

8 EARNINGS PER SHARE

(a) Basic

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

	For the year ended 31 December	
	2016	2015
Profit attributable to equity holders of the Company (HK\$)	<u>653,534,554</u>	<u>314,441,112</u>
Weighted average number of ordinary shares in issue	<u>1,093,392,635</u>	<u>998,824,774</u>
Basic earnings per share (HK\$ per share)	<u>0.598</u>	<u>0.315</u>

(b) Diluted

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

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

9 DIVIDENDS

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

On 25 January 2017, the Board of Directors proposed a final dividend in respect of the year ended 31 December 2016 of HK\$136,489,485 representing HK\$0.120 per ordinary share. Such dividend is to be approved by the shareholders at the Annual General Meeting of the Company. These financial statements do not reflect this dividend payable.

The actual final dividends paid for the year ended 31 December 2015 was HK\$53,749,236 based on the 1,074,984,720 issued shares outstanding at that time.

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

10 PROPERTY, PLANT AND EQUIPMENT, LEASEHOLD LAND AND LAND USE RIGHTS AND INTANGIBLE ASSETS

	Property, plant and equipment	Leasehold land and land use rights	Intangible assets
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
For the year ended 31 December 2015			
Opening net book amount as at 1 January 2015	5,901,730,851	297,758,758	1,400,041,901
Additions	1,180,298,928	118,712,474	22,985,050
Disposals	(7,744,718)	–	–
Depreciation and amortization (<i>Note 5</i>)	(428,867,751)	(6,895,600)	(34,804,820)
Impairment charges	(11,438,359)	–	–
Exchange differences	(372,762,253)	(21,756,979)	(81,253,712)
Closing net book amount as at 31 December 2015	6,261,216,698	387,818,653	1,306,968,419
For the year ended 31 December 2016			
Opening net book amount as at 1 January 2016	6,261,216,698	387,818,653	1,306,968,419
Acquisition of subsidiaries (<i>Note 15</i>)	743,301,199	–	1,705,833,995
Additions	1,356,274,748	81,552,655	28,618,295
Disposals	(12,141,487)	–	–
Transfers	(4,900,301)	–	–
Depreciation and amortisation (<i>Note 5</i>)	(581,842,499)	(9,659,959)	(83,931,279)
Impairment charges	(2,022,608)	–	(11,363,709)
Exchange differences	(478,011,946)	(27,580,678)	(150,124,559)
Closing net book amount as at 31 December 2016	7,281,873,804	432,130,671	2,796,001,162

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

11 TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

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

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

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

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

Customers who are given credit are generally granted with credit terms ranging from 60 to 90 days.

Ageing analyses of trade receivables of the Group based on invoice date as at 31 December 2016 and 2015 are as below:

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

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

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

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

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

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

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

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

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

12 TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES

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

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

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

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

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

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

13 SHARE CAPITAL AND SHARE PREMIUM

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

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

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

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

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

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

14 BORROWINGS

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

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

(b) The maturity of borrowings is as follows:

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

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

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

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

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

(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:

	Bank borrowings	
	As at 31 December	
	2016	2015
HK\$	2.16%	2.03%
US\$	1.83%	2.13%
RMB	4.31%	4.56%
MYR	3.79%	–
KRW	2.84%	–
EUR	0.80%	0.80%

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

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

15 BUSINESS COMBINATION

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

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

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

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

Consideration as at 1 April 2016:

– Cash by the way of shareholder loan	1,140,116,846
– Allotment of shares	979,071,739
– Convertible note	426,607,492
– Cash	15,456,001

Total consideration	2,561,252,078
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Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	317,264,006
Property, plant and equipment (<i>Note 10</i>)	743,301,199
Intangible assets (<i>Note 10</i>)	865,079,701
Inventories	253,767,285
Trade and other receivables	440,433,939
Deferred tax assets	20,103,747
Trade and other payables	(563,554,095)
Post-employment benefits	(36,468,537)
Borrowings	(203,120,745)
Deferred tax liabilities	(116,308,716)

Total identifiable net assets	1,720,497,784
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Goodwill (<i>Note 10</i>)	840,754,294
	2,561,252,078

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

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

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

Foreign Exchange and Fair Value Interest Rate Risk

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

Liquidity, Financial Resources and Bank Loans

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

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

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

Charges on Group Assets

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

Contingent Liabilities

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

Final Dividend

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

Closure of Register of Members

The register of members of the Company will be closed from 5 April 2017 to 7 April 2017, both dates inclusive, during which period no transfer of shares will be registered. In order to ascertain shareholders’ eligibility to attend and vote at the AGM, all transfers documents accompanied by the relevant share certificates must be lodged with the Company’s share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 3 April 2017. In addition, the register of members of the Company will be closed from 26 April 2017 to 28 April 2017, both dates inclusive, during which period no transfer of shares will be registered. In order to ascertain shareholders’ entitlement to the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 25 April 2017.

Purchase, Sale or Redemption of the Securities

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

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 the shareholders of the Company. For the year ended 31 December 2016, the Company has complied with all the code provisions set out in the Corporate Governance Code, 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 Transaction by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. Having made specific enquiry with all the directors of the Company (the "Directors" or individually the "Director"), all of them confirmed that they have complied with the required standard set out in the Model Code and the Code of Conduct regarding securities transactions by the Directors during the year ended 31 December 2016.

Audit Committee

The Company's audit committee has four members comprising three Independent Non-Executive Directors, namely, Mr. KAM Robert, Mr. WONG Kwai Huen, Albert and Mr. TSUI King Fai and a Non-Executive Director, Mr. Ulf Olof Lennart SODERSTROM. The chairman of the audit committee is Mr. KAM Robert. The audit committee is accountable to the Board and the principal duties of the audit committee include the review and supervision of the financial reporting process. It also reviews the effectiveness of internal audit, internal controls and risk evaluation, and reviews the interim and final results and reports of the Group.

The annual results of the Group for the year ended 31 December 2016 have been reviewed by the audit committee of the Company.

Remuneration Committee

The Company's remuneration committee has five members comprising three Independent Non-Executive Directors, namely Mr. TSUI King Fai, Mr. KAM Robert and Mr. CHIA Yen On and two Executive Directors, namely Mr. Johann Christoph MICHALSKI and Ms. LI Jielin. 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 base remuneration.

Nomination Committee

The Company's nomination committee has five members comprising three Independent Non-Executive Directors, namely, Mr. KAM Robert, Mr. WONG Kwai Huen, Albert and Mr. CHIA Yen On, an Executive Director, Mr. LI Chao Wang and a Non-Executive Director, Mr. Jan Christer JOHANSSON. The chairman of the nomination committee is Mr. LI Chao Wang. The principal duty of the nomination committee is to consider and recommend to the Board suitably qualified persons to become Directors and is responsible for reviewing the structure, size and composition of the Board on a regular basis.

Risk Management Committee

The Company's risk management committee has five members comprising two Executive Directors, Mr. Johann Christoph MICHALSKI and Ms. YU Yi Fang; two Non-Executive Directors, namely, Mr. Jan Christer JOHANSSON and Mr. Ulf Olof Lennart SODERSTROM; and an Independent Non-Executive Director, Mr. TSUI King Fai. The chairman of the risk management committee is Mr. Jan Christer JOHANSSON. The principal duty of the risk management committee is to assist the Board in deciding the Group's risk level and risk appetite, and considering the Company's risk management strategies and gives directions where appropriate.

Executive Committee

The Company's executive committee comprises five members and is chaired by Mr. LI Chao Wang, an Executive Director. The other members are Executive Directors, namely Ms. YU Yi Fang, Mr. Johann Christoph MICHALSKI, Mr. DONG Yi Ping and Ms. LI Jielin. The duties of the executive committee is to review the Company's annual budgets, CAPEX budget, material business plans, proposals for restructuring and major asset disposal, annual salary adjustment plans and remuneration incentive scheme.

Strategic Development Committee

The Company's strategic development committee comprises five members and is chaired by Mr. Jan Christer JOHANSSON, a Non-Executive Director. The other members are three Executive Directors, namely Mr. DONG Yi Ping, Mr. Johann Christoph MICHALSKI, and Ms. LI Jielin and an Independent Non-Executive Director, Mr. CHIA Yen On (appointed on 18 April 2016). The duties of the strategic development committee is to review and advise the mid to long term strategic positioning, development plans and investment decisions of the Company and make recommendations to the Board, to monitor and review the implementations of strategic plans, to advise on major investment projects, merger and acquisitions, brand strategies or any other material matters which will affect the Company's long term development.

Publication of Results Announcement and Annual Report

This announcement is published on the websites of the Company (www.vinda.com) and the Stock Exchange (www.hkexnews.hk). The 2016 annual report of the Company will be dispatched to the shareholders of the Company and available on the same websites in due course.

Acknowledgement

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

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

Hong Kong, 25 January 2017

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

Executive Directors

Mr. LI Chao Wang

Ms. YU Yi Fang

Mr. Johann Christoph MICHALSKI

Ms. LI Jielin

Mr. DONG Yi Ping

Non-Executive Directors

Mr. Jan Christer JOHANSSON

Mr. Carl Magnus GROTH

Mr. Ulf Olof Lennart SODERSTROM

Independent Non-Executive Directors

Mr. CHIA Yen On

Mr. KAM Robert

Mr. TSUI King Fai

Mr. WONG Kwai Huen, Albert

Alternate Directors

Mr. Carl Fredrik Stenson RYSTEDT (alternate to Mr. SODERSTROM)

Mr. Gert Mikael SCHMIDT (alternate to Mr. JOHANSSON and Mr. GROTH)